



KEYSTONE
collections group®

Client Services Division

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**ESTIMATE OF POTENTIAL REVENUE FROM A LOCAL EARNED INCOME TAX
LANGHORNE BOROUGH • BUCKS COUNTY TCD**

INTRODUCTION

As Langhorne Borough considers joining the 52 municipal and school district authorities in Bucks County that now collect the local earned income tax, it is important to examine revenue generation expectations. This analysis is designed to estimate potential revenue from enactment of the EIT in Langhorne Borough. The estimate is based upon historical revenue, population and demographic data from a variety of sources. Keystone Collections Group maintains tax collection data only for those taxing jurisdictions where Keystone serves as the Act 32 Tax Officer.

As with any estimate, numerous factors can influence actual collections. These include, but are not limited to: accuracy of employer-supplied data, accuracy of Department of Revenue data, economic changes, updated information, and demographic factors that could impact income and tax levels. As such, no estimate is a guarantee of eventual collections, and may not be relied upon for this purpose.

SOURCES AND METHODOLOGY

Keystone’s Client Services Department analysts and IT professionals reviewed historic earned income tax data Langhorne Borough residents reported to the PA Department of Revenue on their annual state income tax (PA-40) returns. The information is dated, as it takes the DOR several years to accumulate and release its income tax data.

To provide greater confidence in the numbers provided by the DOR, Keystone’s analysts compared DOR data with other data sets from the U.S. Bureau of the Census, the Center for Rural Pennsylvania, the Penn State Data Center and USBoundary.com.

PA DEPARTMENT OF REVENUE STATE INCOME TAX DATA

PSD CODE	RETURNS FILED*	TOTAL EARNED INCOME REPORTED
090802	634	\$47,351,166.00

**The DOR permits spouses to combine income in joint returns, unlike local EIT. As a result, the number of returns filed is not indicative of the actual number of individual taxpayers who may be subject to a local earned income tax.*

MAXIMUM POSSIBLE REVENUE AT 1%.....\$473,511.66‡

MAXIMUM POSSIBLE REVENUE AT 0.5%\$236,775.83‡

‡This assumes that every tax dollar paid by your residents would stay in Langhorne Borough, which is unlikely (see next page).



THE PHILADELPHIA WAGE TAX

Given Langhorne Borough's proximity to the City of Philadelphia, it is likely that a portion of Borough residents work there, where they are subject to a 3.871% commuter wage tax under the *Sterling Act*. These residents would not pay the income tax to the Borough because state law gives Philadelphia taxing priority.

As Keystone does not currently serve as your tax collector, we are not yet in a position to know how many of your residents are currently employed in Philadelphia. As such, the approximations of revenue collection must be adjusted accordingly. While Langhorne Borough has considerably fewer residents than the nearby townships of Bristol and Middletown, data maintained by the Tax Officer indicates that just under 10% of the residents living in these communities are subject to the Philadelphia Wage Tax. This information is not indicative of the actual number of Langhorne's residents who may or may not work in Philadelphia. Also, as the revenue from an earned income tax is based on wages, the impact of the Philadelphia Wage Tax on potential revenue may be higher or lower based on the commuters' level of income.

COMMUTERS TO THE STATE OF DELAWARE

It is also likely that some of the Borough's residents work in the State of Delaware, where they are subject to that state's income tax. A resident who works in Wilmington is also subject to Wilmington's local income tax. Pennsylvania residents who pay their income tax to Delaware (and Wilmington) will not be taxed again by their Pennsylvania resident community.

THE SCHOOL DISTRICT TAXING AUTHORITY

Currently, the Neshaminy School District does not impose a local earned income tax, which allows the Borough to set its rate at the statutory maximum 1%. By state law, the school district may impose its own EIT in the future, up to 0.5%. With the statutory maximum rate cap of 1%, the Borough could then be limited to a 0.5% rate. At the current time, the Borough may use up to the full 1% rate cap exclusively. The Borough should review these options with the Borough solicitor.



NON-RESIDENT (COMMUTER) TAX

The law permits municipal taxing authorities to concurrently enact a non-resident, or commuter tax, on individuals who work in one taxing jurisdiction but live elsewhere. The majority of municipalities that enact the earned income tax throughout Bucks County also impose the non-resident tax.

Most Bucks County municipalities levy the EIT and concurrently impose a non-resident rate of 1%. The same is true for communities within Chester, Montgomery and Northampton counties. Alternatively, many communities in Delaware County (PA) do not impose the EIT.

Therefore, enactment of a concurrent non-resident EIT may generate additional revenue for Langhorne only from those Pennsylvania residents of nearby communities who work in the Borough but who live in taxing jurisdictions that do not impose the EIT. Moreover, residents from the states of Delaware and New Jersey who work in the Borough would also be subject to a Langhorne Borough non-resident tax.

TAX DOLLARS FLOWING TO OTHER COMMUNITIES

Based on the most recent tax data available, Keystone estimates approximately 443 Langhorne residents already pay the tax because they work in taxing jurisdictions that currently levy the earned income tax. These figures include only those Langhorne residents who commute to work in a taxing jurisdiction where Keystone is the Act 32 Tax Officer (in this instance: Bucks, Chester, Delaware and Northampton counties). Those residents who work in Montgomery County are not included in these estimates, as Keystone is not the Act 32 Tax Officer there.

Langhorne residents working in communities where Keystone is the collector paid nearly \$114,622.02 to these other communities in non-resident commuter taxes in 2021, the latest year for which figures are available. Virtually all this revenue would revert to Langhorne Borough if the Borough imposed the tax at 1%, in addition to the other EIT revenue sources.

In most cases, Langhorne residents working in communities that levy the non-resident tax where Keystone is the collector would see no increase in their current local earned income tax payments.



LANGHORNE RESIDENTS PAYING EIT TO OTHER PA KEYSTONE JURISDICTIONS

NUMBER..... 443*

AMOUNT.....\$114,622.02*

**These figures represent only those communities with a non-resident, or commuter, EIT where Keystone is the Act 32 Tax Officer, such as in the Bucks, Chester, Delaware and Northampton TCDs. These figures do not include non-resident EIT currently paid by Langhorne Borough residents who work in Montgomery County. Complete tax information for 2021 will not be available until October of 2022 (the extended filing period for local EIT under Act 32).*

DISCLAIMER

Revenue estimates are based on current-year and prior-year collection data of the tax officer. Additional information is based on data from outside sources including the Pennsylvania Department of Revenue, the U.S. Bureau of the Census, the Center for Rural Pennsylvania, the Penn State Data Center and USBoundary.com. These estimates are subject to modification based on updated information, economic changes, accuracy of employer-supplied data, accuracy of taxpayer-supplied data, accuracy of state and federal data, and demographic factors that could impact income and tax levels and accordingly affect any estimated totals. As such, no estimate is a guarantee of future collections, and may not be relied upon for this purpose.