



Revenue Study

May 15, 2023

Prepared by:



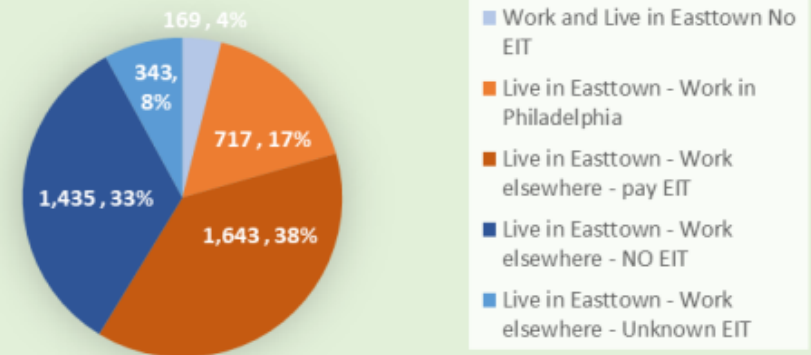
NW FINANCIAL GROUP, LLC
Exceeding Expectations

Proven Reputation . Experienced Professionals . Superior Client Service

Summary

- An Earned Income Tax (EIT) represents a significant source of new revenue for Easttown Township to fund the increasing costs of essential governmental services such as public safety.
 - A ½% tax could provide between recurring annual revenue of \$3 million or more.
- Over ½ of Easttown's working individuals currently pay an EIT or Philadelphia Wage Tax.
- Easttown Residents paid EIT of over \$2.5 million to municipalities in Montgomery, Chester, Bucks and Delaware Counties in 2022.

Residents, Employment Location and EIT/Wage Tax Payment (1)



The average Township wage earner would pay \$1,850 at a 1% EIT rate and \$925 at a 0.5% EIT rate.

Legally Permitted Taxes, Tax Rates and Tax Bases

Tax	Currently Levied	Rate	Base	Amount 2023	Note
Real Property Tax					
General Purposes	Yes	4.471	Assessed Value of Real Property	\$ 6,274,500	Max of 14 Mills
"Act 511" Taxes					
Per Capita Tax	No	\$10	Per adult resident of Township	NA	\$ 82,929
Earned Income Tax	No	1%	Wages, Salaries, commissions of individuals. Net Profits of sole proprietorships.	NA	Subject to sharing with School District. Municipalities taxing nonresidents must credit liability for their taxes against taxes paid at the place of residence
Real Estate Transfer	Yes	1%	Sale value of property.	\$ 775,000	Subject to sharing with School District.
Amusement Tax	No	5%	Ticket Price. Cannot be greater than 4	NA	Subject to sharing with School District.
Local Services Tax	No	\$52	Per employee within township.	NA	Workers less than \$12K/Yr, Vets exempt
Business Privilege (Flat Rate)	No	None	On Gross Receipts	NA	
Occupation (Millage)	No	None	Occupation Assessment by County.	NA	

About the Earned Income Tax (EIT)

- The tax is computed on the same wages, earnings and net profits that are the base of the Pennsylvania Personal Income Tax.
 - Social Security, Investment Earnings, Pensions, etc. are not considered earnings.
- The EIT is assessed based on your place of residence. If you live in a township that levies an EIT, your taxes are due to that municipality.
- If a person works in a municipality that levies a non-resident EIT, but lives in a municipality that does not have a resident EIT, the workplace municipality keeps the tax revenue.
- The Sterling Act created an exception to this for non-residents who work in Philadelphia. Philadelphia non-residents receive a credit against EIT levied by their home municipality.
- In order to estimate the magnitude of an EIT for the Township we must know where our residents work and a general estimate of how much they earn.

Earned Income Tax Estimates for Easttown Township

Where do Easttown residents work?

Employed Easttown Residents

Top 20 Locations by # of Easttown Residents (2020)

Jurisdiction	Count	Share
Philadelphia City (Philadelphia, PA)	717	16.647%
Tredyffrin Township (Chester, PA)	432	10.030%
Upper Merion Township (Montgomery, PA)	235	5.456%
Radnor Township (Delaware, PA)	221	5.131%
Easttown Township (Chester, PA)	169	3.924%
East Whiteland Township (Chester, PA)	159	3.692%
Lower Merion Township (Montgomery, PA)	152	3.529%
Newtown Township (Delaware, PA)	73	1.695%
West Goshen Township (Chester, PA)	66	1.532%
Willistown Township (Chester, PA)	56	1.300%
Upper Providence Township (Montgomery, PA)	55	1.277%
Uwchlan Township (Chester, PA)	51	1.184%
Upper Gwynedd Township (Montgomery, PA)	50	1.161%
Whitpain Township (Montgomery, PA)	46	1.068%
Plymouth Township (Montgomery, PA)	45	1.045%
West Conshohocken Borough (Montgomery, PA)	41	0.952%
West Whiteland Township (Chester, PA)	40	0.929%
Horsham Township (Montgomery, PA)	36	0.836%
Whitemarsh Township (Montgomery, PA)	36	0.836%
Haverford Township (Delaware, PA)	35	0.813%
All Others	1,592	36.963%
Total	4,307	100.000%

Employment Statistics

- In 2020, there were **4,307** Easttown residents working in 479 jurisdictions. ⁽¹⁾
- In 2022, there were an estimated **5,149** employed residents 16+ ⁽²⁾

⁽¹⁾ Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (Beginning of Quarter Employment, 2nd Quarter of 2020). ⁽²⁾ ESRI 2022 Estimates.

