



City of Philadelphia

**Testimony before the Senate Republican Policy Committee
Regarding the Sterling Act/Philadelphia Non-Resident Wage Tax**

Submitted by Rob Dubow

Director of Finance, City of Philadelphia

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Members of the Senate Republican Policy Committee: thank you for the opportunity to submit written testimony. I am Rob Dubow, the Director of Finance for the City of Philadelphia.

In the past, I have provided testimony opposing proposed changes to the Sterling Act and Local Enabling Act that would have had a devastating impact on Philadelphia and the entire Southeastern Pennsylvania region. With my testimony today, I echo those same concerns.

Philadelphia collects Wage Tax from employees working within city limits and from all city residents regardless of work location. The City's Department of Revenue estimates that the City would lose about \$190 million of existing tax revenue if every jurisdiction enacted a 1% earned income tax.

This estimated \$190 million revenue loss would force the City to make painful cuts or to substantially increase taxes. Either of those actions would damage the Southeastern Pennsylvania region. For example, the amount of lost revenue would equate roughly to Philadelphia's combined spending for commerce and economic stimulus activities, parks and recreation facilities, libraries, and the Convention Center, all of which drive growth, attract visitors, and benefit the larger region. The potential approximately \$190 million loss in revenue is nearly double Philadelphia's \$110 million annual subsidy to the Southeastern Pennsylvania Transportation Authority (SEPTA).

If the City were to impose tax increases in an attempt to compensate for the lost revenue, those increases would likely drive away jobs and businesses that help generate economic activity for the entire region. Whether the City had to make these potential cuts or tax increases in one year or in five years if the credits were phased in, the impact would be equally devastating. In either case, the City would need to take dramatic action just to avoid crippling deficits.

Research from Wharton School economics professor Robert Inman demonstrates that the City and surrounding counties are economically linked. Improving the economic health of the City helps create suburban jobs and wages leading to economic growth and increased home values.

Philadelphia has a substantial portion of the five-county region's jobs. We are home to leading institutions for patient care, medical research, higher education, and legal services. A \$190 million revenue loss to the City, and the service cuts or tax increases that would have to follow, would not only impact city residents

but also negatively affect the entire region. For these reasons, we oppose any Bills that would undo the Sterling Act and/or Local Enabling Act and would urge the Committee to consider the significant negative implications for the region.

Thank you for the opportunity to express our concerns about this issue and the impact it would have on Philadelphia and Southeastern Pennsylvania.