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Philly Budget Freezes Biz Tax Rate, Hikes Wage Tax

Jennifer Karpchuk quoted in Philly Budget Freezes Biz Tax Rate, Hikes Wage Tax

Law360

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In an article published on June 26 in Law360 discussing how Philadelphia's mayor signed the city's budget bills into law, while halting the scheduled rate reductions to business taxes and resident wage taxes, Philadelphia-based Shareholder Jennifer Karpchuk provides insight on how the pandemic compelled the city to pivot away from its recent efforts to reduce its wage taxes, which are among the highest in the nation, and its business income and profits tax.

All of the budget's tax provisions "are certainly attempts by the city to weather the storm," explains Karpchuk. "With the drop in tax revenue due to COVID-19, the city has to make some changes to account for the shortfalls.

Karpchuk also shared that city officials have been cutting the business income and profits tax and wage taxes in recent years amid concerns that they "both stifle growth." She further explained that the high wage taxes can deter individuals from both living and working in the city, and that the business tax, which is also levied at 1.415 mills on gross receipts, can drive some businesses out of Philadelphia.

The city's future budgets after the pandemic, she said, might explore creating a friendlier tax climate to businesses and workers if the health crisis spurs "a mass exodus to the suburbs." In that scenario, "the city would need to draw people back in likely with tax incentives, not disincentives," said Karpchuk.

Subscribers to Law360 may access the full article [here](#).