

Senator Dan Laughlin  
Senate Majority Policy Committee  
Senate of Pennsylvania  
February 28, 2023

Testimony of the Honorable Joseph DiGirolamo

With a population of over 65,000 residents, Bensalem is the largest Township of the Second Class within the Commonwealth, and in fact, we are one of the ten largest municipalities of any class in Pennsylvania.

During my 29 years as Mayor of Bensalem, we have worked to deliver governmental services and an exemplary quality of life. We are proud to have accomplished this without increasing property taxes on our residents throughout my terms as Mayor, especially during the periods of economic downturn during which many of our most vulnerable property owners could least afford to have their property taxes increased.

In 2016, Bensalem adopted and enacted a one (1%) earned income tax (EIT). At the time of its adoption, Bensalem was one of the few remaining municipalities in Bucks County, and in fact, in the Commonwealth, that had yet to enact an Earned Income Tax.

Ultimately, our Township's constantly increasing need for the revenue generated by the EIT made the adoption of an earned income tax inevitable. The cost of providing municipal services, especially police and fire services, had significantly outpaced our sources of revenue. Laying off police and paid firefighters was, and is, simply not an option if we are going to continue to keep our residents and businesses safe and secure. Eliminating other essential services and neglecting our infrastructure is similarly not an option if we are going to maintain the quality of life our taxpayers deserve.

The Sterling Act, and the Philadelphia Wage Tax that it authorized, were adopted in the 1930's while the Commonwealth and Philadelphia were mired in the Great Depression. Throughout the years, the Sterling Act and the Philadelphia Wage Tax remained in place, largely unchanged, except of course, for the rates at which Philadelphia residents and non-residents were taxed.

The provisions of the Philadelphia Wage Tax that most directly impact my community, however, and almost all of the communities in the Philadelphia Region, are those provisions that exempt Philadelphia from the reciprocity provisions of the Earned Income Tax. While every other municipality in the Commonwealth must reimburse earned income tax revenues collected from non-residents to the home municipalities of those non-residents, Philadelphia is alone in its ability to keep for itself, both the earned income tax revenue of its residents and all of the non-residents who work in the city, without having to remit any portion or percentage of those non-resident revenues back to the home municipality of those non-residents.

This lack of reciprocity affects Bensalem in the following manner. Based upon recent data from the US Census Bureau, it is estimated that there are approximately 3,800 Bensalem residents who work in Philadelphia. These residents pay 3.5% of their salaries to the City in the form of the Philadelphia Wage Tax. Despite the fact that Bensalem now has a 1% earned income tax, by virtue of the Sterling Act, none of those wage tax dollars paid by our residents will return to Bensalem Township. Thus, we estimate that almost 30% of the total revenue that our EIT should now generate for our Township will, instead, stay in the City of Philadelphia. That estimate represents almost \$2.4 million of earned income tax revenue that should, today, be used to pay for Bensalem's Police and Fire Protection services, that should, today, be used to pave Bensalem roads, and that should, today, be used to fund Bensalem infrastructure projects and resident programs. Instead, those millions of dollars today stay in Philadelphia to be managed and spent by Philadelphia's public officials.

The inherent unfairness of this arrangement is exacerbated by the fact that this lost/unrealized revenue ultimately has to be made up either by Bensalem wage earners who do not work in Philadelphia or by residential property owners regardless of their employment/retirement status.

We certainly recognize the importance of Philadelphia to the economy of our region and the Commonwealth. However, Bensalem's proximity to the City (on its northeastern border) also results in great economic challenges to our community, particularly in the area of law enforcement, crime prevention and infrastructure. As a result of our size, population, and proximity to Philadelphia, Bensalem is required to provide many of the same services as is Philadelphia. Our community has one of the highest daytime populations in the region, being at the hub of such interstate highways as U.S. Route 1, The Pennsylvania Turnpike (I-276) and I-95. The crime, gun violence, and drug problems that have reached epidemic proportions in Philadelphia do not know of or care about municipal borders, and an inordinate amount of governmental resources are spent combating these problems with a focus on keeping them from crossing our borders, thereby protecting our citizens and our businesses and protecting our quality of life.

As a result, we employ one of the largest Police Departments in the Commonwealth, and it costs our taxpayers \$29 million per year, together with our recently formed paid daytime fire departments at a cost of \$1.5 million. In our ongoing efforts to maintain and improve our infrastructure, last year we spent over \$5 million in road repaving alone.

A fair and simple solution to remedy this inequity, and to give my community and our suburban neighbors the tools necessary to adequately serve and protect our communities, is for Philadelphia to remit to the suburban communities a share of the Philadelphia Wage Tax in an amount equal to our local EITs. In the case of Bensalem, it would be our 1%.

I realize the immediate impact to Philadelphia would be great if it were done all at once. I suggest this could be done over a limited period of years. For example, if the remittance were phased in over a period of five years, it could be structured with twenty percent (20%) of the remittance being paid in year one, forty percent (40%) in year two, and so forth until one hundred (100%) of the 1% EIT is remitted in year 5 and ever year thereafter.

Ultimately, the Sterling Act and the Philadelphia Wage Tax acts as a “double hit” to Bensalem and other communities like us, as they take away from us the revenue we so desperately need to fund vitally important services that, ironically, are made all the more expensive and all the more necessary because we border the City of Philadelphia. I know there have been many unsuccessful attempts to either repeal or amend the Sterling Act to address this inherent unfairness. The problems of the 1930s are not the problems that confront the City or the Suburbs almost a century later. The time to make this change is long overdue.

Thank you for the opportunity to present this testimony, and for your thoughtful consideration of this very important matter.

Respectfully,

Joseph DiGirolamo, Mayor  
Township of Bensalem