

Falls Township Earned Income Tax Analysis

2022 Update

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Submitted to Falls Township
FINAL Report

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1. Introduction

1.1. Purpose of Report

Falls Township engaged Econsult Solutions (ESI) to update its 2014 EIT study, which was a Phase 1 study estimating how many residents of Falls Township and non-resident workers in Falls Township already paid Earned Income Tax to other jurisdictions. In addition to updating this Phase 1 analysis, ESI has conducted a Phase 2 study, which estimates the financial impact of a 1 percent EIT on Falls Township's budget.

1.2. Earned Income Tax

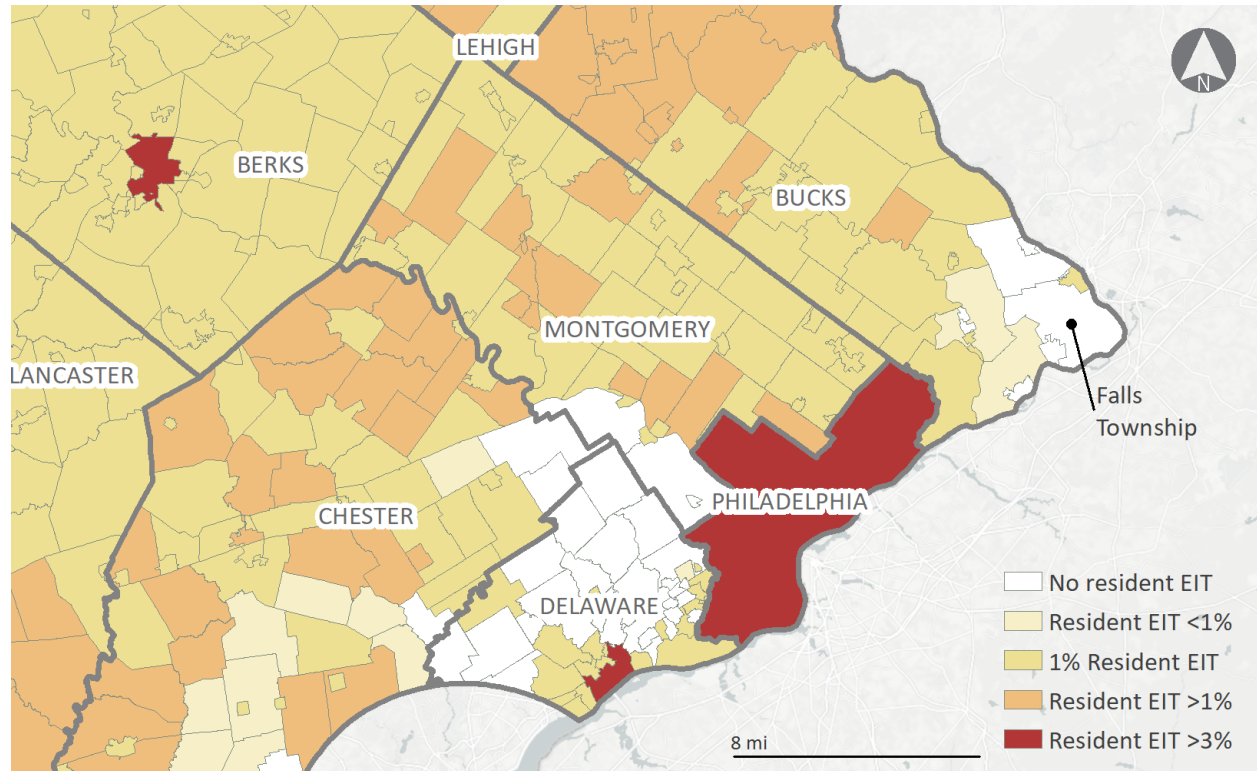
Pennsylvania allows townships and other local municipalities to impose an Earned Income Tax under Act 32. The tax is imposed on earned income, such as wages and salaries, but not on unearned income such as interest, dividends, capital gains, alimony, and Social Security. Townships can impose the EIT on Township residents, on nonresidents who work within the township limits, or on both. School Districts can also impose an EIT on residents of the school district. The residential portion of the EIT takes precedence over the nonresidential portion so that an individual who is subject to both pays the residential portion first and only pays nonresidential EIT if that amount is greater than the residential EIT. The major exception to this rule is Philadelphia's Wage Tax, which overrides EIT so that any earned income subject to Philadelphia wage tax is not subject to EIT.

In general, Act 32 limits local earned income tax rates to one percent. In the event that both the school district and the municipality levy an EIT, the one percent must be split between both parties. EIT rates can only exceed one percent under certain circumstances:

1. Home rule municipalities
2. Municipalities declared financially distressed
3. Municipalities with financially distressed municipal pension systems
4. Municipalities where voters approve an additional tax for open space purposes
5. School districts where voters approve increased earned income taxes under Act 50
6. School districts and municipalities where voters approve increased earned income taxes under Act 24

Most of Bucks County's 54 municipalities have an EIT. Total EIT rates in Bucks County vary from 0 percent in the lower portion of Bucks County, to more than 1 percent in some municipalities in upper Bucks County. The general pattern in Bucks County is that EIT rates increase the further north and west the municipality is located. Figure 1.1 shows which jurisdictions in southeastern Pennsylvania have an EIT, color coded by total Resident EIT (municipal plus school district).

Figure 1.1: Resident EIT Rates, Southeastern Pennsylvania, 2022



Source: PA DCED (2022), ESI (2022)

We have conducted several analyses to estimate how much EIT revenue Falls might expect if it were to impose an EIT. These estimates reflect the revenue that would result from the introduction of a one percent EIT for both residents and non-resident workers. If some other rate were chosen, the resident portion of the EIT would be directly proportional to the estimates presented here, so that a 0.5 percent Resident EIT would yield half what a 1.0 percent resident EIT would yield. However, the non-resident portion would not be directly proportional, because a significant amount of the non-resident EIT revenue comes from municipalities that have a residential EIT, but with a rate lower than the one percent non-resident EIT analyzed here.

