

**Summary of Land Value Tax Reform Efforts in Philadelphia, PA:
1980 to the Present**

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Introduction

This document is the result of the efforts of the Henry George Foundation of America and the Center for the Study of Economics to assemble a brief history of the efforts to enact a land value tax for the City of Philadelphia. This is not a legal brief, and is restricted to public information available in either City Hall or our organizations' archives, both from which we will happily provide hard copies of the included sources.

The road to tax reform in general has been a long one for Philadelphia, and land value taxation has become a historically integral part of that effort. Although the past efforts have not succeeded, it is our belief that each time the proposal gains in strength, legitimacy, and analysis. This document is only a historical overview, and does not include any detailed interpretations of the many objections and responses given during these periods. More information on any questions related to that will be provided as necessary, and our organizations will continue compiling and annotating the material in the coming weeks.

The First Effort (1982-1983)

- First bill (#1226) introduced on April 15, 1982 by Councilman Tayoun and Councilwoman Spector
- Report released later that year by Councilman Tayoun on land value taxation in Philadelphia
- Referred to Committee on Finance; the bill failed to pass out of committee

The modern-day effort to enact land value taxation in Philadelphia began in 1982 with the introduction of bill #1226 to amend §19-1301 of The Philadelphia Code.¹ The bill was co-sponsored by Councilman James Tayoun and Councilwoman Joan Spector, and would have instituted a lower tax rate for buildings and a higher tax rate for land, although the draft legislation did not yet specify what the rates would be. After being introduced on April 15th, 1982, the bill was referred to the Committee on Finance, and around this time Councilman Tayoun produced a report detailing the reform in an effort to educate his colleagues on the concept.² According to the April 1982 bill index, there was a hearing held on June 22, 1982, but based on Councilman Tayoun's recent account, the bill fell one vote short of being voted out of committee.³

1 Tayoun and Spector, *Bill No. 1226*.

2 Tayoun, *A Tax Reform Whose Time Has Come*.

3 The records of the vote were not found in the Chief Clerk's archive since the bill never made it past the Committee on Finance. An office staffer suggested testimony may exist in microfilm format.

Reviewing media coverage of the proposed legislation at the time, it seems there was interest by both Council and the Administration, but the need for more time and analysis to study the proposal defeated the effort. Councilman John C. Anderson was quoted as saying “[i]t may be a very good idea, but there is no way you can change the whole tax situation in Philadelphia in three weeks,” while Councilwoman Spector commented that she “is co-sponsoring the effort, although she wants to hold off introducing the bill ... until she sees a nearly completed study on the shift’s impact neighborhood by neighborhood”.⁴ Philip Goldsmith, spokesperson for the Green administration, also thought that “it’s an interesting idea, and one we think should be explored, but we don’t know if there’s enough time to enact the bill now.”⁵

The Second Effort (1988-1989)

- Tayoun-Spector bill revived by Goode administration as #126 in 1989 bill index
- Again referred to Committee on Finance and failed to pass out of committee

The Tayoun-Spector bill remained dormant for several years until the FY1989-90 budget deliberations between Council and the Goode Administration. Facing a \$174 million budget gap, Mayor Goode and Finance Director Betsy Reveal proposed a \$165 million tax package to Council on May 5, 1988 that included increases to the property and business privilege taxes along with the introduction of the liquor tax.⁶ A key component of the Administration’s plan was to replace the existing property tax of 74.75 mills with a land value tax of 66.82 on buildings and 167.02 on land in an effort to discourage speculation in and stimulate development of land while reducing the tax burden on residents.⁷

The Administration’s estimates for the increased impact of a land value tax spanned from 14% for homeowners to 122% for speculative landowners. City Council and the Chamber of Commerce balked at the general level of tax increases under the Administration’s proposal and expressed concern over the land value tax’s impact on large landholders.⁸ The major opponents included Parkway Corporation and the Chevron (now Sunoco) oil refinery, both of whom argued that their land-intensive businesses would be unfairly hit under the tax, along with several

4 Eisner, “Bill Would Set 2 Rates of Property Tax”; Grant, “Tayoun Pushes New Real Estate Tax Formula.”

5 Eisner, “Bill Would Set 2 Rates of Property Tax.”

6 Clark and Williams, “Goode Seeks Property Tax Rise of 14% and 30%.”

7 Clark and Williams, “Goode Seeks Property Tax Rise of 14% and 30%”; Williams, “Goode’s 2-Level Approach to Taxing Property Is Not Without Precedent.”

