



KEYSTONE
collections group®

546 Wendel Road • Irwin PA 15642 • Phone (724) 978-0300 • Fax (724) 978-0339

Public Hearing
Senate Majority Policy Committee
STERLING ACT & IMPACT ON SUBURBAN COMMUNITIES

Thursday, March 2nd, 2023
Middletown Township Municipal Building
3 Municipal Way, Langhorne, PA 19047
10:00 am

Testimony of: Joseph W Lazzaro
Senior Vice President of Law and Communications
Keystone Collections Group, Act 32 Tax Officer

Good morning, Senators:

If I may introduce myself, I am Joe Lazzaro, Senior Vice President of Law and Communications with Keystone Collections Group. Keystone serves as the Act 32 Earned Income Tax Officer for all the communities and school districts of Bucks County, along with Chester County, Delaware County, Northampton County and 15 other county-wide tax collection districts across Pennsylvania. We are pleased to serve as a resource to you today on this important issue.

As you know, the Sterling Act has been around since the Great Depression era, originally characterized as a temporary measure to help the City rebound from the economic problems that emanated from the depression.

Today, some 90 years later, the Sterling Act is still impacting the suburban communities and school districts surrounding Philadelphia, reallocating earned income tax (the “tax”) revenue that would otherwise fund their own police, education and public services by directing those municipal tax dollars directly to Philadelphia.

The way the Sterling Act currently operates, when a Bucks County resident works in Philadelphia, he or she is taxed (usually withheld), at a rate nearly 3½ **times** that resident’s home tax rate. By law, that resident then receives a full credit for the tax to apply against any tax that would otherwise be due to the resident’s home municipality and school district. The Philadelphia tax, by law, takes priority over the hometown and home school district tax. Thus, the Philadelphia commuter never pays the tax that his or her neighbors pay to fund the home-based Bucks County school district and local government where he or she lives.



By receiving a full credit on the high-rate Philly commuter tax, a Bucks County resident need only work in Philadelphia for a small portion of the year and the Philly tax will wipe out the hometown Bucks County tax. That is, the rate is so high in Philadelphia that working only a few months there will fully credit the rest of the entire years' worth of income earned outside the City, as in Bucks County.

To help paint the picture clearly, I see that I am joined today by Bensalem Township's Mayor and by Northampton Township's Manager. So, to illustrate the reallocation of the local tax, you will see that we've calculated for you, Senators, the known, minimum tax losses that each of these municipal governments suffer when their tax revenue is reallocated to Philadelphia.

On the **Municipal Impact Report**, Bensalem loses a minimum of its tax revenue to the tune of about **\$2.5 Million** per year. Northampton Township likewise loses well over **\$1 Million** per year, and in addition, its school district, the Council Rock School District, is hit with a loss of over **\$1.75 Million**.

In Bensalem, so many residents commute to Philadelphia each day to work, that over \$200 Million in earnings is excluded from the local Bensalem earned income tax because the Sterling Act gives Philadelphia immediate priority to that revenue. In addition, another \$43+ Million cannot be taxed as it normally would be by Bensalem on income that isn't earned in Philadelphia. The Sterling Act provides special tax credits to commuters beyond what they earn in Philadelphia because the Philadelphia tax rate is so excessively high. Indeed, it is the highest commuter tax in the nation.

Similarly, well over \$180 Million in income is excluded from Northampton Township's local earned income tax and another \$40 Million is credited away under Philadelphia's taxation priority over its neighbors.

When we look at all of the Bucks County communities, and this is just the communities—not the school districts yet, we're looking at a minimum tax loss of nearly \$10 Million, as the City of Philadelphia absorbs its commuter tax revenue.

You've heard me repeatedly say this morning "minimum" tax loss. We actually know that the losses to Bensalem and Northampton and to all of the communities in Bucks County, and Delaware County and Chester County and Northampton County are in reality greater than we can show you in these reports.

The truth is, we can only measure in these reports the income figures and Philadelphia wage tax credits for those residents who file their Final Annual Local Tax Returns.

You see, after years of never owing any local tax whatsoever, by applying their Philadelphia tax credits against their Bucks County tax returns, most commuter taxpayers have stopped filing local returns in their home communities.



