

Sterling Act Testimony
Senate Majority Policy Committee Hearing

March 2, 2023 - Middletown Township

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Chairman, Bucks County Tax Collection Committee

Talking Points

Earned Income Tax loss to Bucks County School Districts and Municipalities – Approximately \$18 Million in 2021.

Earned Income Tax loss to Northampton Township – Approximately \$1.1 Million or 2-Mills in real estate taxes in 2021.

Earned Income Tax loss to Council Rock School District – Approximately \$1.75 Million in 2021.

Residents paying EIT to Philadelphia are not supporting the cost of providing Township services except through their real estate taxes.

Residents not working in Philadelphia and paying EIT to the School District and Township are subsidizing those residents working in Philadelphia and paying EIT only to the City.

Township and School District real estate tax rates are higher for all residents because of this lost revenue, and this particularly impacts lower income families and persons on fixed incomes.

The Sterling Act may have made sense in 1932 when suburban communities provided limited services, primarily focused on road maintenance, and where a modest real estate tax provided sufficient funds to operate the local government and school system.

Most suburban Philadelphia municipalities impacted by the Sterling Act now provide a full array of government services including police, fire and emergency medical services, parks and recreation, libraries, senior centers, public utilities, storm water management, and extensive road systems.

Many suburban Philadelphia communities are also dealing with a lack of volunteer firefighter and are transitioning to full-time paid fire services that will require a significant financial investment in personnel and equipment.

PA communities also must comply with State-mandated MS4 Stormwater Management Regulations estimated to cost millions of dollars. Relief from Sterling Act requirements will help fund the required improvements and improve groundwater and surface water quality.

PA municipalities are restrained by State law from levying real estate taxes above a certain limit for critical services such as police and fire protection, and road maintenance.

While Northampton Township has not yet reached its mandated millage cap, with the increased cost of municipal services, especially fire services, it will not be long before the Township reaches the limits allowed in the Second-Class Township Code.

Some Township may still have development potential that increases assessed valuation, and annual growth in real estate taxes without increasing the tax rate. Northampton Township does not have that luxury, as do many other developed communities in southeast Pennsylvania.

Our two primary sources of revenue are Earned Income taxes and real estate taxes. EIT revenue fluctuates with the national and state economies. When wages are high and residents are employed, EIT revenue does increase. The opposite occurs when wages are depressed and unemployment is elevated.

Eliminating the Sterling Act requirements will provide much needed financial relief to municipalities struggling with caps on real estate millage levies imposed by State law. Doing so will help fund the increased cost of providing essential local government services for the protection of public health, safety and welfare.

Attachment:

Philadelphia Wage Tax Impact (Sterling Act)
Bucks County TCD Municipalities
Tax Year 2021

Philadelphia Wage Tax Impact (Sterling Act)
Bucks County TCD Municipalities
Tax Year 2021

