The Case of Philadelphia

By HAROLD SUDELL

The City of Philadelphia, like most of our cities, needs more revenue. The city fathers considered three plans for obtaining this: first, an increase in the present tax rate on real estate; second, a sales tax; third, an income tax falling on earned incomes.

The real estate owners protested vigorously against any increase in the present real estate tax ($1.70 per $100.00) and, although as compared with other cities this rate is a low one (taking our thirteen larger cities Philadelphia is eleventh on the list and is 18% below the average) their protest was heeded and no increase in the rate was made.

The city recently had a sales tax in operation for a year. This reduced, quite considerably, the business done by our large stores, and the owners protested against any revival of this tax. Their protest, too, was heeded. Finally the income tax was selected.

This was fixed at 1½% on all incomes earned by both residents and non-residents in the city, and with no exemptions. It is to be deducted, like the present Federal old age pension tax, at the source. So it is, to a very large extent, a payroll tax.

The labor union leaders are fighting the law and have brought a number of suits on various pleas to have the law voided. But, since in two cases the courts have already ruled against the unions it looks as if the law will stand.

While the matter was under discussion, the writer suggested to various city officials the expediency of using a modification of the Pittsburgh tax plan. This was to double the present tax rate on land and to cut the tax rate on buildings 25%. This would have yielded 30% to 40% more revenue than the present real estate tax produces, and would do this without increasing the taxes paid by most of the small property owners. Other Georgists suggested similar methods but no heed whatsoever was given to any of these plans. The labor union officials, who opposed the payroll tax, were also approached; but, while they seemed interested, they took no action in regard to the suggestion, nor did they offer any practical substitute for the tax they were opposing.

It is plain to be seen that this levy will put a far heavier tax-burden on the workers and on the small property owners than would a rise in the present real estate tax, not to say anything about the plans we offered. A worker earning $30 per week will pay $23.40 per year.

The plan adopted, taxing as it does residents and non-residents alike, is highly unjust, particularly to the non-residents, since they, while supporting their home communities, will also be taxed heavily to help to support this city.

Street votes, now being taken for and against the measure, show an overwhelming majority against it (35 to 1); unfortunately, most of those opposing the income tax have nothing better to offer in its place. There is no active sentiment in favor of the sensible plan of collecting Philadelphia's needed revenue from the rent of that "Golden Earth" on which the city stands.

The labor leaders threaten to call a strike of all unionists against the law, claiming that it is a 1½% reduction in wage rates. This is an excellent object lesson for those who while advocating land value taxation also offer apologies for taxes on incomes, either as a short term program or as an additional form of revenue. Philadelphia has proved that income taxation can and will be extended to wages.