

How Does The EIT Affect me?

A Borough property owner working in PA who already pays EIT:

1. Would see at least an 11% reduction in your Borough real estate taxes.
2. EIT money will come home to Honesdale Borough instead of municipality of employer.
3. Stronger stormwater system, police force and DPW department.

A working Borough property owner currently not paying an EIT:

1. Would see at least an 11% reduction in your Borough real estate taxes.
2. Based on an annual salary of \$30,000 would pay \$300 in EIT annually.
3. Stronger stormwater system, police force and DPW department.

A Borough property owner with no earned income:

1. Would see at least an 11% reduction in your Borough real estate taxes.
2. Would **not** pay any EIT.
3. Stronger stormwater system, police force and DPW department.

What is an Earned Income Tax (EIT)?

A summary of Honesdale Borough Earned Income Tax & How it Could Affect You

HONESDALE BOROUGH
WAYNE COUNTY, PA

Jared Newbon, Finance Committee Chair



What is an EIT?

An Earned Income Tax (EIT) is an Act 511 tax permitted by PA statute which allows a municipality to collect 1% of the earned income from individuals who reside in the municipality or work in the municipality and live in a municipality which does not already have an EIT in place.

An EIT only taxes **earned** income.

Over 96% of the 2,559 municipalities in Pennsylvania already have an EIT in place. Only 93 do not have an EIT. Only four (4) municipalities within Wayne County currently collect an EIT.

The Borough's Proposal

Nobody likes to discuss taxes, however, the Borough Finance Committee has diligently compiled a plan to restructure the way the Honesdale Borough (the Borough) collects taxes. Here's our proposal.

1. Reduce Property Taxes by at least 1 Mill. Based on the average property assessment of \$117,191, this would be an average reduction of \$117 per parcel or 11%.
2. Partner with Berkeimer to enact a 1% earned income tax on Borough residents & non-residents, generating an estimated \$320,000 to \$340,000 in revenue for the first year & \$430,000 to \$460,000 in all subsequent years. *
3. Use the resident (recurring) EIT funds to strengthen our police department & DPW department & the non-resident (assumed non-recurring) EIT funds to fund stormwater repairs & improvements

* - estimates only includes resident EIT collection (non-resident cannot be accurately estimated)

The Math

Total taxable Borough Real Estate Assessment = \$270,241,850

Therefore, one mill = \$270,242 in tax revenue

Assuming a the minimum estimated EIT collection of \$430,000 for four quarters & a one mill real estate tax reduction of \$270,242 the Borough will see an increase in revenue of \$159,758 annually.

$$\$430,000 - \$270,242 = \$159,758$$

However, because \$109,965 in EIT was paid by Borough residents to other municipalities in 2020, the **additional** tax burden on residents is only \$49,793 annually.

$$\$430,000 - \$270,242 - \$109,965 = \$49,793$$

* - all number are estimates compiled with data from Berkeimer + publicly available information

Why?

Here are a few of the key reasons the Borough feels that the EIT is beneficial to Honesdale as a whole:

1. It will **reduce** real estate taxes by approximately 11%. This will help make living in Honesdale more affordable!
2. Over 43% of real estate within the Borough is non-taxable which equates to over \$1,000,000 in real estate tax that the Borough is unable to collect.
3. The EIT will go towards funding large stormwater projects, our police department & our DPW department.
4. In 2020, 518 Borough residents paid over \$100,000 in EIT to municipalities in which they are employed. Lets bring those funds back to Honesdale!

Contact Us

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