

PROSPECT PARK BOROUGH

EARNED INCOME TAX INFORMATION

Where did this idea come from?

- Municipalities have been encouraged for many years to consider moving to an earned income tax, which many believe is more fair than the real estate tax. The tax is based on a person's ability to pay and not the value of their house. The EIT would offset further raises in real estate taxes.
- This is especially true for seniors and after the County's reassessment, where seniors' assessment goes way up but they don't have any more money to pay higher real estate taxes.
- This is also more fair to working families whose jobs were lost or income affected by the pandemic, where their home's assessment increased but who wouldn't have the money to pay higher real estate taxes.
- Many feel it is more fair because it applies to all who earn an income; not just those who own a house or property. Therefore, many people who use Borough services (police, trash, sewers, street maintenance, etc.), such as renters and employees of businesses in Prospect Park will pay something, rather than just property owners.
- Almost half (20 of 49) municipalities in Delaware County already have an earned income tax, including towns such as Tinicum, Eddystone, Aston, Brookhaven, Folcroft, Lansdowne, Media, Sharon Hill and Upland.

How come we never heard about this before we got notice from Keystone?

- Due to the uncertainty with the Delaware County reassessment and the unknown effect on real estate tax rates and the impact on residents, the Borough Council began discussing the idea of an earned income tax early in 2020 at public Council meetings. The Council then invited officials from Keystone Collections Group, who have been hired by the Delaware County EIT Tax Collection Committee, to make a public presentation at a Council meeting in May (?) 2020.
- Borough Council continued to discuss the possibility of an EIT at public meetings and then authorized the advertisement of an ordinance at the September public Council meeting.
- The Council conducted several public budget meetings and the EIT was discussed during those meetings.
- During October and November 2020, the proposed EIT Ordinance was advertised on three different occasions in the *Delaware County Daily Times* and made available for public review at the municipal building.
- The EIT Ordinance was adopted in November at the public Council meeting, and was again discussed at the December public Council meeting when the 2021 Budget was adopted.

Who and what are subject to the EIT?

- The EIT applies to people who live in Prospect Park and those individuals who work in Prospect Park.
- Earned income is salary, employment earnings such as hourly wages, and net profits.
- Social Security payments, retirement pay, old age benefits, pensions, disability payments, unemployment compensation, public assistance payments (welfare) are NOT subject to the EIT.
- Income from investments such as dividends, interest, trusts, bonds, insurance and stocks are NOT subject to the EIT.
- Compensation received from active service in the armed forces of the United States is NOT subject to the EIT.

If I already pay an income tax where I work, will I have to pay anything more?

- NO. If you already pay a local income tax where you work, you will not pay anything more.
- For instance, if you work in Tincum and already pay the EIT, you will not pay anything more. However, your EIT will now come back to Prospect Park, rather than go to Tincum.
- If you work outside Delaware County and pay an EIT in the town where you work, you will NOT pay any additional EIT.
- One of the facts Borough Council learned during the public meetings with the Delaware County Tax Collection Committee's Keystone Collections is that there are thousands of Prospect Park residents who already pay an EIT where they currently work; for the most part, that tax payment will now be captured by Prospect Park rather than another Delaware County, Montgomery County, Chester County or Bucks County town.
- If you work in Philadelphia, you already pay a higher EIT and you will NOT pay any more. Unfortunately, due to state law, Philadelphia gets to keep all EIT paid by a Prospect Park resident working in Philadelphia.

What are you using this tax money for?

- These tax revenues will go to the normal expenses of the Borough, such as police, road improvement projects and maintenance, fire protection, health, street lighting, parks and recreation, pension payments for police and highway crew, etc. Police expenses are in excess of 50% of the general fund budget and the Borough is in the process of negotiating a new contract with the FOP union.
- Council believes the EIT will lessen or eliminate the need for any new real estate taxes. Council has held the line on any increase in real estate taxes for ___ years; HOWEVER, expenses go up and we have eaten away at the Borough's fund balance or rainy day fund.
- The tax would also go to pay for capital improvements. The Council has completed the Lincoln Avenue beautification project and upgraded all of the crosswalks and intersections. The Borough is about to begin major stormwater projects in the area of 15th, 16th, Pennsylvania, Summit and 8th Avenues. The Borough has obtained a large

amount of grant money for all of these projects but the state requires matching funds which must be borrowed.