

## MEMORANDUM

**To: Act 47 Subcommittee on Finance/Indebtedness**

**From: Pennsylvania Economy League**

**Date: May 31, 2013**

**Subject: Permit the coordinator to petition the court of common pleas under Section 123 of Act 47 to increase the rate of Local Services Tax above \$52.**

In the majority of cases, raising the LST to \$156/year equals the same amount cities would earn through a double digit property tax hike, according to a Pennsylvania Economy League analysis of 54 cities.

The ability to charge a higher LST would particularly be a boon to cities that are in or on the verge of fiscal distress. Those cities often include a large number of senior citizens on fixed incomes who cannot afford higher property taxes but are in need of the array of expensive services that cities provide. A higher LST also serves as a more palatable alternative for distressed Act 47 cities that are considering imposing a nonresident earned income tax. Instead of paying up to one percent of their wages through a nonresident earned income tax, commuters would pay a fixed amount. Since city services are provided to non-residents uniformly rather than on an income basis, a fixed rate LST could be considered “more fair” as a non-resident tax.

Depending on the city, municipalities could collect the equivalent of up to a 50 percent property tax increase or more by tripling the current maximum LST rate of \$52 to \$156, with the average almost 20 percent. Raising the LST can even produce more than what is now collected from the earned income tax, depending on the city.

For instance, Williamsport in Lycoming County would collect the equivalent of an over 50 percent real estate tax hike if it tripled the LST. While not every city would realize that great of a return, the amounts are still substantial. In terms of various Act 47 cities, the property tax increase equivalents for tripling the LST include: Harrisburg, 30 percent; Scranton, 24 percent; Nanticoke, 23 percent; Altoona, 16.5 percent; and Johnstown, 13 percent. Of the 54 cities analyzed, only nine show equivalents that are less than 10 percent and only three indicate equivalent property tax increases of less than 5 percent.

| Municipality Name      | County Name       | Region    | 2010 Reported Revenue |                   |                    | Triple the LST Revenue              |                                     |                                       |
|------------------------|-------------------|-----------|-----------------------|-------------------|--------------------|-------------------------------------|-------------------------------------|---------------------------------------|
|                        |                   |           | Real Estate Tax       | Earned Income Tax | Local Services Tax | Increased Local Service Tax Revenue | Equivalent Real Estate Tax Increase | Equivalent Earned Income Tax Increase |
| DUBOIS CITY            | CLEARFIELD        | NC        | 1,240,898             | 599,329           | 332,148            | 664,296                             | 53.5%                               | 110.8%                                |
| WILLIAMSPORT CITY      | LYCOMING          | CEN       | 9,607,574             | 1,586,698         | 2,421,485          | 4,842,970                           | 50.4%                               | 305.2%                                |
| GREENSBURG CITY        | WESTMORELAND      | SW        | 3,217,273             | 2,597,379         | 607,572            | 1,215,144                           | 37.8%                               | 46.8%                                 |
| CARBONDALE CITY        | LACKAWANNA        | NE        | 1,103,024             | 1,552,096         | 207,026            | 414,052                             | 37.5%                               | 26.7%                                 |
| SUNBURY CITY           | NORTHUMBERLAND    | CEN       | 1,487,233             | 610,282           | 276,182            | 552,364                             | 37.1%                               | 90.5%                                 |
| WARREN CITY            | WARREN            | NW        | 1,842,395             | 2,784,938         | 289,567            | 579,134                             | 31.4%                               | 20.8%                                 |
| BETHLEHEM CITY         | NORTHAMPTON       | LV        | 20,723,006            | 31,090,281        | 3,202,612          | 6,405,224                           | 30.9%                               | 20.6%                                 |
| MCKEESPORT CITY        | ALLEGHENY         | SW        | 2,154,813             | 2,244,451         | 326,436            | 652,872                             | 30.3%                               | 29.1%                                 |
| MEADVILLE CITY         | CRAWFORD          | NW        | 3,182,881             | 897,775           | 465,324            | 930,648                             | 29.2%                               | 103.7%                                |
| <b>HARRISBURG CITY</b> | <b>DAUPHIN</b>    | <b>SC</b> | <b>15,715,733</b>     | <b>3,149,169</b>  | <b>2,217,093</b>   | <b>4,434,185</b>                    | <b>28.2%</b>                        | <b>140.8%</b>                         |
| <b>FARRELL CITY</b>    | <b>MERCER</b>     | <b>NW</b> | <b>713,539</b>        | <b>855,705</b>    | <b>98,440</b>      | <b>196,880</b>                      | <b>27.6%</b>                        | <b>23.0%</b>                          |
| WILKES BARRE CITY      | LUZERNE           | NE        | 8,401,045             | 11,136,275        | 1,078,606          | 2,157,212                           | 25.7%                               | 19.4%                                 |
| LEBANON CITY           | LEBANON           | SC        | 2,890,929             | 3,766,524         | 367,972            | 735,944                             | 25.5%                               | 19.5%                                 |
| CORRY CITY             | ERIE              | NW        | 1,411,714             | 360,000           | 179,612            | 359,224                             | 25.4%                               | 99.8%                                 |
| POTTSVILLE CITY        | SCHUYLKILL        | NE        | 2,826,001             | 1,022,218         | 346,698            | 693,396                             | 24.5%                               | 67.8%                                 |
| <b>SCRANTON CITY</b>   | <b>LACKAWANNA</b> | <b>NE</b> | <b>15,000,524</b>     | <b>21,345,840</b> | <b>1,787,535</b>   | <b>3,575,070</b>                    | <b>23.8%</b>                        | <b>16.7%</b>                          |
| <b>NANTICOKE CITY</b>  | <b>LUZERNE</b>    | <b>NE</b> | <b>897,877</b>        | <b>2,059,497</b>  | <b>102,498</b>     | <b>204,996</b>                      | <b>22.8%</b>                        | <b>10.0%</b>                          |
| FRANKLIN CITY          | VENANGO           | NW        | 1,727,126             | 1,027,333         | 187,723            | 375,446                             | 21.7%                               | 36.5%                                 |
| HAZLETON CITY          | LUZERNE           | NE        | 2,786,436             | 3,857,335         | 298,047            | 596,094                             | 21.4%                               | 15.5%                                 |
| ERIE CITY              | ERIE              | NW        | 28,041,071            | 10,782,608        | 2,945,771          | 5,891,542                           | 21.0%                               | 54.6%                                 |
| CONNELLSVILLE CITY     | FAYETTE           | SW        | 1,106,172             | 481,456           | 115,823            | 231,646                             | 20.9%                               | 48.1%                                 |
| BUTLER CITY            | BUTLER            | SW        | 2,800,870             | 1,113,662         | 268,740            | 537,480                             | 19.2%                               | 48.3%                                 |
| ST MARYS CITY          | ELK               | NC        | 3,456,762             | 1,199,221         | 328,858            | 657,716                             | 19.0%                               | 54.8%                                 |
| LOCK HAVEN CITY        | CLINTON           | CEN       | 1,767,826             | 377,067           | 162,908            | 325,816                             | 18.4%                               | 86.4%                                 |

