

Good afternoon. For the record, I am Mark Schweiker, President and CEO of the Greater Philadelphia Chamber of Commerce. It is indeed a pleasure to be able to testify on the proposals affecting the Business Privilege Tax (BPT) as well as the proposed changes to the Parking Tax.

First I would like to point out the progress we have made in just the past year on the issue of the Business Privilege Tax. Both the Mayor and members of City Council have come to recognize that this tax is one of the main culprits which restrain the growth of business in our City.

In Philadelphia, our leaders are discussing tax cuts, a message that we need to shout to the rest of the country; after all, wage tax cuts were accelerated last year and the cuts will continue as gaming is put into place. Our members have always felt that the Business Privilege Tax was one of the biggest points of contention that they faced in doing business in Philadelphia. It is a tax that hampers small businesses from growing and often causes other businesses to set up shop in suburban locations.

The Bureau of Labor Statistics last month once again cited our City as second in the nation behind Detroit in job loss with a downturn of almost 10,000 jobs. (Reference to charts here). This phenomenon must be reversed if we are to attain the long-term growth that all of us desire. We have many things going for us--new market rate housing is being built throughout the city, two new office towers are being built downtown, our sports franchises

are having a banner year, Bio 2005 is coming in June, the Barnes relocation is now a reality, the Fox Chase Cancer Center is proposing expansion plans that include 4,000 new city jobs over the next 20 years, and the promise of both gaming and Convention Center expansion are on the horizon.

Still we loose residents and jobs and both our household and per capita income remain behind the median income in the rest of the Commonwealth. One is left to conclude that despite all of our assets, the cost of doing business in Philadelphia remains an anchor from which we must be freed.

If the Business Privilege Tax only affected the largest of businesses we could make a strong argument that it must be reduced and eliminated. The fact that small neighborhood businesses must bear the burden makes this call all the more critical.

Small neighborhood businesses are the heart of neighborhood economic development. If these businesses fail or move out of the City it costs jobs in the neighborhoods and leads to the deterioration that many neighborhoods have experienced. It is truly important that neighborhood businesses in Philadelphia enjoy the same competitive landscape as those in suburban communities.

The Chamber was pleased to see both the Mayor and Council recognize the need for addressing the Business Privilege Tax. We recognize that each of the approaches begins to make the competitive landscape more level.

As we look at the components of the tax, we believe that Bill # 040767 is the better approach. Our assessment is based on the fact that over the long term, it addresses both the gross receipts and net income portions of the tax while Bill #050008 only addresses gross receipts.

There are gross receipts taxes leveled in neighboring suburban communities. In 2004 there were 19 communities in Delaware County, 18 communities in Montgomery County, 10 in Bucks and one (1) in Chester County with some form of business privilege or mercantile tax.

None of these jurisdictions imposes a BPT on net income. That tax, at 6.5%, is higher than the wage tax and each of you know well the damaging effect that the wage tax alone has had on the City's economy. At 6.5%, the Business Privilege Tax puts the City at a major competitive disadvantage.

Therefore, it is our belief that by reducing both portions of the Business Privilege Tax and by seeking its eventual elimination, jobs will be created both downtown and in the neighborhoods.

I recognize that as public officials, you are faced with the challenge of producing a budget, which is balanced, and addresses the needs of the citizens of Philadelphia. That responsibility must force you to look at factors which have led to the loss of jobs and seek ways to reverse that trend. It is incumbent upon us to grow our population, which will in turn provide more revenue to the City to pay for services for residents.

History has shown us that each time that we have reduced the rate of the wage tax that the revenues have increased. That is good for our City and demonstrates that the trend should continue. Had we stopped those rate reductions, or not begun them at all, we might have been facing an even faster exodus of citizens from our City. I would note, notwithstanding gradual gross receipts reductions experienced during the past five (5) years, the fiscal 05 business privilege tax revenue forecast reflects a greater yield than fiscal 01 revenue.

We also believe that it is shortsighted to look to the parking tax as a means of generating extra revenue. Most would agree that the hospitality industry has been a source of growth in our economy over the past decade. Many of the jobs created in this industry are held by neighborhood residents. By raising the tax, we risk jeopardizing the many restaurants and entertainment venues that are supported by non-city residents who have helped to fuel our hospitality

boom. As you remember, the Chamber opposed plans to raise this tax last year and remain in opposition of the current plan to increase parking taxes this year.

Last year I cited the impact not only on hospitality but also on sporting events and on the retail sector as a whole. Nothing has changed. Suburban malls still have plentiful and free parking.

While this tax may seem like a short-term fix, it can only serve to lessen the attractiveness of our retail and hospitality sectors. The increase in the parking tax would cause the city to lose revenues from the amusement tax and the liquor by the drink tax as fans and restaurant patrons seek alternate venues outside the city limits.

An increase in the parking tax will only further the perception of the high cost of doing business in the City.

We, for our part, are continuing in our efforts to market this City and region to business leaders around the country. Through the efforts of SELECT GREATER PHILADELPHIA, we have raised more than \$14 million in marketing funds and have continued with the placement of promotional ads and materials around the country.

Recently these ads recognized the advancement represented by the Comcast Tower construction commitment as well as our competitive real estate rates. We will continue our efforts and believe that they will lead to the attraction of more businesses to this City and our region overall.

Your efforts to make Philadelphia more business friendly are critical if the City is to realize its share of new business coming from these efforts.

Thank you for this opportunity.