

Representative Bernie O'Neill, Chairman

Pennsylvania House Finance Committee

Hearing- Sterling Act

Bensalem Township

October 5, 2016

Good Morning Representatives,

Welcome to Bensalem Township, and thank you for the opportunity to testify before the House Finance Committee this morning.

With a population of over 60,000 residents, Bensalem is the largest Township of the Second Class within the Commonwealth, and, in fact, we are one of the largest municipalities of any class in Pennsylvania.

During my 22 years as Mayor of Bensalem, we have worked to deliver governmental services and a quality of life that has resulted in our community being twice nationally recognized by Money Magazine as One of the Best Places to Live in America. We are equally proud to have accomplished this without increasing property taxes on our residents, especially during the economic downturn of the last several years, when many of our most vulnerable property owners could least afford to have their property taxes increased.

As part of the adoption of our 2016 Budget, Bensalem Township adopted and enacted a one (1%) percent 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, have significantly outpaced our sources of revenue. Laying off police and paid firefighters 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 not an option if we are going to maintain the quality of life our taxpayers deserve.

At the same time, reliance upon real property taxes as a primary source of revenue has been made even more difficult by the significant number of property assessment reductions that have taken place in recent years.

As Mayor, I resisted the implementation of an earned income tax for as long as I believed our Township could survive without one. The reason was simple - I have always believed that the Sterling Act makes the imposition of an earned income tax fundamentally unfair to the residents of Bensalem, despite the necessary revenue that such a tax generates. Let me explain why.

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 have remained in place, largely unchanged, except, of course, for the rates at which Philadelphia residents and non-residents are 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. Thus, 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 revenues of its residents and of all 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 data from the U.S. Census Bureau, it is estimated that there are approximately 5,300 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 revenue that the EIT should now generate for our Township will, instead, stay in the City of Philadelphia. That estimate represents almost \$2.7 million of earned income tax revenue that should pay police and fire protection services, pave Bensalem roads, and fund Bensalem projects and programs. Instead, those millions of dollars stay in Philadelphia to be managed and spent by City public officials.

The inherent unfairness of this arrangement is exacerbated by the fact that this lost/unrealized revenue ultimately has to be made up by either the Bensalem wage earners who don't work in Philadelphia, or, in the alternative, by a property tax increase imposed on all of our property owners, including those who have no income and/or those who, in this economy, can ill afford having property taxes increased.

Opponents and critics of any proposed legislation that would amend the Sterling Act and the Philadelphia Wage Tax have long argued that the residents of surrounding municipalities who work in Philadelphia utilize the municipal services, roads and other infrastructure that are required to support those jobs located in the City. While this is certainly true, there are also many city residents who work outside of the City in suburban office campuses, factories and businesses. Nowhere is this more true than in the case of Bensalem.

We all 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 areas 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 Philadelphia. We

have 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. We are the home to PARX Casino and Racetrack, one of the largest and busiest such facilities in Pennsylvania.

As a result, we employ one of the largest Police Departments in the Commonwealth, and it costs our taxpayers \$26 million per year, together with our recently formed paid daytime fire department at a cost of \$1.2 million. In our ongoing efforts to maintain and improve our infrastructure, last year we spent over \$5 million in road repaving alone.

These are just a few examples, and Bensalem is not alone in this regard. To the extent that the vast majority of the neighboring communities in the Philadelphia Region also have residents who work in Philadelphia, also impose an earned income tax, and also face the same fiscal challenges as Bensalem, I would suggest that the Sterling Act is unfair to those communities, as well.

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 all border the City.

I am therefore asking you to please take immediate action on House Bill 2142, introduced by Representative Stevens, and on House Bills 2256 and 2257, both introduced by Representative Petri. Each of these Bills would require Philadelphia to remit a portion of the wage taxes paid by a non-resident back to that non-resident’s home municipality in an amount equal to the rate of the earned income tax assessed in that home municipality. For Bensalem, and many of the surrounding communities, this would mean that up to one (1%) percent of the Philadelphia Wage Tax paid by our residents would now come home to Bensalem, and the remaining portion of the tax would still stay with Philadelphia, meaning all taxpayers and all taxing jurisdictions will be treated fairly and equally.

Thank you for your kind consideration of our plight and of this request. I am hopeful that the House of Representatives will lead the way for the Senate and Governor through the passage of a Bill that creates equality in taxation for all Pennsylvanians.