



Council of the City of Philadelphia

Committee on Finance

Public hearing on Bill No. 190746 - Amending Section 19-1508 of The Philadelphia Code, entitled “Refunds and Forgiveness for Poverty Income,” to revise the tax rate, under certain terms and conditions.

**Testimony provided by
Montgomery L. Wilson, Esq., Senior Attorney
Community Legal Services, Inc.**

Good morning members of the Finance Committee. I am a senior attorney at Community Legal Services, Inc. of Philadelphia (CLS) where I have worked for over nineteen years with homeowners, many of whom work but at the same time struggle to pay their bills. I am writing in support of Bill 190746, which seeks to amend the Philadelphia Code by increasing the wage tax refund available to low-income workers.

Community Legal Services supports City Council’s efforts to put more money in the pockets of low-income Philadelphians. According to a recent brief published by the PEW Foundation, in 2017 about twenty-six percent of Philadelphia households were living at or below 100% of the federal poverty threshold – about \$24,600/year for a family of four.¹ Fourteen percent of Philadelphia household were living in ‘deep poverty’ at 50% of the federal threshold – about \$12,300/year for that same family of four.² According to the PEW report, “this adds up to nearly 400,000 Philadelphia residents—roughly 26 percent of the city’s population— [who] lived below the poverty line in 2017. And that percentage, which is among the highest for any American city, has not changed substantially in recent years, even as the national rate has fallen.”³

Not all of those 400,000 households are living on wages. However, for those working families that *are* surviving on a minimum wage or part-time employment this amendment would

¹ THE STATE OF PHILADELPHIANS LIVING IN POVERTY, 2019, *Pew Charitable Trusts* (April 2019). Available on-line at: <https://www.pewtrusts.org/-/media/assets/2019/05/state_of_poverty.pdf> (visited November 10, 2019).

² *Id.*

³ *Id.*

increase their wage tax refund from 0.5% to 2.36% next year. This would allow a family of four living on \$34,250/year to increase their refund from \$171.00 each year, up to about \$809.00 annually. The refund could be even higher after 2024.

I would also strongly urge the City and Council to take two additional steps in order to maximize the impact of this program. First, the City should simplify the application form and process so that completing the paperwork is not an unfair barrier to receiving a refund. Second, City Council should add language to the amendment establishing the right to appeal denials of the refund to the Tax Review Board (TRB).

In CLS' 2019 fiscal year, 3,235 of the low-income clients who came to our offices seeking help reported some household income from employment, either from their own wages or from someone else in the family. Many of these individuals and families are struggling to survive on part-time work at a minimum wage or less. ***These 3,235 clients are precisely the people whom this Bill will help. And, these 3,235 clients are just a small part of the larger number of working families that Bill No. 190746 could help across the City.***

If an actual “living wage” in Philadelphia County is \$25.95/hour for a family of four, then families living on the federal minimum wage of \$7.25/hour need every penny.⁴ For Philadelphia’s working families, the wage tax refund – initially an extra \$630 year for a family of four - can help in a variety of ways. The extra money may pay for groceries. Or, it may pay the cost of a SEPTA pass or the cost of car insurance. It may help pay water bills or heating costs in winter. It may even help families cover the annual property taxes owed to the City, essentially giving the funds back to the City. I urge the Committee to vote in favor of Bill 190746, viewing it as investment in working families.

Thank you.

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⁴ LIVING WAGE CALCULATOR FOR PHILADELPHIA COUNTY, *Massachusetts Institute of Technology Dept. of Urban Studies and Planning*. Available on-line at < <https://livingwage.mit.edu/counties/42101> > (visited November 10, 2019).