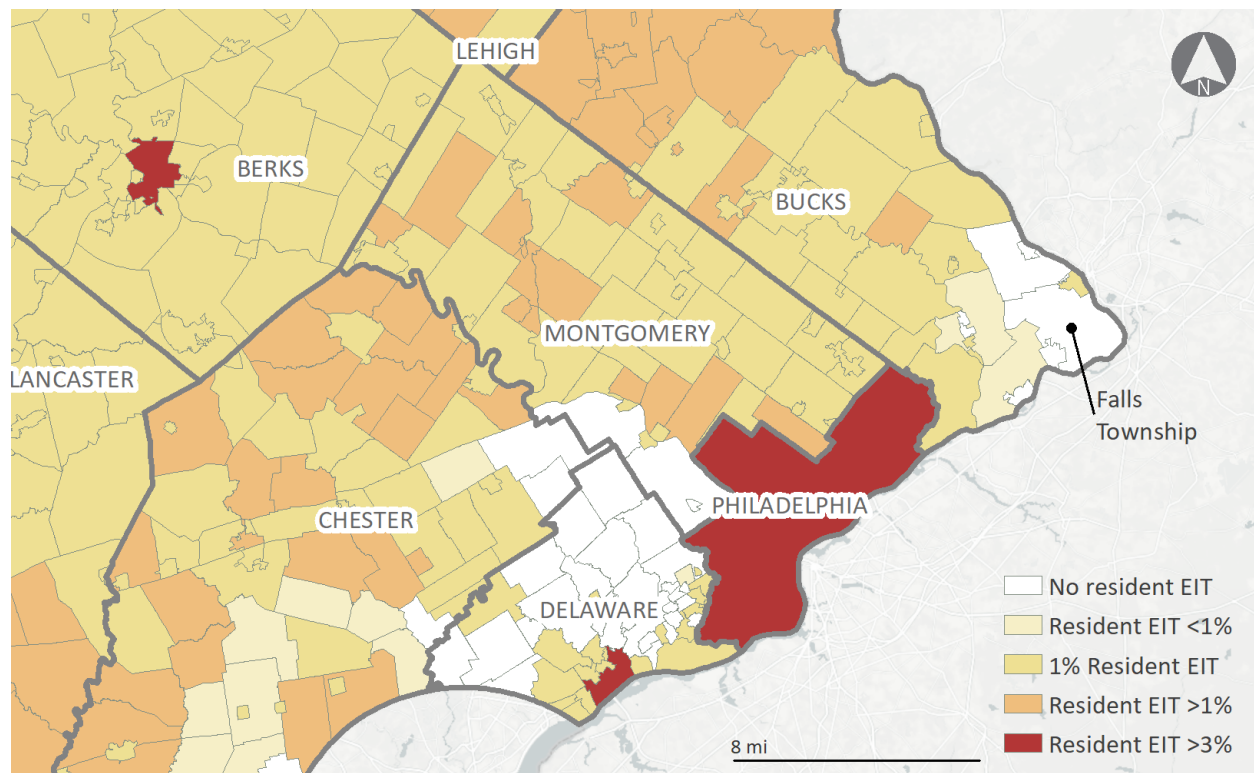
In most cases where a municipality is limited to a 1 percent EIT (resident and non-resident), if the School District were to implement an EIT, the Township and the School District would split the revenue. For example, if the Township and the School District each enacted a 1 percent EIT, each would actually receive 0.5 percent.

2. Phase 1: Residents and Workers Paying EIT Elsewhere

ESI quantified the number of Falls Township residents who pay an Earned Income Tax (EIT) to other jurisdictions and estimated the amount of money they pay to other jurisdictions. Note that the estimate of revenue paid to other jurisdictions does not measure what Falls Township could collect from these residents, as other jurisdictions have EIT rates that differ from one another and that may differ from what Falls Township might charge.

Falls Township currently does not collect an EIT. Several other lower Bucks County jurisdictions also do not collect an EIT, but most other jurisdictions in southeastern Pennsylvania do collect an EIT (see Figure 2.1).

Figure 2.1: Resident EIT Rates, Southeastern Pennsylvania, 2022



Source: PA DCED (2022), ESI (2022)

Method

ESI used Census data combined with Longitudinal Employer Household Dynamics (LEHD) data to calculate the employment location of Falls Township residents. We also gathered actual tax collections information from Keystone Collections (Keystone) and Berkheimer Tax Administrator, Inc (Berkheimer).

Both the LEHD method and the actual collection method are used to estimate tax revenue and total number of Fall Township residents paying earned income taxes.

The Census and LEHD method combines earnings data from the American Community Survey (ACS) with LEHD Origin-Destination Employment Statistics (LODES) to produce the employment municipality for Falls Township residents. The data classify residents in three earnings categories: earning less than \$1,250 per month (\$15,000 per year), earning in-between \$1,251 and \$3,333 a month (\$15,000 to \$40,000 per year), and earning above \$3,333 per month (over \$40,000 per year). We calculated an average value for each earnings band based on Census data, and multiplied the average by the number of residents in each category. Finally, we matched the employment municipalities with the most current list of non-resident EIT rates from the Pennsylvania Department of Community and Economic Development (DCED). Earnings multiplied by the non-resident EIT rates resulted in the estimated EIT paid by Falls Township residents to other jurisdictions.

As a supporting analysis, we gathered actual collections by Keystone and Berkheimer Tax Administration Services to compare with the Census and LEHD results. These agencies collect for jurisdictions in several Pennsylvania counties, including Bucks and Montgomery, representing a large percent of Falls Township residents' employment places, and capture the bulk of the actual EIT funds collected from nearby municipalities. These sources do not include Philadelphia County and out of state jurisdictions. In addition, the actual and estimated collections may vary significantly due to differences in worker counts, and estimated income. We note that the most recent data available are from 2019, and thus do not reflect pandemic conditions.

Results

Figure 2.2 indicates that approximately 55 percent of employed Falls Township residents currently pay an EIT or the Philadelphia Wage Tax, totaling an estimated \$7.6 million per year. Of those, approximately 44 percent pay an EIT to jurisdictions other than Philadelphia, which is the universe of workers from whom Falls Township could recapture EIT payments. These workers pay an estimated \$3.5 million in EIT to these jurisdictions.