Earned Income Tax Estimates for Easttown Township

What portion of employed residents are not currently paying EIT?

Employed Easttown Residents not Subject to EIT
Locations by # of Easttown Residents

Jurisdiction	Count	Share
Tredyffrin Township (Chester, PA)	432	10.030%
Upper Merion Township (Montgomery, PA)	235	5.456%
Radnor Township (Delaware, PA)	221	5.131%
Easttown Township (Chester, PA)	169	3.924%
Lower Merion Township (Montgomery, PA)	152	3.529%
Newtown Township (Delaware, PA)	73	1.695%
Haverford Township (Delaware, PA)	35	0.813%
Brandywine CCD (New Castle, DE)	34	0.789%
Concord Township (Delaware, PA)	28	0.650%
Upper Darby Township (Delaware, PA)	28	0.650%
Middletown Township (Delaware, PA)	23	0.534%
Ridley Township (Delaware, PA)	23	0.534%
Manhattan Borough (New York, NY)	21	0.488%
Marple Township (Delaware, PA)	18	0.418%
Springfield Township (Delaware, PA)	14	0.325%
Upper Providence Township (Delaware, PA)	13	0.302%
Chadds Ford Township (Delaware, PA)	9	0.209%
Scott Township (Allegheny, PA)	8	0.186%
Nether Providence Township (Delaware, PA)	8	0.186%
Piedmont CCD (New Castle, DE)	7	0.163%
All Others (No-EIT)	53	1.231%
Total No EIT	1,604	37.242%
Total EIT	2,360	54.795%
Total Not Known	343	7.964%
Total	4,307	100.000%

In 2020, there were **1,604** Township Residents working in jurisdictions who were not subject to an EIT or Philadelphia Wage Tax.

Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (Beginning of Quarter Employment, 2nd Quarter of 2020).

Earned Income Tax Estimates for Easttown Township

How much do employed Easttown residents typically earn?

- In 2020, there were 4,544 PA Income Tax returns filed reporting \$956 million in earnings by Township residents. ⁽¹⁾
 - \$210,576 per return average
- In 2022, 755 Township residents paid \$1.5 million in Earned Income Tax to communities in Montgomery County ⁽²⁾
 - \$196,499 per return average at an EIT Rate of 1.00%.
- Using 2020 PA Earnings of \$956 million and 2022 estimated Employment of 5,149
 - \$185,833 earnings per employed person in Easttown.

Demographics ⁽³⁾			
Population 2020			10,984
Employed Residents 2020			4,307
Median HH Income 2020			\$183,360
Employment 16+ 2022			5,149
Median HH Income 2022 Est.			\$200,001
Average HH Income 2020			265,329
Average HH Income 2022 Est.			\$300,804

Sources:

(1) Keystone Collections Group Letter April 19, 2023 (2) Email from Berkheimer Associates dated May 9, 2023. (3) 2020 US Census. 2022 ESRI.