They already know they will not actually owe any tax, because they haven't had to pay a dime of their hometown taxes for years...ever since they started working in Philadelphia.

Filling out an extra tax form when there is never any tax due becomes an exercise in futility, and most residents cease filing them.

What that tells us is that the \$10 Million reported loss we see in Bucks County every year is actually less than the real amount Philadelphia is pulling from these local towns and schools.

You will also notice that I've reported the commuter tax impact on school districts differently for you than the way I reported its impact on the municipalities. There is a reason for that. And that is because schools are actually treated differently by the State than the local communities.

At the end of every year, the suburban school districts are invited to report their known Sterling Act tax losses to the PA Department of Education. The Department then provides a reimbursement allocation to that school districts to make up for a portion of the Philly wage tax impact losses. There is currently no such reimbursement for the suburban townships, municipalities and boroughs.

Thank you again, Senators, for having me today.

I believe my job here is to present the hard numbers—the facts. At Keystone, we serve only as administrators of the tax law and of the policies that our elected officials must determine.

I hope that the information I've provided for you, and for the local government leaders of Bucks County, is helpful to you in that process, as you determine the best policy going forward for Pennsylvania and our local region. I thank you.



Philadelphia Wage Tax Impact
Bucks County TCD Municipalities
Tax Year 2021

Philadelphia Wage Tax Impact

Bucks County TCD Municipalities

Tax Year 2021

PSD	Municipality Name	Tax Year	Count	Wages Earned in Philadelphia Subject to Philadelphia Wage Tax	Wages Earned Outside Philadelphia Subject to Sterling Act Credit	Local Resident Tax Rate	Minimum Loss
090101	Bensalem Township	2021	3853	\$202,870,887.21	\$43,242,395.39	1.000%	\$2,461,132.83
090301	Bristol Township	2021	1667	\$83,408,538.74	\$20,083,495.30	0.500%	\$517,460.17
090401	Ivyland Borough	2021	56	\$3,738,399.90	\$358,354.33	0.500%	\$20,483.77
090402	Upper Southampton Township	2021	1163	\$67,029,618.32	\$16,553,050.12	0.500%	\$417,913.34
090403	Warminster Township	2021	1494	\$88,615,581.81	\$16,457,477.68	0.500%	\$525,365.30
090501	Buckingham Township	2021	449	\$32,002,314.82	\$7,717,673.28	0.500%	\$198,599.94
090502	Chalfont Borough	2021	150	\$8,973,776.08	\$2,486,389.28	0.500%	\$57,300.83
090503	Doylestown Borough	2021	161	\$9,567,701.87	\$3,502,447.87	0.500%	\$65,350.75
090504	Doylestown Township	2021	377	\$26,728,583.34	\$5,813,652.65	0.500%	\$162,711.18
090505	New Britain Borough	2021	59	\$3,012,977.89	\$558,079.83	0.500%	\$17,855.29
090506	New Britain Township	2021	382	\$27,586,485.06	\$5,246,657.13	0.625%	\$205,207.14
090507	Plumstead Township	2021	247	\$17,701,119.58	\$4,050,126.60	0.500%	\$108,756.23
090508	Warrington Township	2021	1108	\$79,253,693.29	\$16,255,610.90	0.500%	\$477,546.52
090509	Warwick Township	2021	637	\$43,879,891.27	\$9,906,057.09	0.500%	\$268,929.74
090601	Newtown Borough	2021	59	\$4,591,016.78	\$683,881.14	0.500%	\$26,374.49
090602	Newtown Township	2021	763	\$60,948,489.55	\$11,728,932.02	0.500%	\$363,387.11
090603	Northampton Township	2021	2632	\$182,903,486.23	\$39,979,140.05	0.500%	\$1,114,413.13
090604	Upper Makefield Township	2021	238	\$26,607,898.75	\$5,310,206.63	0.500%	\$159,590.53
090605	Wrightstown Township	2021	100	\$13,158,582.09	\$4,465,783.74	0.650%	\$114,558.38
090801	Hulmeville Borough	2021	36	\$2,019,491.19	\$498,418.08	1.000%	\$25,179.09
090804	Lower Southampton Township	2021	1456	\$80,909,994.14	\$15,991,376.38	1.000%	\$969,013.71
090805	Middletown Township	2021	1756	\$109,723,660.03	\$27,334,952.82	0.500%	\$685,293.06
090806	Penndel Borough	2021	44	\$2,657,210.67	\$287,966.32	1.000%	\$29,451.77

