

# MEMORANDUM

**TO:** Stacey Mulholland, BCATO Executive Director  
**FROM:** Robert M. Pellegrino, Manager, Northampton Township  
**RE:** BCATO Resolutions  
**DATE:** January 6, 2021

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Stacey,

Please accept my best wishes to you and the folks at BCATO for a happy and healthy New Year!

The Northampton Township Board of Supervisors submits the following proposals for consideration at the BCATO Annual meeting:

**A resolution supporting an amendment to the Sterling Act to eliminate the Philadelphia “Super Credit” on Earned Income Taxes**

The *Sterling Act* “Super Credit” impacts suburban taxpayers who work in the City of Philadelphia, and provides the City with a revenue windfall to the detriment of surrounding municipalities. The Super Credit permits taxpayers to claim a credit for the City wage and net profits tax they paid to the City against their resident local earned income tax liability. Unlike a normal tax credit, taxpayers can use the Super Credit in their home community regardless of whether the income was earned in Philadelphia or not. That is, if a resident works part time in Philadelphia and part time in a suburban community, the Philadelphia Super Credit can entirely eliminate the suburban community’s share of the tax.

Unlike non-resident local earned income taxes assessed under the *Local Tax Enabling Act*, no City Wage Tax withholdings are remitted to the suburban communities in which these taxpayers reside. Because the Philadelphia tax rate far exceeds any suburban communities’ rates, those home communities realize no income tax revenue, in many cases even on activity performed wholly within their communities

Eliminating the “Super Credit” would level the playing field and provide suburban communities a fair share of earned income tax revenue, to support schools, and municipalities, and infrastructure improvements.

**A resolution amending Section 3205 (a) (4) of the Second-Class Township Code to eliminate the cap on millage supporting fire services.**

The Second-Class Township Code currently limits the tax that can be levied on real property to 3-mills in support of fire services. Given the changing nature of this essential service, with a significant reduction in volunteers over the past several decades as documented by the 2018 Senate Resolution #6 Report, many townships are hiring full-time firefighters to ensure adequate and responsive fire protection, particularly during daytime hours.

While grants are available to assist in developing a paid firefighter program, the grants only pay for a portion of personnel costs over a 3-year period and townships must then cover the full cost of the paid program. Even in a township like Northampton with a larger tax base, 3-mills does not provide adequate funds for the required minimum number of responders, and certainly will not cover the cost for fire apparatus acquisitions when single fire trucks can cost as much as \$1 Million.

Eliminating the cap on real estate taxes will allow each individual township to determine the level of funding they believe necessary to support fire services in their community, and provide a means to fund the expansion of those fire services in the future. Using the General Fund for this purpose is not the answer. Many townships could quickly reach the maximum tax levy for general purposes if forced to fund fire services in this manner.

Northampton Township believes that each governing body should have the ability to determine appropriate funding levels for public services, like fire protection, without limitation by State government.

Thanks to you and the BCATO Executive Board for considering these two proposals. Please contact me if you have any questions.

Bob