8 Williams and Clark, “A City Tax Increase of \$165 Million Is a ‘must’ for Goode but Not Council.”

developers that worried about impact it would have on their tax abated building projects.⁹ In support of the land value tax was the Philadelphia Board of Realtors, who agreed with the Administration that such a policy would stimulate city's real estate market and help drive redevelopment, and the Philadelphia Federation of Teacher's President, Marvin Schuman.¹⁰

In the end, Council reduced the amount proposed in the tax package and instead approved a 5% increase in the property tax, a 20% increase in the business privilege tax, and a 60% increase in the real estate transfer tax.¹¹ The following year, Councilman Tayoun attempted to again revive discussion about the land value tax, perhaps assuming that more time could be directed at studying it in depth, but no colleagues would support the effort.¹²

The Third Effort (2000-2002)

- Land value taxation adopted as part of Controller Saidel's *Tax Structure Analysis Report* on November 26, 2001
- Land value tax bills #010501, #010502 introduced by Councilwoman Reynolds Brown on June 6, 2001 and co-sponsored by Councilmen Clarke and Kenney; the bills failed to gain enough support to pass out of the Finance Committee
- Hearings on Controller Saidel's report held on February 12, 2002; land value tax tabled as wage tax reform effort takes priority in Council
- On April 18, 2002, City Council adopts legislation establishing a Tax Reform Commission to review Philadelphia's overall tax structure and make recommendations
- On November 7, 2002, the voters approve a referendum to establish a Tax Reform Commission, which is assembled in December of the same year

During the 1990s, little action on land value taxation took place within City Hall, save for some correspondence among David L. Cohen, Chief of Staff in the Rendell Administration, David Glancey, Chairman of the Bureau of the Revision of Taxes, Dr. Steven Cord, former Executive Director of the Center for the Study of Economics, and other individuals and organizations familiar with the policy. Perhaps the only buzz in the media occurred several years after the death of Sam Rappaport, a notorious real estate speculator, as people considered policies to prevent such activity in the

9 Thompson, "Tax on Land Value Called Anti-Business."

10 Domb, "Realtors' ideas on taxes"; Schuman, "Two-Rate Tax Would Provide More School District \$\$\$."

11 Loeb, Clark, and Miller, "Facing Budget Gap, City Gears for Layoffs."

12 Taylor, "Landing on Big Guys Tax Ground, Not Building, Tayoun Says."

future.¹³

One of the reasons little progress may have been made during this time was due to opposition from Rendell's Finance Director Ben Hayllar, a former official in Pittsburgh, who argued that the policy was not very effective in his former city.¹⁴ Hayllar's previous attempts in Pittsburgh to alter the city's land value tax policy were rejected by Mayor Sophie Masloff, who defended the effectiveness of the policy. Interestingly enough, the Rendell Administration subsequently in 1998 introduced a 10-year tax abatement program in Philadelphia that exempted buildings and taxed only land—a direct parallel to land value taxation but on a smaller scale—in an effort to attract residents and redevelopment. A decade later, the positive impact of this policy is broadly recognized.

The next major activity began in 2001 during the release of City Controller Jonathan Sidel's *Tax Structure Analysis Report*.¹⁵ In the report, the many reductions in other taxes such as the business privilege tax and wage tax would be balanced by a revenue-neutral shift to a land value tax of 53.3 mills on buildings and 183.3 mills on land.¹⁶ As a response to the Controller's proposal, land value tax bills were introduced by Councilwoman Reynolds Brown and co-sponsored by Councilmen Clarke and Kenney, but they failed to gain any traction during initial deliberations over the tax reform package.¹⁷

In the Fall of 2001, Council approved hearings on the report, which included significant discussion of the land value tax as a reform with strong support from Controller Sidel.¹⁸ On February 12, 2002 hearings before the Committee of the Whole were held on the recommendations, and included key testimony on land value taxation from former Councilmen James Tayoun and Ed Schwartz, Joshua Vincent of the Center for the Study of Economics, Joanne Densworth of 10,000 Friends of Pennsylvania, and former Allentown, PA Councilman Ben Howells, along with many other expert and citizen witnesses. Because of hesitancy from the Street Administration and lack of support in council, Controller Sidel's call for a land value tax failed to pass, and attention turned to

13 Lotozo, "Could a Land Tax Prevent Future Rappaports?"

14 Lotozo, "The Duh Tax."

15 Sidel, *Tax Structure Analysis Report*.

16 Gorenstein, "Sidel Finds Allies for a Drastic City Tax Overhaul"; McDonald, "Sidel's New Reform Plan Calls for Higher Tax on Land."