Municipality	Count	Wages Earned in Philadelphia Subject to Philadelphia Wage Tax	All Townships EIT Loss @ .5 % Except Bensalem Loss @ 1%	Wages Earned Outside Philadelphia Subject to Sterling Act Credit	SUPER CREDIT LOSS - All Townships @ .5 % Except Bensalem @ 1%	Total EIT Loss from Work in Philadelphia and Super credit for work outside of Philadelphia
Bedminster Township	112	\$8,179,918	\$40,900	\$1,239,041	\$6,195	\$47,095
Bensalem Township	3,853	\$202,870,887	\$2,028,709	\$43,242,395	\$432,424	\$2,461,133
Bridgeton Township	9	\$272,714	\$1,364	\$109,644	\$548	\$1,912
Bristol Township	1,667	\$83,408,539	\$417,043	\$20,083,495	\$100,417	\$517,460
Buckingham Township	449	\$32,002,315	\$160,012	\$7,717,673	\$38,588	\$198,600
Chalfont Borough	150	\$8,973,776	\$44,869	\$2,486,389	\$12,432	\$57,301
Doylestown Borough	161	\$9,567,702	\$47,839	\$3,502,448	\$17,512	\$65,351
Doylestown Township	377	\$26,728,583	\$133,643	\$5,813,653	\$29,068	\$162,711
Dublin Borough	28	\$1,160,572	\$5,803	\$201,889	\$1,009	\$6,812
Durham Township	9	\$325,162	\$1,626	\$66,718	\$334	\$1,959
East Rockhill Township	99	\$4,350,080	\$21,750	\$1,220,338	\$6,102	\$27,852
Haycock Township	23	\$2,223,152	\$11,116	\$269,689	\$1,348	\$12,464
Hilltown Township	302	\$18,974,244	\$94,871	\$3,224,358	\$16,122	\$110,993
Hulmeville Borough	36	\$2,019,491	\$10,097	\$498,418	\$2,492	\$12,590
Ivyland Borough	56	\$3,738,400	\$18,692	\$358,354	\$1,792	\$20,484
Lower Southampton Twp	1,456	\$80,909,994	\$404,550	\$15,991,376	\$79,957	\$484,507
Middletown Township	1,756	\$109,723,660	\$548,618	\$27,334,953	\$136,675	\$685,293
Milford Township	142	\$7,588,703	\$37,944	\$1,456,727	\$7,284	\$45,227
New Britain Borough	59	\$3,012,978	\$15,065	\$558,080	\$2,790	\$17,855
New Britain Township	382	\$27,586,485	\$137,932	\$5,246,657	\$26,233	\$164,166
New Hope Borough	46	\$5,022,360	\$25,112	\$819,269	\$4,096	\$29,208
Newtown Borough	59	\$4,591,017	\$22,955	\$683,881	\$3,419	\$26,374
Newtown Township	763	\$60,948,490	\$304,742	\$11,728,932	\$58,645	\$363,387
Nockamixon Township	25	\$1,274,854	\$6,374	\$178,710	\$894	\$7,268
Northampton Township	2,632	\$182,903,486	\$914,517	\$39,979,140	\$199,896	\$1,114,413
Penndel Borough	44	\$2,657,211	\$13,286	\$287,966	\$1,440	\$14,726
Perkasie Borough	140	\$7,006,392	\$35,032	\$976,516	\$4,883	\$39,915
Plumstead Township	247	\$17,701,120	\$88,506	\$4,050,127	\$20,251	\$108,756
Quakertown Borough	88	\$3,394,735	\$16,974	\$908,862	\$4,544	\$21,518
Richland Township	144	\$6,627,347	\$33,137	\$1,350,932	\$6,755	\$39,891
Richlandtown Borough	7	\$230,527	\$1,153	\$30,649	\$153	\$1,306
Riegelsville Borough	5	\$349,824	\$1,749	\$0	\$0	\$1,749
Sellersville Borough	53	\$2,142,095	\$10,710	\$433,655	\$2,168	\$12,879
Silverdale Borough	16	\$505,531	\$2,528	\$246,126	\$1,231	\$3,758
Solebury Township	125	\$8,315,436	\$41,577	\$1,932,941	\$9,665	\$51,242
Springfield Township	28	\$1,039,311	\$5,197	\$297,675	\$1,488	\$6,685
Tinicum Township	34	\$2,339,325	\$11,697	\$796,082	\$3,980	\$15,677
Trumbauersville Borough	11	\$353,941	\$1,770	\$63,639	\$318	\$2,088
Upper Makefield Township	238	\$26,607,899	\$133,039	\$5,310,207	\$26,551	\$159,591
Upper Southampton	1,123	\$67,029,618	\$335,148	\$16,553,053	\$82,765	\$417,913
Warminster Township	1,494	\$88,615,582	\$443,078	\$16,457,478	\$82,287	\$525,365
Warrington Township	1,108	\$79,253,693	\$396,268	\$16,255,611	\$81,278	\$477,547
Warwick Township	637	\$43,879,891	\$219,399	\$9,906,057	\$49,530	\$268,930
West Rockhill Township	84	\$4,764,790	\$23,824	\$527,127	\$2,636	\$26,460
Wrightstown Township	100	\$13,158,582	\$65,793	\$4,465,784	\$22,329	\$88,122
Totals	20,377	\$1,264,330,412	\$7,336,006	\$274,862,716	\$1,590,526	\$8,926,532