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City Wants Commuters, Visitors and Non-Profits to Pay More

To say the least, there has been little or no support in the state Legislature for the Mayor's call to boost Pittsburgh's revenue by increasing taxes paid by people working in the City (through a boost in the Local Services Tax from \$52 to \$145 per year) and forestalling the state mandate to drop the parking tax rate. There was even some talk of forcing non-profits to pay the payroll preparation tax, a proposition likely to run afoul of the Constitution.

A week or so ago the Mayor vowed not to raise taxes that fall "solely on City residents". To be sure, it is questionable what taxes the City actually has control over since nearly all were affected in some way by the 2005 reform package. Only the real estate tax and deed transfer tax were untouched, and those fall on residents and non-residents who own property in the City.

More recently, the Mayor appears to have found a new strategy that will avoid having to ask Harrisburg for help. Now the plan is to attach fees and surcharges to a variety of people and services. These include an admission fee for patients entering hospitals in the City, a \$5 per day surcharge for all-day parkers, and fees for each university student in Pittsburgh.

While some of the new levies will fall on City residents, it is apparent that the Mayor is intent on making commuters, visitors and non-profits contribute more to City coffers. Presumably, the old canard about non-residents using more services than they pay for is just too politically expedient not to drag out once again. Let's review that proposition.

Pittsburgh is a principal beneficiary of the RAD tax, with several of the major cultural attractions and sports stadiums in the City receiving substantial funding from RAD while generating amusement taxes from the hundreds of thousands of event attendees who frequent restaurants and pay atrocious parking taxes while in town. Most of the sports and cultural amenities were being subsidized by City taxpayers until RAD appeared on the scene in 1994. Moreover, the City receives direct funding from RAD for tax relief purposes in the amount of \$12 million per year and has recently had a quarter of a percentage point of the school district's wage tax diverted to the City treasury. The point is that more than three quarters of RAD taxes are paid by non-residents.

Likewise the amusement tax is mostly paid by non-residents. And non-residents pay a major share of all parking taxes collected. It is on top of the nation's already highest parking tax that the all-day surcharge would fall.

Pittsburgh collects \$52 from everyone who works in the City about half of whom are non-residents. That would raise about \$7.5 million per year. However, because of the exemption for workers making less than \$12,000 a year, the actual revenue probably falls somewhat short of that figure. How much police and fire services do non-resident workers use each year and how much does that cost?

Similarly, the business payroll tax is heavily dependent on non-residents filling jobs inside the City. Finally, businesses in the City, many of which are owned by non-residents, pay property taxes either directly or through rent. Likewise large amounts of real estate transfer taxes and business license fees are paid by non-resident owners.

The City also benefits enormously from being the County seat in terms of jobs and spending Downtown. And finally, it is important to bear in mind the role of the universities and hospitals in bringing visitors to the City who spend, pay RAD, parking and amusement taxes and support local businesses that in turn pay taxes and hire people who pay taxes.

In short, it is preposterous to attempt to lay the blame for the City's financial plight on non-residents who it is claimed do not pay enough to cover the cost of services used. If the City's claim about non-residents is correct, would the City not be better off if the numbers of people commuting to the City, going to universities and hospitals and attending events visit were to decline dramatically? It is hard to imagine a serious person answering yes to that question. Does the Mayor or City Council believe the answer is yes?

Furthermore, it is hard to imagine the universities and hospitals sitting still for these new City fees. They will surely remind the City of their own financial situations and the benefits they provide Pittsburgh. Placing fees on hospital admissions and university students could turn out to be very costly for the City in terms of lost good will and future willingness to help.

One thing is clear in all this: the talk of more tax and fee sources serves as a diversion from the real issue. Rather than cutting expenditures as a city in distress ought to be doing, the City is planning to increase spending by 5 percent in the next five years.

A spending freeze, across the board reductions, or a spending cap made part of the Home Rule Charter would be ideal steps at this point. The City could finally start to look seriously at entering into service compacts with the County to relieve itself of labor costs by allowing the County to perform services for it. The City would contract with the County to carry out the service as efficiently as possible, hiring only the personnel from the City it needs to do the job. This is critical since employee-related expenses (salaries,

premium pay, benefits, pensions, and debt service for pensions) account for nearly 75 percent of the City's budget.

Failing to do something dramatic on the spending side at this point, including employment reductions, will be catastrophic for Pittsburgh. The time has come for politicians to get serious and stand up to powerful interests for the good of the City and its future. Wishing and hoping for a miracle or a Federal bailout simply will not do.

Jake Haulk, Ph.D., President

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