



Ridley Park Borough Council Information on Earned Income Tax

- After the budget shortfall caused by the failure of payment by Prospect Medical Holdings, LLC. In December of 2023, Borough Council approved the creation of the Ridley Park Borough Finance Subcommittee comprised of volunteer members of the community.
 - Intent was to bring additional community involvement into the budget process.
 - Subcommittee conducted a historical review of prior borough budgets, analyzed borough revenue and expenses, and developed fiscal recommendations for Council.
 - Recommendations were presented to Council on June 18, 2024 and the report is available on the borough website.
- The Ridley Park Borough Finance Subcommittee presented two options to Council:
 - 1) continue to fund borough budget through property taxes, which would require substantial increases based on inflation and other escalating costs
 - 2) institute an Earned Income Tax (EIT).
- An earned income tax is a tax on salaries, wages, commissions, bonuses, incentives, tips, fees, and other income. It is NOT assessed on social security payments, interest, capital gains, unemployment, inheritances, or active military pay.
- The municipal earned income tax is capped at 1 percent under state law. It is applied to the income of individuals who reside or work in Ridley Park Borough.
- **According to data from the Commonwealth of Pennsylvania, nearly every municipality in the state (96 percent) has an earned income tax in place.**
- **Ridley Park is one of only 93 of Pennsylvania's 2,560 municipalities that do not have an earned income tax to offset their reliance on property taxes.**
 - Of the 93 municipalities without a municipal EIT, 15 municipalities offset their reliance on property tax revenue through a business privilege tax (BPT) on gross receipts of businesses within their municipality.
 - These municipalities had a BPT in place prior to changes by the state legislature in 1988 that prohibited any additional municipalities from enacting a BPT. (BPT is not an option for Ridley Park under state law).
 - In other words, only 78 of Pennsylvania's municipalities do not offset their reliance on property taxes through either an EIT, BPT or, in some cases, both.

- Additionally, the majority of these 93 municipalities rely on Pennsylvania State Police and do not have their own local municipal police force (the Ridley Park Police Department accounts for roughly 22% of our budget).
- We estimate that 1,500 borough residents are already paying an Earned Income Tax because they work in other municipalities that have an EIT that is assessed on the income of individuals who work in those towns. **This represents “lost” tax revenue to Ridley Park.**
- Since Ridley Park implemented an EIT, the resident pay the EIT back to Ridley Park instead of another municipality. A resident would NOT have to pay any additional EIT and would not see any change in their take-home pay.
 - For example, an individual who earns the median household income in Ridley Park of \$90,000 but is employed in Media, pays a 1 percent EIT to Media Borough, which is equivalent to \$900 per year. If Ridley Park implements an EIT, that same \$900 would be paid to Ridley Park rather than Media Borough.
 - ** Individuals who reside in Ridley Park and pay the Philadelphia City Wage Tax or Chester City Wage Tax would continue to do so and would not be subject to the EIT. These taxes take precedence over the EIT under state law and Ridley Park would not receive any portion of those funds.
- Unlike property tax increases, an EIT would not impact borough seniors who are on fixed incomes living on social security benefits. In many other municipalities, rising property taxes have forced many seniors on fixed incomes to sell their homes.
- Once fully Implemented an EIT would generate an estimated \$2 million in revenue for the borough. A significant portion of that would be recouped from other municipalities that already have an EIT that Ridley Park residents are already paying. Instead of supporting those other municipal budgets with the EIT, residents will now be supporting their hometown Ridley Park.