Figure 2.2: Estimated Percentage of Falls Township Residents Already Paying an EIT Elsewhere

Jurisdiction	Number of Workers	Percentage of Total Workers	Tax Dollars Paid (\$M)
Falls Township	1,680	10%	-
Non-EIT, Pennsylvania	1,500	9%	-
EIT, not Philadelphia	7,240	44%	\$3.5
Philadelphia	1,810	11%	\$4.1
Out of State	4,410	26%	-
Total	16,640		\$7.6

Source: US Census Bureau LEHD (2019), PA DCED (2022)

Figure 2.3 identifies the municipalities that currently collect the most estimated EIT from Falls Township. These EIT estimates are derived from LEHD and supplemented by actual collections data from Berkheimer and Keystone.

Figure 2.3: Estimated Count of Workers and Earnings for Falls Township Residents

Workplace	County	Non-Resident EIT Rate	Falls Residents Working in Jurisdiction	Est 2019 EIT Payments to Other Jurisdictions (2022 USD)	Actual 2021 EIT Payments to Other Jurisdictions (2022 USD)
Bensalem Twp	Bucks	1.0%	810	\$469,600	\$459,500
Middletown Twp	Bucks	0.5%	1,190	\$279,500	\$320,500
Bristol Twp	Bucks	0.5%	1,020	\$263,500	\$327,900
Newtown Twp	Bucks	1.0%	350	\$198,900	\$186,500
Horsham Twp	Montgomery	1.0%	210	\$146,300	\$124,100
Lower Southampton Twp	Bucks	1.0%	180	\$94,500	\$86,700
Upper Moreland Twp	Montgomery	1.0%	140	\$81,100	\$48,000
Morrisville Boro	Bucks	1.0%	150	\$70,300	-
Upper Dublin Twp	Montgomery	1.0%	100	\$69,600	\$58,800
Doylestown Twp	Bucks	1.0%	110	\$68,500	\$50,000
Other EIT Munis			2,990	\$1,725,200	\$1,013,400
Non-EIT Munis (excl Falls Twp)			1,500		
Falls Twp			1,680		
PA Total, excl Philadelphia			10,430	\$3,466,900	\$2,675,600
Philadelphia			1,810	\$4,087,500	
Out of State			4,410		
Total			16,640	\$7,554,400	\$2,675,600

Source: US Census Bureau LEHD (2019), PA DCED (2022), Keystone (2022), Berkheimer (2022)

3. Phase 2: Potential EIT Proceeds to Falls Township

Using the estimates from Phase 1, combined with estimates on earned income, ESI prepared estimates of the potential EIT proceeds to Falls Township using several different methods, using independent data sources. We describe each method, including the data, the method, and the results, and then combine the analyses to create our final estimate. In each case, we estimate the revenues associated with 1.0 percent residential and non-residential rates.

3.1. Order of Magnitude

The first estimate illustrates the order of magnitude that is likely to emerge from a more detailed analysis. Assume that Falls has 15,000 workers with average earnings of \$70,000. Based on this assumption, a 1 percent EIT rate would mean each worker would pay \$700 per year. If all 15,000 workers paid the EIT to the Township, revenue to the Township would be \$10.5 million. Assuming that 40 percent of the workers work in Philadelphia or out of state, and therefore would not pay EIT to Falls, the revenue to Falls from the 9,000 workers that do not work in Philadelphia or out of state would be \$6.3 million (9,000 non-Philadelphia and in-state workers x \$700 per worker).

The order of magnitude estimate for non-resident jobs is based on 15,000 jobs, an average of \$70,000 in wages for those jobs, and 20 percent of the jobs being held by people who are not from Philadelphia, Falls, or an EIT jurisdiction. These assumptions result in EIT payments of approximately \$2.1 million, based on 3,000 people paying the non-resident EIT at \$700 per worker.

Thus, the order of magnitude estimate implies EIT taxes of approximately \$8.4 million per year.

3.2. Census-Based Estimate

The census-based estimate refines the order of magnitude estimate by including data from the US Census Bureau's 2016-2020 American Community Survey (ACS).

Data

The most widely cited measure from the census is household income, which reports income from all sources. This is inappropriate for EIT purposes because such an inclusive definition encompasses many income sources that are not subject to EIT, such as interest, capital gains, alimony, and social security. Fortunately, the census reports household earnings distinctly from household income and the census estimate of earnings appears very similar to the types of income subject to the EIT, so it provides an appropriate proxy for the tax base of the EIT. The census also reports the number of employed residents in each jurisdiction, as well as total earned income.

Method

This approach multiplies the total household earnings in Falls Township by the proposed one percent EIT. We then subtract an estimate of the number of people working in Philadelphia or out of state (estimates developed in the LEHD method analysis below).¹ This method estimates the EIT that would be due from Falls residents only, and not from non-residents working in Falls Township.

Results

Resident EIT

As shown in Figure 3.1, this method indicates that Falls residents will pay approximately \$5.7 million in EIT, under the assumption of a 1.0 percent tax rate.

¹ Because the municipality in which the individual works collects the Resident EIT, residents working out of state would have to report their income voluntarily. So while technically still subject to the tax, we conservatively exclude residents who work out of state from our Resident EIT estimates.

Figure 3.1: Resident EIT Estimate Based on Census Data

Total Household Earnings (2020) (\$M)	\$998.3
Resident EIT	1%
EIT Receipt (\$M)	\$10.0
Percent of LEHD jobs in Philadelphia	11%
Earnings Excluding Philadelphia (\$M)	\$879.8
EIT Receipt (after Philadelphia) (\$M)	\$8.8
Percent of LEHD jobs out of state	26%
Earnings excluding Philadelphia & out of state (\$M)	\$574.5
EIT Receipt (after Philadelphia & out of state) (\$M)	\$5.7

Source: US Census Bureau ACS (2016-2020), US Census Bureau LEHD (2019)

Non-resident EIT

This method does not calculate non-resident EIT estimates.

3.3. Longitudinal Employer-Household Dynamics (LEHD)

This method is based on a detailed data source and is the most comprehensive in the sense that it provides estimates of EIT by jurisdiction for both residents and non-residents. It also allows the Township to estimate which residents are currently paying EIT in other jurisdictions.

