Montgomery Township Fiscal Analysis:

Making Decisions in a Climate of Change

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Preface

Local governments are increasingly faced with the complexities of adapting and responding to changes in local economies. In growing communities, expansion must be managed with fiscal responsibility as demand for both services and new revenue sources rises while tax burdens tend to shift across the residential, commercial, and industrial sectors of the locality. In such an environment, local governments are expected to have information which allows them to assess their current fiscal situation and make well-informed decisions about future revenue policy, service delivery, and budgetary needs.

With this in mind, Montgomery Township engaged the Pennsylvania Economy League--Eastern Division (PEL) to perform a fiscal analysis of revenues and expenditures in the Township. Of primary importance was the need to examine the relationship between taxes paid and services received--were the residential, commercial, and industrial sectors enjoying relative equity on this count? To carry this out, PEL interviewed Montgomery Township revenue collection and service delivery departments, collected data, and performed detailed quantitative analysis. PEL also examined the potential fiscal impact of other tax options and analyzed the tax bills of "typical" Montgomery Township taxpayers versus those in other jurisdictions in the region (jurisdictions that compete for residents and businesses).

The goal of this report is for Montgomery Township to use the information both to assess their current fiscal situation and to understand what the potential impact of future policy decisions will be as the Township faces the challenges of an ever-changing fiscal environment.

Note on projections: Attached to the end of this report are five-year revenue projections for Montgomery Township; *these were prepared entirely by Township officials.* Though PEL did not play any part in making these projections, attaching them to this report allows the reader to consider the Township's financial future in the context of the report's findings.

Acknowledgment: This study was funded by Montgomery Township and the membership of the Pennsylvania Economy League. PEL would like to thank the following Montgomery Township departments for their cooperation in providing time and information toward the analysis: Township management, finance, real estate tax collection, business tax collection, code enforcement, police, and public works. In addition, the Colmar Volunteer Fire Department and the Montgomery County Board of Assessors deserve recognition for their cooperation. The analysis was conducted by PEL Senior Associate Steve Brockelman, under the direction of Executive Director David Thornburgh and Deputy Director Steve Wray.

Introduction

In recent years, Montgomery Township, situated in north central Montgomery County, has enjoyed some of the most rapid growth in its history. Between 1990 and 1995 alone, its population jumped 50 percent, and a host of new commercial and industrial establishments has sprung up in the last decade. Accessibility to Philadelphia and to corporate growth areas of Montgomery County has generated residential demand for middle-to-upper-class homes at the pace of several hundred new units annually. With one major shopping mall and several smaller ones, the Township has also become a destination for shoppers from around the region. Finally, the development of neighboring towns has brought an increase in commuter traffic on Montgomery Township's main thoroughfares.

While such rapid expansion can bring with it prosperity and opportunity, it also presents the challenges of financing and delivering services to all those who live, work, shop, and commute in the Township. To provide a clearer picture of the rising demand for services, consider the following facts:

- between 1980 and 1995, the Montgomery Township's population soared from 5,700 to 18,325;
- the real market value of property in the Township rose from $400 million in 1985 to over $1.5 billion in 1994;
- real tax revenues grew from $1.5 million in 1981 to $4.9 million in 1995; and
- the real cost of tax-funded services[1] in the Township swelled from $1.5 million in 1981 to $4.3 million by 1995;

Of course, as the Township has grown, it has enjoyed higher levels of tax revenues with which to fund rising demand for services. The challenge is to ensure that as growth occurs, the residential, commercial, and industrial sectors of the Township each pay for what they get and get what they pay for. Indeed, one of the Township's primary policy goals is to "make certain that users of Township services pay as close as is practical to their fair share of taxes to fund those services."[2]

A study undertaken by the Township in 1982 (using 1981 data) examined the equity of taxes paid versus services received for residents, commercial and industrial establishments, and transients (primarily commuters who pass through town but use Montgomery Township's police, fire, and public works services).[3] The results showed that residents received virtually the same share of services as the share of taxes they paid--an equitable outcome. The commercial and industrial sectors each paid a slightly higher share of taxes than services received, while the transient sector obviously received services for which they did not pay.[4]

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[1] Tax-funded services are defined as those services funded by local tax revenues; services funded by intergovernmental transfers, grants, fees, fines, or revenue from services rendered are excluded.
[2] Daniel P. Olpere (Montgomery Township Manager), *A Report on the Balance of Revenues and Expenditures in Montgomery Township*, July 1982, p. 3.
[3] Olpere. It should be noted that the methodology used for the 1982 study is not identical to that used for this study, but the basic similarities are such that the results can be used for comparative purposes.
[4] Olpere, p. 20.

In the 14 years since a fiscal equity analysis of the Township was last done, the Township has sought to maintain this fairly equitable distribution of taxes as both tax revenues and service demand grew rapidly, for the reasons already mentioned. Therefore, the core of this study is a detailed fiscal equity analysis examining who pays local taxes and how much they pay, as well as who receives local services and how much they receive. The analysis uses 1995 data supplied primarily by the Township and to a lesser extent by other sources. (Note that the following section contains definitions of key terms and assumptions used throughout the report.)