Earned Income Tax Estimates for Easttown Township

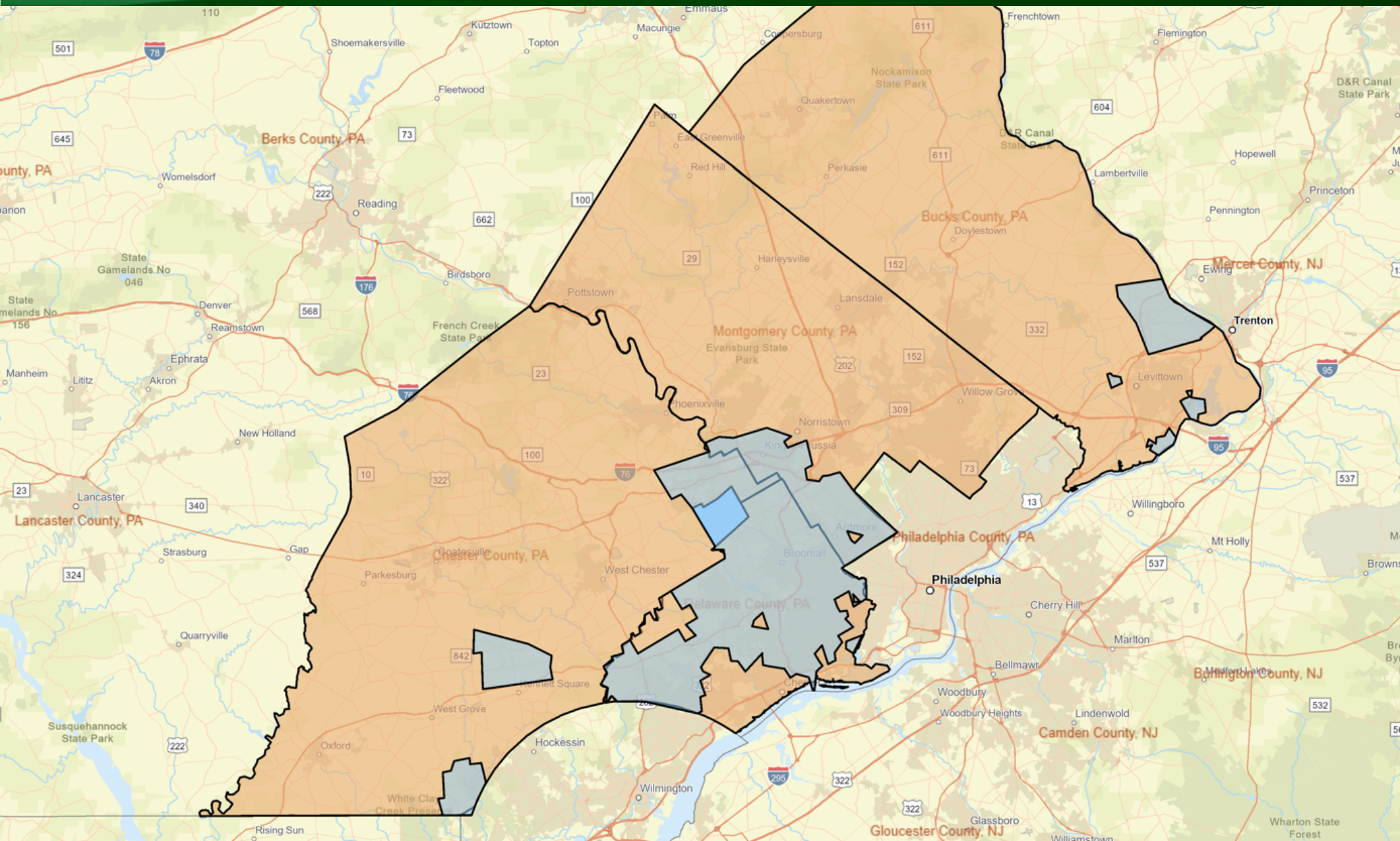
	Resident Earnings Assumption	\$	185,000	Non-Resident Earnings Assumption	\$	148,000
	Live Here			Live Elsewhere		
W o r k H e r e	Pays EIT (To Easttown)			Pays EIT (To Easttown)		
	Number		169	Number		1,484
	Estimated Earnings	\$	31,265,000	Estimated Earnings		\$ 219,632,000
	Estimated EIT @			Estimated EIT @		
		1.00%	\$ 312,650		1.00%	\$ 2,196,320
		0.50%	\$ 156,325		0.50%	\$ 1,098,160
				Pays EIT @ Home		
				Total Non-Residents working in Easttown		3,598
				Currently Paying Resident Wage or EIT		(2,114)
				Estimated Net number of non-residents subject to EIT		1,484
E l s e w h e r e	Pays EIT (To Easttown)					
	Gross Number		4,307			
	Less Working in Easttown		(169)			
	Less Philadelphia Employed		(717)			
	Net Number		3,421 ⁽¹⁾			
	Estimated Earnings	\$	632,885,000			
	Estimated EIT @					
		1.00%	\$ 6,328,850			
		0.50%	\$ 3,164,425			

⁽¹⁾ An estimated **1,400-1,500** do not currently pay an EIT at their place of employment.

Conservative Estimate of an EIT for the Township is

- **\$8.8 million per year at 1.00%**
 - \$2.2 million of Non-Resident EIT at risk as other municipalities enact EIT
- **\$4.4 million per year at 0.50%**
 - \$1.1 million of Non-Resident EIT at risk as other municipalities enact EIT

Area Municipalities that levy an EIT



Local Services Tax Estimates for Township

The Local Services Tax is an annual tax on those working in the Township. The rate is capped at \$52/year and workers earning less than \$12,000 per year are exempt.

			Average	2020	2019	2018	2017	2016	
Total Employed In Easttown Township			4,233	3,767	4,396	4,220	4,394	4,390	
Workers Earning less than \$1250/month			1,186	1,129	1,209	1,111	1,231	1,252	
Estimate of Workers subject to LST			3,047	2,638	3,187	3,109	3,163	3,138	
Maximum Tax Rate per year			\$52.00	\$ 158,444	\$ 137,176	\$ 165,724	\$ 161,668	\$ 164,476	\$ 163,176
Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (Beginning of Quarter Employment, 2nd Quarter of 2020).									