090901	New Hope Borough	2021	46	\$5,022,360.28	\$819,268.52	0.500%	\$29,208.14
090902	Solebury Township	2021	125	\$8,315,436.36	\$1,932,941.21	0.500%	\$51,241.89
091001	Bridgeton Township	2021	9	\$272,714.32	\$109,644.08	0.500%	\$1,911.79
091002	Durham Township	2021	9	\$325,162.28	\$66,718.12	0.500%	\$1,959.40
091003	Nockamixon Township	2021	25	\$1,274,854.38	\$178,710.00	0.750%	\$10,901.73
091004	Riegelsville Borough	2021	5	\$349,823.68	\$0.00	0.500%	\$1,749.12
091005	Springfield Township	2021	28	\$1,039,311.39	\$297,675.05	0.750%	\$10,027.40
091006	Tinicum Township	2021	34	\$2,339,325.22	\$796,082.43	0.750%	\$23,515.56
091101	Bedminster Township	2021	112	\$8,179,917.66	\$1,239,041.48	0.750%	\$70,642.19
091102	Dublin Borough	2021	28	\$1,160,571.85	\$201,888.97	0.500%	\$6,812.30
091103	East Rockhill Township	2021	99	\$4,350,079.50	\$1,220,337.68	0.750%	\$41,778.13
091104	Hilltown Township	2021	302	\$18,974,244.04	\$3,224,358.32	0.500%	\$110,993.01
091105	Perkasie Borough	2021	140	\$7,006,392.24	\$976,516.42	0.500%	\$39,914.54
091106	Sellersville Borough	2021	53	\$2,142,094.81	\$433,654.66	0.500%	\$12,878.75
091107	Silverdale Borough	2021	16	\$505,530.89	\$246,125.71	0.500%	\$3,758.28
091108	West Rockhill Township	2021	84	\$4,764,789.63	\$527,127.10	0.750%	\$39,689.38
091301	Haycock Township	2021	23	\$2,223,151.85	\$269,688.96	0.500%	\$12,464.20
091302	Milford Township	2021	142	\$7,588,702.59	\$1,456,727.11	0.750%	\$67,840.72
091303	Quakertown Borough	2021	88	\$3,394,735.38	\$908,862.13	0.500%	\$21,517.99
091304	Richland Township	2021	144	\$6,627,346.60	\$1,350,932.10	0.600%	\$47,869.67
091305	Richlandtown Borough	2021	7	\$230,527.23	\$30,649.45	0.500%	\$1,305.88
091306	Trumbauersville Borough	2021	11	\$353,941.24	\$63,638.97	0.500%	\$2,087.90
					Minimum Tax Loss Total:		\$9,601,942.28



STERLING ACT
Bucks County School Districts Impact Report
Tax Year 2021

STERLING ACT
Bucks County School Districts Impact Report
Tax Year 2021

Centennial School District

MUNI	Area	Year	Count	Wages Earned Inside Philadelphia	Wages Earned Outside Philadelphia	Tax Rate
090401	Ivyland Borough	2021	56	\$3,738,399.90	\$358,354.33	0.005
090402	Upper Southampton Township	2021	1163	\$67,029,618.32	\$16,553,050.12	0.005
090403	Warminster Township	2021	1494	\$88,615,581.81	\$16,457,477.68	0.005
Total			2713	\$159,383,600.03	\$33,368,882.13	

Central Bucks School District

MUNI	Area	Year	Count	Wages Earned Inside Philadelphia	Wages Earned Outside Philadelphia	Tax Rate
090501	Buckingham Township	2021	449	\$32,002,314.82	\$7,717,673.28	0.005
090502	Chalfont Borough	2021	150	\$8,973,776.08	\$2,486,389.28	0.005
090503	Doylestown Borough	2021	161	\$9,567,701.87	\$3,502,447.87	0.005
090504	Doylestown Township	2021	377	\$26,728,583.34	\$5,813,652.65	0.005
090505	New Britain Borough	2021	59	\$3,012,977.89	\$558,079.83	0.005
090506	New Britain Township	2021	382	\$27,586,485.06	\$5,246,657.13	0.005
090507	Plumstead Township	2021	247	\$17,701,119.58	\$4,050,126.60	0.005
090508	Warrington Township	2021	1108	\$79,253,693.29	\$16,255,610.90	0.005
090509	Warwick Township	2021	637	\$43,879,891.27	\$9,906,057.09	0.005
Total			3570	\$248,706,543.20	\$55,536,694.63	