17 McDonald, "Sidel's New Reform Plan Calls for Higher Tax on Land"; Reynolds Brown, Clarke, and Kenney, *Bill #010502: Land Value Tax for School District of Phila.*; Reynolds Brown, Clarke, and Kenney, *Bill #010501: Land Value Tax for City of Phila.*

18 McDonald, "Controller's Tax Plan Gets Chilly Review."

a mounting debate over reform of the wage tax.¹⁹

The debate over taxes during the previous months led Councilman Nutter to call for the establishment of a Tax Reform Commission to review the city's entire tax regime and propose improved policy recommendations.²⁰ This proposal passed, and was subsequently voted in by a wide margin by the public on November 7, 2002.²¹ On December 20, 2002, 15 people were appointed members of the commission by Council, the Administration, and several business groups.²² Their report was expected in the Spring of the following year.

On September 12, 2002 resolution #020509 authorizing another hearing on land value taxation, which was sponsored by Councilmembers Blackwell, Reynolds Brown, Goode, Mariano, Verna, Tasco, Rizzo, Clarke, Ortiz, Reed Miller, and Nutter, was adopted and scheduled for April 29, 2003.²³ On April 29 Controller Saidel appeared before a "standing room only" committee hearing for resolution #020509 and made a final push for land value taxation.²⁴ Along with Controller Saidel, Council heard testimony from many officials, experts, and citizens, including Ed Schwartz of the Tax Reform Commission, Dr. Roger McCain of Drexel University, Brett Mandel of the City Controller's office, Joshua Vincent of the Center for the Study of Economics, John Cromer of the Fels Institute of Government, Allentown City Controller Frank Concannon, Carter Murdoch of the National Association of Realtors, Rev. Bruce Edwards of the Urban Leadership Council, Naomi Zaslow of the Homeowners Association of Philadelphia, and many other residents and civic leaders.²⁵ Despite the fact council chambers was packed full with people in support of the reform, no further action was taken that year.

The Fourth Effort (2003-2004)

- Land value taxation again adopted as a formal recommendation of the Philadelphia Tax Reform Commission's final report on November 15, 2003
- The land value tax bill #040015 failed to pass on May 24, 2004 and has since lapsed

As mentioned above, the Philadelphia Tax Reform Commission (PTRC) was a referendum-backed

19 McDonald, "Don't Look for a Dramatic Wage Tax Reform"; Anderson, "Biz Leaders Get Rowdy on Tax Issue"; McDonald, "Tax Cut Bill Gaining Momentum"; Smith, "TAX 'VICTORY'."

20 Anderson, "How about a tax reform commission?"; Benson, "Council Gives Its Final Ok to Tax Bill."

21 "Reform Rules."

22 Gorenstein, "City Tax Commission Rich with Street Supporters."

23 Blackwell et al., *Resolution 020529*.

24 McDonald, "Saidel Again Urges a Land-Value Tax."

25 *Hearing of the Committee of the Whole*.

group charged with the evaluation of the city's overall tax structure. As part of their broad recommendations, the commission proposed land value taxation as proposal #8 in the final report.²⁶ As part of a package of legislation implementing the reforms submitted by the PTRC, bill# 040015, introduced and sponsored by Councilman Nutter on January 22, 2004, would have phased-in the land value tax incrementally between 2005 until 2014 such that the targeted tax billings on buildings and land would be equal.²⁷

During the hearings on these bills, which were held on May 10th, 12th, 17th, 18th, 19th, and 24th of 2004, significant testimony was presented by both proponents and opponents of the bill.²⁸ Concerns over the impact of the tax remained as Council took up the reform during these events, with several members citing potential increases in tax bills in their districts.²⁹ Councilman Nutter moved that the bill be reported out of committee without a recommendation, with Councilmembers DiCicco, Goode, and Reynolds Brown in favor, while Councilmembers Blackwell, Clarke, Cohen, Kelly, Kenney, Krajewski, Mariano, Miller, Nutter, O'Neill, Ramos, Reynolds Brown, Rizzo, Tasco, and Verna were opposed; the motion failed 3 to 14.³⁰ The land value tax legislation has been lapsed ever since.

²⁶ *Philadelphia Tax Reform Commission Final Report*, 8.

²⁷ Nutter, *Bill No. 040015*.

²⁸ *Hearing of the Committee of the Whole; Hearing of the Committee of the Whole; Hearing of the Committee of the Whole; Hearing of the Committee of the Whole; Hearing of the Committee of the Whole; Hearing of the Committee of the Whole*.

²⁹ McDonald, "Tax reform or budget cuts?"

³⁰ *Hearing of the Committee of the Whole*, pt. b.

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