Data

The primary data source is the Longitudinal Employer-Household Dynamics (LEHD), a data product of the US Census Bureau, produced in cooperation with the United States Department of Labor. The dataset combines information from a number of sources, including Unemployment Insurance and the Bureau of Labor’s Quarterly Census of Employment and Wages (QCEW). We used a subset of the data from the LEHD called the LEHD Origin-Destination Employment Statistics (LODES) file. The LODES data shows unique origin-destination pairs by census block for all workers in the state. In urbanized areas, a census block is roughly equivalent to a city block, although they can be much larger in areas of lower density. In addition to the number of jobs (really the number of people with jobs) traveling between the origin-destination pairs, the data also provide limited categorical detail on the age, earnings, and industry of occupation of individuals in the data. The dataset is for all primary jobs, which is the job for which a worker indicated the most earnings (if he/she held more than one job). We drew data for Pennsylvania and New Jersey for the most current year available, 2019. We aggregated census block data to view the pairs by municipality and school district, as those are the geographical levels at which EIT is levied.

We gathered information on municipal EIT rates from the Pennsylvania Department of Community and Economic Development (DCED) Municipal Statistics website. We collected rates for resident, non-resident, and school district EITs as of July 2022, the most recent available.

To refine our income estimates, we supplemented the LEHD LODES file with data from the Public Use Micro Sample (PUMS) from the US Census Bureau. The PUMS is a sample of the individual responses from the surveys Census. Using PUMS data allows greater flexibility in analyzing the data than is possible with the full summary-level (e.g. tract, county, state) reports. We used PUMS data from the 2016-2020 American Community Survey 5-year estimates for Pennsylvania.

Method

Location of Workers

The LEHD data shows, by census block, the location of the home and workplace of all jobs in the state. We used the geography crosswalk file provided within the LEHD data to identify the municipality and school district in which each block lies within the state. We then identified all origins and destinations in Falls that appear in the data – namely, 1) all the jobs that are in Falls and 2) all the workers who live in Falls. Splitting the file into two parts, workers and residents, and adding up the jobs by municipality gives us a complete list of 1) the workplace municipality of every worker who lives in Falls and 2) the home municipality of every worker who works in Falls. The first file becomes the basis for our Resident EIT estimates, and the second becomes the basis for our Non-resident EIT estimates.

Income

The LODES data divides jobs into three broad income categories: 1) jobs with earnings of \$1,250 per month or less, 2) jobs with earnings of \$1,251 to \$3,333 per month, and 3) jobs with earnings greater than \$3,333 per month. Taken annually, the three groups correspond to incomes of 1) less than \$15,000 per year, 2) \$15,001 to \$40,000 per year, and 3) more than \$40,001 per year. To refine our estimates, we calculated a point estimate for each interval.

By using the PUMS data, we are able to calculate the average (mean) earnings of people in each earnings category. To do so, we identified all individuals in the PUMS data in the state in each income category and averaged the income for each. We then assigned the average annual earnings in each group to the corresponding jobs in the LEHD.²

Figure 3.2: Income Groups from PUMS Data for Falls Residents

Earnings Category	LEHD Earnings Range	PUMS Average Earnings
Low	\$0 - \$15,000	\$7,000
Medium	\$15,001 - \$40,000	\$28,000
High	\$40,001 and over	\$75,000

Source: ACS PUMS (2015-2019)

² For confidentiality purposes, the PUMS data is censored at the top, which means all incomes above the 99.5 percentile are coded at that top figure (\$399,446 in Pennsylvania). This censoring means that the calculated “Average Earnings” for the “High” category will be less than the true average earnings.

Resident EIT Estimate

Using our estimate of jobs and associated earnings, we can estimate the total amount earned by Falls residents in all the municipalities in which they work. Applying the appropriate local EIT tax rates to the total earnings gives us an estimate of the EIT taxes currently being paid to other jurisdictions. Applying a one percent rate to the earnings of Falls residents (excluding those who work out of state³ or in Philadelphia), gives us an estimate of the EIT taxes that would be payable to Falls if a resident EIT were implemented.

Non-resident EIT Estimate

Using the same process as the resident EIT with our counts of workers who work in Falls by home municipality, we can estimate the total amount earned in Falls by residents of other municipalities. Applying the EIT tax rates for those jurisdictions, we can estimate EIT taxes that are currently paid to the other jurisdictions, as well as the taxes that would be paid to Falls by residents of non-EIT jurisdictions who work in Falls if a non-resident EIT were implemented. Because the data tells us the municipality in which the worker lives, we are able to appropriately apply the tax only to those who come from municipalities that do not have a resident EIT. Note that if these other jurisdictions impose an EIT in the future, there would be less revenue for Falls as the resident EIT would take precedence over the Falls non-resident EIT.

Results

Resident EIT

According to this method, approximately \$5.8 million would be collected from a 1 percent Resident EIT. Of that amount, \$3.5 million is already being collected by other jurisdictions by way of their Non-resident EIT. Figure 3.3 shows the top twenty municipalities where Falls residents work, as well as total expected Resident EIT revenue.

³ Pennsylvania has reciprocal tax agreements not to tax residents of New Jersey, Maryland, Ohio, Indiana, Virginia and West Virginia. However, this does not apply to earned income tax at the municipal level. Middletown residents are still subject to the resident EIT regardless of state tax reciprocity. On the other hand, earned income taxes paid to other states can be credited against state income tax liability first, then local income taxes (<http://www.keystonecollects.com/forms/download/ITRInstructions.pdf>). To be conservative, it is assumed that out of state credits cover the earned income tax liability of Falls residents.