Council Rock School District

MUNI	Area	Year	Count	Wages Earned Inside Philadelphia	Wages Earned Outside Philadelphia	Tax Rate
090601	Newtown Borough	2021	59	\$4,591,016.78	\$683,881.14	0.005
090602	Newtown Township	2021	763	\$60,948,489.55	\$11,728,932.02	0.005
090603	Northampton Township	2021	2632	\$182,903,486.23	\$39,979,140.05	0.005
090604	Upper Makefield Township	2021	238	\$26,607,898.75	\$5,310,206.63	0.005
090605	Wrightstown Township	2021	100	\$13,158,582.09	\$4,465,783.74	0.005
Total			3792	\$288,209,473.40	\$62,167,943.58	

New Hope-Solebury School District

MUNI	Area	Year	Count	Wages Earned Inside Philadelphia	Wages Earned Outside Philadelphia	Tax Rate
090901	New Hope Borough	2021	46	\$5,022,360.28	\$819,268.52	0.005
090902	Solebury Township	2021	125	\$8,315,436.36	\$1,932,941.21	0.005
Total			171	\$13,337,796.64	\$2,752,209.73	

Palisades School District

MUNI	Area	Year	Count	Wages Earned Inside Philadelphia	Wages Earned Outside Philadelphia	Tax Rate
091001	Bridgeton Township	2021	9	\$272,714.32	\$109,644.08	0.005
091002	Durham Township	2021	9	\$325,162.28	\$66,718.12	0.005
091003	Nockamixon Township	2021	25	\$1,274,854.38	\$178,710.00	0.005
091004	Riegelsville Borough	2021	5	\$349,823.68	\$0.00	0.005
091005	Springfield Township	2021	28	\$1,039,311.39	\$297,675.05	0.005
091006	Tinicum Township	2021	34	\$2,339,325.22	\$796,082.43	0.005
Total			110	\$5,601,191.27	\$1,448,829.68	

Pennridge School District

MUNI	Area	Year	Count	Wages Earned Inside Philadelphia	Wages Earned Outside Philadelphia	Tax Rate
091101	Bedminster Township	2021	112	\$8,179,917.66	\$1,239,041.48	0.01
091102	Dublin Borough	2021	28	\$1,160,571.85	\$201,888.97	0.01
091103	East Rockhill Township	2021	99	\$4,350,079.50	\$1,220,337.68	0.01
091104	Hilltown Township	2021	302	\$18,974,244.04	\$3,224,358.32	0.01
091105	Perkasie Borough	2021	140	\$7,006,392.24	\$976,516.42	0.01
091106	Sellersville Borough	2021	53	\$2,142,094.81	\$433,654.66	0.01
091107	Silverdale Borough	2021	16	\$505,530.89	\$246,125.71	0.01
091108	West Rockhill Township	2021	84	\$4,764,789.63	\$527,127.10	0.01
Total			834	\$47,083,620.62	\$8,069,050.34	

Quakertown Community School District

MUNI	Area	Year	Count	Wages Earned Inside Philadelphia	Wages Earned Outside Philadelphia	Tax Rate
091301	Haycock Township	2021	23	\$2,223,151.85	\$269,688.96	0.01
091302	Milford Township	2021	142	\$7,588,702.59	\$1,456,727.11	0.01
091303	Quakertown Borough	2021	88	\$3,394,735.38	\$908,862.13	0.01
091304	Richland Township	2021	144	\$6,627,346.60	\$1,350,932.10	0.01
091305	Richlandtown Borough	2021	7	\$230,527.23	\$30,649.45	0.01
091306	Trumbauersville Borough	2021	11	\$353,941.24	\$63,638.97	0.01
Total			415	\$20,418,404.89	\$4,080,498.72	