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Kill the 'presence' tax & economize Pittsburgh's finances

Everything old suddenly appeared to be new again recently with a Pittsburgh City Council proposal to tax consumers of higher education and medical services.

But although that measure now appears to be moot, the situation represents a golden opportunity for state legislators to amend the law that allows for such a deleterious public policy, and for the city to right-size its budget to pay for infrastructure needs, say researchers at the Allegheny Institute for Public Policy (in *Policy Brief 22, No. 12*).

Pittsburgh City Councilman Ricky Burgess introduced legislation to levy a 1 percent tax on consumers of higher education and medical services within the city. It's similar to a bill introduced in 2009, which only sought to tax higher education.

That bill never made it out of the council and led to some of the city's nonprofit institutions negotiating a payment-in-lieu of taxes agreement. At the time, the city was in Act 47 financial distress status and state oversight; it was grasping for any revenue stream it could find.

"Thirteen years later, the excuse is infrastructure repairs in light of the bridge collapse over Fern Hollow," say Frank Gamrat, executive director of the Pittsburgh think tank, and Eric Montarti, research director there. "It remains to be seen if this tax proposal makes its way to ratification or if the purpose is to once again extort money from the educational and medical institutions that call Pittsburgh home."

But a resolution to move toward payment-in-lieu of taxes agreements was introduced in City Council one week later.

It was Act 511 -- known as the Local Tax Enabling Act (*53 PS 6924*) – that provides a list of certain items/activities municipalities are forbidden to tax. There are 17 prohibitions (*Policy Brief Vol. 9, No. 75*). Taxing tuition and medical facilities usage are not among them.

Do recall that after the 2009 proposal, there was an attempt to amend Act 511 to explicitly ban the ability to levy, assess or collect a tax on higher education tuition. There was also an attempt to amend the Tax Reform Code of 1971 to do the same. Neither was successful. Those efforts were abandoned when the tuition tax failed to advance in City Council.

"While the Burgess proposal may be moot, it was a cudgel … to put pressure on nonprofits operating in the city," Gamrat and Montarti say. "One way to curtail such future proposals is to amend Act 511 to prohibit such taxation."

That would require the state Legislature to add to the list of prohibitions the inability to tax someone based on their presence. It failed before to do so and must be more diligent this time.

"If Pittsburgh [institutes a "presence" tax], every small town with a college will seek to do the same," warn the research scholars.

That said, economizing Pittsburgh government would free up money for pressing needs.

To wit, 2018 data showed Pittsburgh had declining overall population and declining school enrollment. Pittsburgh's total city revenue per capita was 50 percent higher than a benchmark city with per capita total taxes almost 70 percent higher. But more importantly, per capita total expenditures were 51 percent higher. Such gaps have persisted for two decades.

Additionally, Pittsburgh's workforce also has been much higher than the benchmark city.

"When looking at total employees per 1,000 residents, Pittsburgh came in at 11.0 while the benchmark city had just 7.5—a 47 percent difference," Gamrat and Montarti note, adding that similar gaps existed in that 2018 data for police (40 percent higher) and fire employees (38 percent higher).

"The implication is simple: work to lower costs for city operations and there should be enough money from existing sources to manage the infrastructure requirements of the city," the think tank researchers say.

"Pennsylvania already has a reputation as a tax-unfriendly state and it is inhibiting economic growth, population and economic development," Gamrat and Montarti remind. "Allowing municipalities the ability to tax someone for attending higher education or a health care visit would send a terrible message and slow progress even more."

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