Figure 3.3: Estimated Resident EIT Payments to Falls Under Proposed 1% Resident EIT by Municipality

Workplace County	Workplace Municipality	Number of Falls Resident Jobs	Est Earnings of Falls Resident Workers	Estimated EIT Payments to Falls	Estimated EIT Currently Paid Elsewhere
Bucks	Falls Twp	1,680	\$91.1	\$911,000	\$0
Bucks	Middletown Twp	1,190	\$55.9	\$558,900	\$279,500
Bucks	Bristol Twp	1,020	\$52.7	\$527,000	\$263,500
Bucks	Bensalem Twp	810	\$47.0	\$469,600	\$469,600
Bucks	L. Makefield Twp	440	\$21.8	\$217,800	\$0
Bucks	Newtown Twp	350	\$19.9	\$198,900	\$198,900
Montgomery	Horsham Twp	210	\$14.6	\$146,300	\$146,300
Bucks	Bristol Boro	190	\$10.8	\$107,500	\$0
Montgomery	Upper Merion Twp	140	\$10.5	\$104,800	\$0
Bucks	Tullytown Boro	160	\$9.8	\$97,800	\$0
Bucks	L. Southampton Twp	180	\$9.4	\$94,500	\$94,500
Montgomery	U. Moreland Twp	140	\$8.1	\$81,100	\$81,100
Chester	Tredyffrin Twp	100	\$7.3	\$72,600	\$0
Bucks	Morrisville Boro	150	\$7.0	\$70,300	\$70,300
Montgomery	U. Dublin Twp	100	\$7.0	\$69,600	\$69,600
Bucks	Doylestown Twp	110	\$6.8	\$68,500	\$68,500
Bucks	Warminster Twp	120	\$6.8	\$68,400	\$68,400
Montgomery	Abington Twp	110	\$6.3	\$62,900	\$62,900
Bucks	Northampton Twp	140	\$6.2	\$61,900	\$61,900
Montgomery	Plymouth Twp	80	\$5.6	\$56,500	\$56,500
	Other Municipalities	3,020	\$173.7	\$1,737,000	\$1,475,500
	Total Taxable	10,430	\$578.3	\$5,782,900	\$3,466,900
	Philadelphia	1,810	\$118.5		
	Out of State	4,410	\$305.2		
	Total Resident Workers	16,640	\$1,002.1	\$5,782,900	\$3,466,900

Source: US Census Bureau LEHD (2019), ESI (2022)

Figure 3.4 shows a summary of estimated EIT collections by county of workplace. This table also notes the percentage of total earned income tax in each county that is already being paid.

Figure 3.4: Estimated Resident EIT Payments to Falls Under Proposed 1% Resident EIT by County

Workplace County	Number of Falls Resident Jobs	Est Earnings of Falls Resident Workers	Estimated EIT Payments to Falls	Estimated EIT Currently Paid Elsewhere	Percent of Estimated EIT Currently Paid Elsewhere
Bucks	7,300	\$386.1	\$3,861,300	\$1,925,000	50%
Montgomery	1,530	\$100.7	\$1,007,400	\$856,600	85%
Chester	300	\$18.9	\$188,900	\$100,200	53%
Delaware	280	\$16.7	\$167,100	\$70,000	42%
Lehigh	150	\$8.6	\$85,600	\$87,700	102%
Allegheny	80	\$5.8	\$57,600	\$47,600	83%
Dauphin	80	\$5.4	\$54,200	\$52,100	96%
Berks	110	\$5.0	\$50,300	\$49,400	98%
Northampton	90	\$4.1	\$41,500	\$41,800	101%
Lancaster	80	\$4.1	\$41,300	\$37,300	90%
Other Counties	430	\$22.8	\$227,900	\$199,200	87%
Total Taxable	10,430	\$578.3	\$5,782,900	\$3,466,900	60%
Philadelphia	1,810	\$118.5			
Out of State	4,410	\$305.2			
Total Resident Workers	16,640	\$1,002.1	\$5,782,900	\$3,466,900	60%

Source: US Census Bureau LEHD (2019), ESI (2022)

Approximately 60 percent of the estimated Resident EIT collections are currently being paid to other municipalities in the state. That means that only 40 percent of the estimated Resident EIT revenues represent new taxes on Falls residents. In other words, more than half of the funds that would be collected are currently being paid to other municipalities. It is also worth noting that if other municipalities impose a Non-resident EIT, Falls residents working in those municipalities would face tax increases regardless even if Falls does not enact an EIT. Figure 3.5 shows that approximately \$3.5 million of the expected \$5.8 million in Resident EIT collections come from diverting taxes that are already being collected elsewhere.

Figure 3.5: Composition of Estimated Resident EIT Payments to Falls Under Proposed 1% Resident EIT

Tax Type	Resident EIT (\$M)	Percent of Total
EIT taxes currently being paid to other municipalities	\$3.5	60%
EIT taxes that would be new taxes to Falls residents	\$2.3	40%
Total Resident EIT Revenue	\$5.8	

Source: ESI (2022)

Non-resident EIT

This method estimates that a one percent Non-resident EIT would generate approximately \$1.4 million in revenue, all of which would be borne by residents of other municipalities who work in Falls (Falls residents who work in Falls are counted in the Resident EIT calculation). Since the home municipalities' EITs take precedence, the amount Middletown would collect would decrease if additional jurisdictions impose an EIT. Figure 3.6 summarizes the results of the LEHD method estimate.⁴

⁴ While State income taxes are subject to reciprocity agreements, local EIT is not. Out of state residents that work in Middletown can credit local EIT withheld against their state income liability. *New Jersey Division of Taxation, December, 2012*
<http://www.state.nj.us/treasury/taxation/njit14.shtml>

Figure 3.6: Estimated Non-resident EIT Payments to Falls Under Proposed 1% Non-Resident EIT

Home County	Home Municipality	Number of Jobs	Estimated Earnings	Estimated Non-Resident EIT Payment to Falls	Current Resident EIT Rate
Bucks	Bristol Twp	1,460	\$80.5	\$402,400	0.5%
Bucks	L. Makefield Twp	590	\$35.8	\$358,000	0.0%
Bucks	Middletown Twp	880	\$52.9	\$264,300	0.5%
Bucks	Bristol Boro	230	\$12.1	\$121,400	0.0%
Bucks	Tullytown Boro	100	\$6.0	\$60,400	0.0%
Bucks	Yardley Boro	60	\$3.6	\$35,500	0.0%
Delaware	Upper Darby Twp	50	\$2.3	\$22,600	0.0%
Montgomery	L. Merion Twp	30	\$2.2	\$22,300	0.0%
Delaware	Haverford Twp	20	\$1.5	\$15,200	0.0%
Montgomery	U. Merion Twp	20	\$1.2	\$12,400	0.0%
Chester	Tredyffrin Twp	20	\$1.2	\$11,900	0.0%
Delaware	Radnor Twp	20	\$1.2	\$11,900	0.0%
Bucks	Langhorne Manor Boro	10	\$0.9	\$9,100	0.0%
Bucks	Langhorne Boro	20	\$0.9	\$9,000	0.0%
Delaware	Springfield Twp	10	\$0.9	\$8,700	0.0%
Delaware	Ridley Twp	20	\$0.7	\$7,000	0.0%
Delaware	Collingdale Boro	10	\$0.4	\$4,500	0.0%
Delaware	Concord Twp	10	\$0.4	\$3,600	0.0%
Delaware	U. Providence Twp	10	\$0.4	\$3,500	0.0%
Montgomery	Narberth Boro	0	\$0.3	\$3,500	0.0%
	Other EIT Municipalities	80	\$4.4	\$35,900	
Total Taxable Workers		3,630	\$209.8	\$1,423,100	
Non-EIT PA Municipalities		4,720	\$273.5		
Philadelphia		1,750	\$78.3		
Out of State		2,040	\$0.0		
Total Falls Workers		12,140	\$561.7	\$1,423,100	

