



## ABC OPPOSES HOUSE BILL 871

### *Bill Summary*

House Bill 871 is a joint resolution to the Pennsylvania Constitution providing for an exemption to the uniformity clause. This exemption would allow cities of the first class to increase real estate tax rates on properties for business use above the rate set for other properties.

### *ABC Position*

**ABC opposes House Bill 871 for the reasons listed below. We ask that you vote in opposition to the legislation.**

- **Stifles burgeoning development and private investment in infrastructure.** As the nation experiences record wage growth and many areas of Pennsylvania are seeing the first signs of renewed infrastructure development, HB 871 would slow that progress by adding an elevated tax rate specifically targeting businesses. In a 2016 study, the Brookings Institute noted that “[t]ax cuts boost demand by increasing disposable income and by encouraging businesses to hire and invest more. Tax increases do the reverse.”
- **Further complicates Pennsylvania’s tax structure.** Pennsylvania’s varying municipal tax structure has long been criticized as being overly complex and prohibitive to regional business growth. While the debate continues with counties, municipalities, and school districts on varying tax rates, HB 871 would create yet another layer of complexity by differentiating tax rates for business properties and other properties. This bill would pit business property owners against homeowners and create an uneven tax structure for business owners within city limits.
- **Devalues existing properties throughout Philadelphia.** Property owners throughout the City of Philadelphia would be subject to significant additional taxation on their properties. When these properties are sold, prospective buyers must now account for the additional tax burden, thereby lessening the amount they can provide for principal and interest, reducing the overall market value of the property.
- **Requires no effort to reduce spending as a means to control costs.** The intended purpose of HB 871 is to reduce the burden of wage taxation on employees throughout the city to provide for the ongoing municipal costs. HB 871 proposes to shift that burden to property owners and real estate, however it does not require any effort to reduce overall spending, which has historically been the most efficient and effective way to reduce the tax burden on employees.