| Municipality Name      | County Name      | Region    | 2010 Reported Revenue |                   |                    | Triple the LST Revenue              |                                     |                                       |
|------------------------|------------------|-----------|-----------------------|-------------------|--------------------|-------------------------------------|-------------------------------------|---------------------------------------|
|                        |                  |           | Real Estate Tax       | Earned Income Tax | Local Services Tax | Increased Local Service Tax Revenue | Equivalent Real Estate Tax Increase | Equivalent Earned Income Tax Increase |
| SHARON CITY            | MERCER           | NW        | 2,735,164             | 2,645,179         | 239,137            | 478,274                             | 17.5%                               | 18.1%                                 |
| BRADFORD CITY          | MCKEAN           | NC        | 2,546,697             | 686,683           | 213,462            | 426,924                             | 16.8%                               | 62.2%                                 |
| PARKER CITY            | ARMSTRONG        | SW        | 82,111                | 45,469            | 6,811              | 13,622                              | 16.6%                               | 30.0%                                 |
| <b>ALTOONA CITY</b>    | <b>BLAIR</b>     | <b>SA</b> | <b>10,528,368</b>     | <b>2,826,330</b>  | <b>866,136</b>     | <b>1,732,272</b>                    | <b>16.5%</b>                        | <b>61.3%</b>                          |
| <b>CLAIRTON CITY</b>   | <b>ALLEGHENY</b> | <b>SW</b> | <b>1,029,542</b>      | <b>359,108</b>    | <b>84,558</b>      | <b>169,116</b>                      | <b>16.4%</b>                        | <b>47.1%</b>                          |
| WASHINGTON CITY        | WASHINGTON       | SW        | 5,326,426             | 2,576,863         | 437,383            | 874,766                             | 16.4%                               | 33.9%                                 |
| JEANNETTE CITY         | WESTMORELAND     | SW        | 1,799,140             | 596,839           | 145,281            | 290,562                             | 16.2%                               | 48.7%                                 |
| YORK CITY              | YORK             | SC        | 15,078,604            | 2,406,280         | 1,200,927          | 2,401,854                           | 15.9%                               | 99.8%                                 |
| UNIONTOWN CITY         | FAYETTE          | SW        | 3,327,307             | 478,203           | 255,402            | 510,804                             | 15.4%                               | 106.8%                                |
| OIL CITY               | VENANGO          | NW        | 2,140,572             | 615,657           | 158,058            | 316,116                             | 14.8%                               | 51.3%                                 |
| BEAVER FALLS CITY      | BEAVER           | SW        | 1,928,705             | 1,230,679         | 134,066            | 268,132                             | 13.9%                               | 21.8%                                 |
| <b>READING CITY</b>    | <b>BERKS</b>     | <b>BL</b> | <b>16,557,807</b>     | <b>10,247,222</b> | <b>1,139,852</b>   | <b>2,279,704</b>                    | <b>13.8%</b>                        | <b>22.2%</b>                          |
| <b>NEW CASTLE CITY</b> | <b>LAWRENCE</b>  | <b>SW</b> | <b>6,537,525</b>      | <b>4,845,560</b>  | <b>445,585</b>     | <b>891,170</b>                      | <b>13.6%</b>                        | <b>18.4%</b>                          |
| <b>JOHNSTOWN CITY</b>  | <b>CAMBRIA</b>   | <b>SA</b> | <b>6,641,900</b>      | <b>1,884,576</b>  | <b>434,223</b>     | <b>868,446</b>                      | <b>13.1%</b>                        | <b>46.1%</b>                          |
| HERMITAGE CITY         | MERCER           | NW        | 1,247,069             | 5,842,838         | 74,442             | 148,884                             | 11.9%                               | 2.5%                                  |
| ALLENTOWN CITY         | LEHIGH           | LV        | 29,544,542            | 9,600,654         | 1,736,554          | 3,473,108                           | 11.8%                               | 36.2%                                 |
| TITUSVILLE CITY        | CRAWFORD         | NW        | 1,894,898             | 323,244           | 107,321            | 214,642                             | 11.3%                               | 66.4%                                 |
| LANCASTER CITY         | LANCASTER        | BL        | 22,575,665            | 4,249,810         | 1,271,925          | 2,543,850                           | 11.3%                               | 59.9%                                 |
| NEW KENSINGTON CITY    | WESTMORELAND     | SW        | 2,791,160             | 945,352           | 157,226            | 314,452                             | 11.3%                               | 33.3%                                 |
| PITTSTON CITY          | LUZERNE          | NE        | 1,767,119             | 562,109           | 99,045             | 198,090                             | 11.2%                               | 35.2%                                 |
| <b>CHESTER CITY</b>    | <b>DELAWARE</b>  | <b>SE</b> | <b>8,299,035</b>      | <b>7,456,448</b>  | <b>457,490</b>     | <b>914,980</b>                      | <b>11.0%</b>                        | <b>12.3%</b>                          |
| SHAMOKIN CITY          | NORTHUMBERLAND   | CEN       | 1,264,556             | 398,374           | 57,923             | 115,846                             | 9.2%                                | 29.1%                                 |
| EASTON CITY            | NORTHAMPTON      | LV        | 8,764,806             | 4,084,764         | 378,393            | 756,786                             | 8.6%                                | 18.5%                                 |
| <b>DUQUESNE CITY</b>   | <b>ALLEGHENY</b> | <b>SW</b> | <b>1,244,675</b>      | <b>475,342</b>    | <b>49,570</b>      | <b>99,140</b>                       | <b>8.0%</b>                         | <b>20.9%</b>                          |
| LOWER BURRELL CITY     | WESTMORELAND     | SW        | 2,423,715             | 1,147,996         | 90,020             | 180,040                             | 7.4%                                | 15.7%                                 |