Source: US Census Bureau LEHD (2019), ESI (2022)

Combined EIT Estimates

Figure 3.7 summarizes total estimated EIT collections under a one percent Resident EIT and one percent Non-resident EIT. Here, we carry forward the distinction between Resident EIT revenues that represent new taxes to Falls residents and those that are currently being paid to other jurisdictions (\$2.3 million and \$3.5 million, respectively). In total, this method estimates that the EIT taxes would bring \$7.2 million dollars in new revenue to Falls, of which only \$2.3 million (32 percent) comprises new taxes to Falls residents.

Figure 3.7: Total Estimated EIT Collections

	LEHD Estimate (\$M)	Percent of Total
Resident EIT Revenue (New)	\$2.3	32%
Resident EIT Revenue (Currently Paid Elsewhere)	\$3.5	48%
Non-resident EIT Revenue	\$1.4	20%
Total Estimated EIT Revenue	\$7.2	

Source: ESI (2022)

3.4. Actual EIT Collections from Falls Residents

In addition to the data collected for the preceding analyses, we also collected data from Keystone Tax Collections Group (Keystone) and Berkheimer Tax Administrator, Inc (Berkheimer), who collected EIT payments from in several Pennsylvania counties, including Bucks County. Keystone and Berkheimer provided a list of withholdings by municipality for Falls residents working in those jurisdictions. Falls residents pay these taxes to those municipalities because Falls does not have an EIT.

Data

The data are 2021 collections for each municipality from residents of Falls. The data show total dollar collections, and total number of individuals collected from. Note that a large portion of the tax dollars collected from Falls residents working in another EIT jurisdiction would instead go to Falls if Falls were to enact an EIT. The exception would be EIT jurisdictions with a Non-resident EIT rate greater than one percent, such as Chester and Easton. In these jurisdictions, only the first percent would go to Falls.

Method

The data shows receipts collected by Berkheimer and Keystone per worker by municipality for Falls residents. We summed the Non-resident EIT tax receipts for all municipalities from Falls residents (\$2.5 million) and adjusted the EIT collections for municipalities that had a non-resident EIT rate that was less than one percent, as well as increasing the collections for inflation to 2022 dollars (Figure 3.8). To scale this result with the LEHD findings, we then set up a ratio compared the LEHD jobs in the top 20 municipalities to all the LEHD Middletown resident workers who would pay EIT to Middletown. We then multiplied this ratio (0.48) by the adjusted collections for the top 20 municipalities to get a scaled result to compare to the LEHD results (see Figure 3.9).

Results

Resident EIT

The total amount collected for the top 20 municipalities is \$2.8 million based on a one percent Resident EIT. These municipalities account for 48 percent of the jobs subject to a Falls Resident EIT, so 100 percent of the jobs would yield \$5.9 million. This assumes similar incomes and collection levels in the other jurisdictions.

The total identified municipalities currently collect \$3.3 million in EIT, which is 57 percent of the \$5.9 million. Since we only collected data for some EIT municipalities (those located within counties covered by Keystone and Berkheimer), the share of Falls Resident EIT taxes that are diverted from other municipalities is greater than 40 percent. This ratio compares to the 48 percent diversion ratio estimated by the LEHD method.

Figure 3.8: Adjusted EIT Based on EIT Rate and Tax Receipts from Falls Residents in 2021

Jurisdiction	Actual Collection (2021)	Local Non-Res EIT	Adjust to 1% Res EIT	Adj. Falls Res EIT Collection (2022 Dollars)
Bensalem Twp	\$421,600	1.0%	100.0%	\$459,500
Bristol Twp	\$300,800	0.5%	200.0%	\$655,800
Middletown Twp	\$294,100	0.5%	200.0%	\$641,100
Newtown Twp	\$171,100	1.0%	100.0%	\$186,500
Horsham Twp	\$113,800	1.0%	100.0%	\$124,100
Lower Southampton Twp	\$79,600	1.0%	100.0%	\$86,700
Warminster Twp	\$66,100	1.0%	100.0%	\$72,100
Northampton Twp	\$61,200	1.0%	100.0%	\$66,700
Plymouth Twp	\$54,800	1.0%	100.0%	\$59,700
Upper Dublin Twp	\$54,000	1.0%	100.0%	\$58,800
Upper Southampton Twp	\$51,700	1.0%	100.0%	\$56,300
Abington Twp	\$49,200	1.0%	100.0%	\$53,600
Doylestown Twp	\$45,900	1.0%	100.0%	\$50,000
Upper Moreland Twp	\$44,100	1.0%	100.0%	\$48,000
Whitpain Twp	\$39,000	1.0%	100.0%	\$42,500
Doylestown Boro	\$33,800	1.0%	100.0%	\$36,900
Newtown Boro	\$30,100	1.0%	100.0%	\$32,800
Warrington Twp	\$29,700	1.0%	100.0%	\$32,400
Upper Gwynedd Twp	\$25,400	1.0%	100.0%	\$27,700
Lower Moreland Twp	\$19,700	1.0%	100.0%	\$21,500
Top 20 Municipalities	\$1,985,700			\$2,812,900
Other Municipalities	\$468,900	n/a	n/a	\$511,100
Total	\$2,454,700			\$3,324,000

Source: Keystone (2021), Berkheimer (2021)

Figure 3.9: Estimated EIT Based on LEHD Jobs and Tax Receipts for Falls Residents in 2021

Adjusted Tax Collections in Top 20 Municipalities (\$M)	\$2.8
Number of Jobs in Top 20 Municipalities	4,990
Total Resident Jobs (excluding out of state or Philadelphia) (LEHD)	10,430
Ratio of Jobs in Top 20 Municipalities to Total Resident Municipalities	0.48
New Estimated Tax Collections (\$M)	\$5.9

Source: Keystone (2021), Berkheimer (2021), US Census Bureau LEHD (2019)

Non-resident EIT

This method does not calculate the Non-resident EIT directly. However, assuming the ratio of resident to non-resident EIT collections is that same as that implied by the LEHD method, the non-resident EIT would collect approximately \$1.4 million, for total collections of \$7.3 million.

