

# CHOOSING THE BEST MIX OF TAXES FOR PHILADELPHIA

## ECONOMETRIC ANALYSIS

Econsult Solutions, Inc. was retained by the Philadelphia Tax Reform Commission (TRC), to conduct an econometric study of the likely impacts of proposed changes in the wage, business, and property tax rates of the City of Philadelphia.

Our econometric analyses revealed consistent empirical evidence that:

- Reductions in tax rates would expand the base of the particular tax being reduced;
- Reductions in wage, business, and property tax rates would expand the bases of other taxes (cross-base effects);
- Initial losses in tax revenues due to rate reductions would be at least partially offset by induced growth in tax bases resulting from tax rate reductions;
- Reductions in wage taxes would significantly increase employment in the City of Philadelphia.

Based on our econometric analyses, we constructed a computer model that we used to assess the impacts of different proposed changes in tax rates on tax revenue and employment.



### FOR MORE INFORMATION:

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