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|--|---------------|-----------|-----------------------|-------------------|--------------------|-------------------------------------|-------------------------------------|---------------------------------------|
|  |               |           | Real Estate Tax       | Earned Income Tax | Local Services Tax | Increased Local Service Tax Revenue | Equivalent Real Estate Tax Increase | Equivalent Earned Income Tax Increase |
| COATESVILLE CITY   | CHESTER       | SE        | 2,332,524             | 2,441,605         | 84,699             | 169,398                             | 7.3%                                | 6.9%                                  |
| MONESSEN CITY  | WESTMORELAND  | SW        | 1,896,843             | 414,626           | 60,900             | 121,800                             | 6.4%                                | 29.4%                                 |
| ARNOLD CITY  | WESTMORELAND  | SW        | 2,234,196             | 264,147           | 33,450             | 66,900                              | 3.0%                                | 25.3%                                 |
| MONONGAHELA CITY   | WASHINGTON    | SW        | 931,546               | 262,233           | 6,301              | 12,602                              | 1.4%                                | 4.8%                                  |
| <b>ALIQUIPPA CITY</b>  | <b>BEAVER</b> | <b>SW</b> | <b>2,199,901</b>      | <b>1,117,639</b>  | <b>14,247</b>      | <b>28,494</b>                       | <b>1.3%</b>                         | <b>2.5%</b>                           |
| SOURCE: DCED Municipal Financial Statistics 2010   |               |           |                       |                   |                    |                                     |                                     |                                       |
| Act 47 Cities are highlighted in <b>BOLD</b> .   |               |           |                       |                   |                    |                                     |                                     |                                       |
| NOTE: Not all cities may levy at the current \$52 maximum rate, some may be at the old \$10 rate. PEL made no assumptions on the local rate but tripled the revenue reported as LST in 2010. |               |           |                       |                   |                    |                                     |                                     |                                       |

| Region | Description          |
|--------|----------------------|
| BL     | Berks - Lancaster    |
| CEN    | Central PA           |
| LV     | Lehigh Valley        |
| NC     | North Central        |
| NE     | Northeast            |
| NT     | Northern Tier        |
| NW     | Northwest            |
| SA     | Southern Alleghenies |
| SC     | South Central        |
| SE     | Southeast            |
| SW     | Southwest            |