3.5. Synthesis of Findings

The raw results indicate a range of potential EIT receipts. Each method above was prepared as independently as possible. The estimates of Resident EIT revenues vary from \$5.7 to \$6.3 million, and the analyses for combined revenues vary between \$7.2 and \$8.4. The combined estimates indicate that for planning purposes, once the EIT is fully implemented and collections are fully ramped up, Falls could expect to collect up to \$8.4 million per year. Based on the LEHD analysis, approximately 40 percent of the revenue would be new taxes from Falls residents, while the rest of the revenue would be from Falls residents currently paying EIT to other jurisdictions and from non-residents working in Falls.

Figure 3.10: Summary of EIT Estimates for Each Analysis Method

Method	Resident	Non-resident	Combined
Order of Magnitude	\$6.3	\$2.1	\$8.4
Census	\$5.7		
LEHD	\$5.8	\$1.4	\$7.2
Actual Collections	\$5.9	\$1.4	\$7.3

The analyses do have some limitations. The census method does not account for the income of jobs across jurisdictions, so if the average wage of jobs in Philadelphia were significantly greater than other jobs, the method would overestimate EIT revenue potential. Additionally, the census method uses household earnings, which includes other forms of income other than income subject to EIT. The LEHD, EIT payments to other municipalities and the comparable municipalities methods are detailed enough to avoid these types of potential problems.

Figure 3.11 shows the actual jobs and collections for 2021 alongside our 2019 LEHD based estimates of jobs and collections, both adjusted for inflation to 2022 dollars. In the aggregate, the Keystone and Berkheimer (KB) jobs are significantly greater than the LEHD jobs, which is to be expected because the

K&B figures include part time jobs and jobs in which a person worked less than a full year, whereas the LEHD value includes only primary jobs, which is assumed to be a full year job. The aggregate difference between Keystone and Berkheimer and LEHD collections is just 3 percent.

Figure 3.11: Keystone and Berkheimer (KB) Values Compared with LEHD Values

Jurisdiction	KB Jobs	KB Collections	Est. LEHD Jobs	Est. LEHD Collections	% Diff (Collections)
Bensalem Twp	1,190	\$459,500	810	\$469,600	2%
Bristol Twp	2,040	\$655,800	1,020	\$527,000	-20%
Middletown Twp	2,630	\$641,100	1,190	\$558,900	-13%
Newtown Twp	560	\$186,500	350	\$198,900	7%
Horsham Twp	260	\$124,100	210	\$146,300	18%
Lower Southampton Twp	290	\$86,700	180	\$94,500	9%
Warminster Twp	180	\$72,100	120	\$68,400	-5%
Northampton Twp	200	\$66,700	140	\$61,900	-7%
Plymouth Twp	120	\$59,700	80	\$56,500	-5%
Upper Dublin Twp	100	\$58,800	100	\$69,600	18%
Upper Southampton Twp	130	\$56,300	70	\$45,000	-20%
Abington Twp	120	\$53,600	110	\$62,900	17%
Doylestown Twp	120	\$50,000	110	\$68,500	37%
Upper Moreland Twp	130	\$48,000	140	\$81,100	69%
Whitpain Twp	70	\$42,500	60	\$42,400	0%
Doylestown Boro	80	\$36,900	80	\$48,900	33%
Newtown Boro	100	\$32,800	50	\$21,400	-35%
Warrington Twp	90	\$32,400	100	\$52,100	61%
Upper Gwynedd Twp	30	\$27,700	40	\$30,000	8%
Lower Moreland Twp	60	\$21,500	50	\$28,600	33%
Total - Top 20	8,500	\$2,812,700	5,010	\$2,732,500	-3%

Source: Keystone (2021), Berkheimer (2021), US Census Bureau LEHD (2019)

4. EIT from New Development

The above methods of analysis provide estimates of potential EIT based on backwards-looking employment and wage estimates. However, it is important to also consider any significant changes to employment and wages in Falls Township looking forward. Currently, NorthPoint Development is developing 14.9 million square feet of warehouse and logistics space in Falls Township, which will be completed in 2027. A development of this magnitude will have significant impacts to the Township including one-time employment and wages created within Falls from the construction of the development as well as ongoing employment and wages created by the ongoing operations of the

development upon completion and stabilization. We again employed LEHD data to estimate the potential revenue that Falls could earn from these jobs.

4.1. Potential One-Time EIT Revenue from Construction

Over the course of construction, the developer anticipates a total of 6,100 construction jobs with total aggregate wages of \$133 million. We used LEHD data to estimate the home municipalities of these workers and ultimately estimate the approximate EIT Falls could collect from these workers. In sum, we estimate that Falls could collect \$401,000 in EIT revenue over the lifetime of development, including revenue from Falls resident jobholders and jobholders from municipalities within Pennsylvania that do not currently have resident EITs. As described earlier, this estimate conservatively excludes those workers who live outside Pennsylvania (Figure 4.1).

Figure 4.1: Potential One-Time EIT Revenue to Falls Township from Construction by Home Municipality

Home County	Home Municipality	New Construction Jobs	Est Construction Earnings	Est EIT Revenue to Falls Twp
Bucks	Falls Twp	740	\$16.0	\$160,300
Bucks	Bristol Twp	830	\$18.1	\$90,300
Bucks	Lower Makefield Twp	210	\$4.5	\$45,400
Bucks	Middletown Twp	380	\$8.3	\$41,300
Bucks	Bristol Boro	120	\$2.6	\$26,500
Bucks	Tullytown Boro	40	\$0.9	\$8,500
Bucks	Yardley Boro	30	\$0.7	\$6,700
Montgomery	Lower Merion Twp	10	\$0.3	\$3,100
Delaware	Upper Darby Twp	10	\$0.3	\$2,700
Montgomery	Upper Merion Twp	10	\$0.2	\$2,200
	Other EIT-Generating Municipalities	60	\$1.4	\$13,900
Total Taxable Workers		2,440	\$53.3	\$401,000
Non-EIT Generating PA Municipalities		1,760	\$38.4	
Philadelphia		690	\$15.1	
Out of State		1,200	\$26.2	
Total Falls Workers		6,100	\$133.0	\$401,000

Source: US Census Bureau LEHD (2019), NorthPoint Development (2022), ESI (2022)

Of the estimated \$401,000 in lifetime EIT revenues generated from construction, it is estimated that 63 percent would originate from non-resident workers, with the remaining 37 percent originating from Falls residents holding the jobs within the Township (Figure 4.2).

Figure 4.2: Potential One-Time EIT Revenue to Falls Township from Construction by Revenue Type

Revenue Type	Est EIT Revenue to Falls Twp	Share of Revenue
Resident EIT	\$160,300	37%
Non-resident EIT	\$240,700	63%
Total EIT Revenue	\$401,000	\$401,000

4.2. Potential Annual EIT Revenue from Ongoing Operations

Upon completion and stabilization, it is estimated that the ongoing operations of the site will generate approximately 8,000 jobs per year, resulting in annual wages of \$281 million. As with the previous section, we used LEHD data to estimate the home municipalities of these workers and potential EIT revenue they would generate on an annual basis for Falls. We estimate that Falls could collect \$715,400 in annual EIT revenue once the development was completed and stabilized, including revenue from Falls resident jobholders and jobholders from municipalities within Pennsylvania that do not currently pay Resident EIT. Again, this estimate conservatively excludes those workers who live outside Pennsylvania (Figure 4.3).

Figure 4.3: Potential Annual EIT Revenue to Falls Township from Ongoing Operations Upon Stabilization by Home Municipality

Home County	Home Municipality	New Operations Jobs	Est Operations Earnings	Est EIT Revenue to Falls Twp
Bucks	Falls Twp	750	\$26.4	\$263,800
Bucks	Bristol Twp	790	\$27.6	\$138,200
Bucks	Middletown Twp	440	\$15.3	\$76,600
Bucks	Lower Makefield Twp	200	\$7.1	\$71,200
Bucks	Bristol Boro	130	\$4.4	\$44,300
Bucks	Tullytown Boro	60	\$2.2	\$22,100
Delaware	Upper Darby Twp	60	\$2.0	\$20,300
Bucks	Yardley Boro	30	\$1.1	\$10,800
Montgomery	Lower Merion Twp	20	\$0.7	\$6,600
Delaware	Haverford Twp	20	\$0.6	\$6,000
	Other EIT-Generating Municipalities	180	\$6.2	\$55,600
Total Taxable Workers		2,670	\$93.7	\$715,400
Non-EIT Generating PA Municipalities		3,100	\$108.8	
Philadelphia		1,050	\$36.8	
Out of State		1,190	\$41.7	
Total Operations Jobs		8,000	\$281.0	\$715,400

Source: US Census Bureau LEHD (2019), NorthPoint Development (2022), ESI (2022)

Of the estimate \$715,400 in annual EIT revenues generated by operations of the new development, it is estimated that 63 percent would originate from non-resident workers, with the remaining 37 percent originating from Falls residents holding the jobs within the Township (Figure 4.4).

Figure 4.4: Potential Annual EIT Revenue to Falls Township from Ongoing Operations Upon Stabilization by Revenue Type

Revenue Type	Est EIT Revenue to Falls Twp	Share of Revenue
Resident EIT	\$263,800	37%
Non-resident EIT	\$451,600	63%
Total EIT Revenue	\$715,400	

5. Conclusion

ESI updated its 2014 Phase 1 EIT study for Falls Township to estimate how many residents of the Township and non-resident workers in the Township already pay Earned Income Tax to other jurisdictions. The analysis indicated that approximately 55 percent of employed Falls Township residents currently pay an EIT or the Philadelphia wage tax, totaling an estimated \$7.6 million per year. Of that, approximately 44 percent of resident workers pay EIT to jurisdictions other than Philadelphia, from whom Falls Township could recapture EIT payments if it implemented a resident EIT. These workers currently pay an estimated \$3.5 million per year in non-resident EIT to their workplace jurisdictions.

In addition to the Phase 1 update, ESI conducted a Phase 2 study, which estimated the financial impact of a 1 percent EIT on Falls Township's annual budget. Using a variety of methods, ESI estimated that Falls Township could collect \$5.7 to \$6.3 million in annual revenue from a Resident EIT, with combined resident and non-resident EIT revenues totaling an estimated \$7.2 to \$8.4 million. Approximately 40 percent of the revenue would be new taxes paid by residents, while the rest of the revenue would be from Falls residents currently paying EIT to other jurisdictions and from non-residents who work in Falls.

Finally, ESI estimated the one-time and ongoing EIT impacts for Falls Township as a result of jobs created by the construction and operations of NorthPoint Development's warehouse space, currently being developed in the Township. Based on job and wage estimates provided by the developer, the construction of the development could have an estimated one-time impact of \$401,000 in EIT revenue to the Township over the course of construction. Upon completion and stabilization, the operations of the development could have an estimated impact of \$715,400 in annual EIT revenue to the Township.

6. Appendix

About Econsult Solutions, Inc.

This report was produced by Econsult Solutions, Inc. (“ESI”). ESI is a Philadelphia-based economic consulting firm that provides businesses and public policy makers with economic consulting services in urban economics, real estate economics, transportation, public infrastructure, development, public policy and finance, community and neighborhood development, planning, as well as expert witness services for litigation support. Its principals are nationally recognized experts in urban development, real estate, government and public policy, planning, transportation, non-profit management, business strategy and administration, as well as litigation and commercial damages. Staff members have outstanding professional and academic credentials, including active positions at the university level, wide experience at the highest levels of the public policy process and extensive consulting experience.

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