It is important to remember that the efforts of Montgomery Township to maintain fiscal equity over the years have been made in an environment where taxing options for localities remain somewhat limited. The Pennsylvania Constitution's "uniform taxation" clause--which mandates that individual taxes be levied equally on all sectors--and a general lack of tax flexibility can make it difficult to adjust tax burdens as economic and social circumstances change. In particular, rising property taxes at the school district level have limited localities' flexibility to raise revenues through this tax, which is traditionally one of their main revenue sources. To illustrate what options Montgomery Township has (an earned income tax) or may have (pending legislation on local tax reform at the state level), this study examines the hypothetical fiscal impact of several alternative tax scenarios, including which taxes could be offset and how such a shift would change the current tax burden distribution.

Another component of the report focuses on individual tax burdens--what does Montgomery Township's present tax structure mean for average taxpayers in the Township? Several 'model' taxpayers were developed in each of the residential, commercial, and industrial categories from statistics on Township averages. The actual tax bill that each pays in Montgomery Township was calculated and then compared to what their tax bill would be in three area townships: Horsham, Towamencin, and Upper Merion. This comparative analysis recognizes that it is important for a jurisdiction to be aware of what its neighbors are doing fiscally--how much are they taxing their residents and business, with an understanding of the level of services they provide.

Together, these components are intended to form a full picture of Montgomery Township's current financial situation. The report serves as an informed, stable base in a fiscal environment likely to change significantly in coming years. It can therefore provide guidance to forward-looking Township officials as they strive to set fiscal policy in this changing environment.

Definition of Terms

Before moving to the results of the analysis, it is necessary to define some of the terms and categories used frequently in this report.

Taxpayers and service users are divided into four sectors:

Residential:	Composed of everyone who lives in Montgomery Township
Commercial:	Composed of all establishments located in the Township that are sellers of goods or services
Industrial:	Composed of all establishments located in one of the Township's industrial parks
Transient:	Composed of commuters and other persons passing through the Township; transients use police, fire, and public works services but do not pay taxes to the Township (they are therefore counted only as service users)

The taxes levied by the Township are as follows (note that for real estate taxes, one mill is equivalent to one dollar per thousand dollars of assessed value, and assessment values are approximately 5.4 percent of market values; for business privilege and mercantile taxes, one mill is equivalent to one dollar per thousand dollars of gross annual receipts):

Real estate tax:	Levied on all property owners--residential, commercial, industrial--at the rate of 21 mills (also known as the property tax). The 21 mills break out as follows: 14.5 mills to the general fund, 3 mills to fire protection, 2 mills to parks and recreation, and 1.5 mills to debt service on the new municipal services building.
Real estate transfer tax:	Levied on the seller in all real estate transactions at the rate of 1/2 percent of the sales value.
Business privilege tax (BPT):	Levied on the gross receipts of service businesses and the rental of property at the rate of 1.5 mills. A $10 annual license fee is required.
Mercantile tax:	Levied on the gross receipts of retail dealers and vendors in goods, wares and merchandise, and restaurants at the rate of 1.5 mills and wholesale dealers and vendors at the rate of .2 mills. A $10 annual license fee is required.
Occupational privilege tax (OPT):	Levied on each individual engaged in an occupation within the Township. It is the responsibility of the employer to collect the tax and remit to the Township.
Amusement tax:	Levied on the privilege of engaging in an amusement and are measured by admission prices to places of amusement, entertainment, or recreation. The rate is 10 percent of greens fees for golf courses, based upon a limit of 40 percent of the greens fees, and 5 percent for all others.

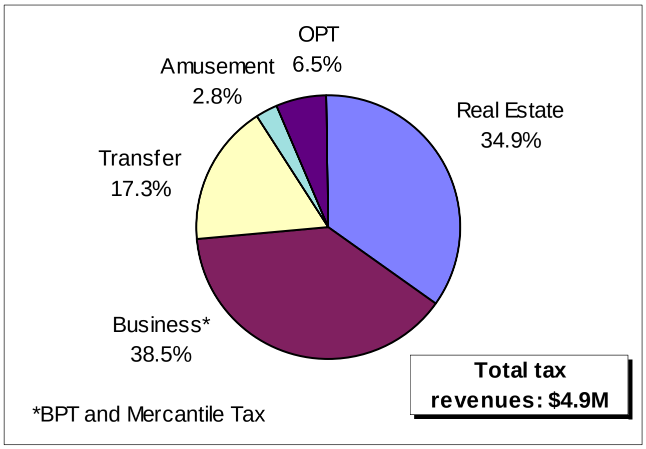
The services provided by the Township include police, fire (via the Colmar Volunteer Fire Department), public works, parks and recreation, general government (consisting of the finance, tax collection, and general administration departments), and a debt service fund for the new municipal services building. Service delivery is measured as the dollar amount of *local tax-funded services*. These are defined as those services funded by local tax revenues only; services funded by intergovernmental transfers, grants, fees, fines, or revenue from services rendered are excluded. Local tax-funded services are used in the analysis rather than overall services because this provides a more accurate comparison to tax dollars paid--comparing apples to apples.

The main body of the report is designed to present key information succinctly in visual and bulleted text form. Percentages are used rather than dollar amounts in many cases not only for simplicity but because of the report's emphasis on relative value. The appendices contain the detailed methodologies and statistics that underlie the analysis conducted for each component of the report. As mentioned earlier, all data used is from 1995, unless otherwise specified.

I. Equity Analysis
Taxes Paid vs. Services Received

A. Taxes Paid

Figure 1: Tax Revenues, by Type of Tax

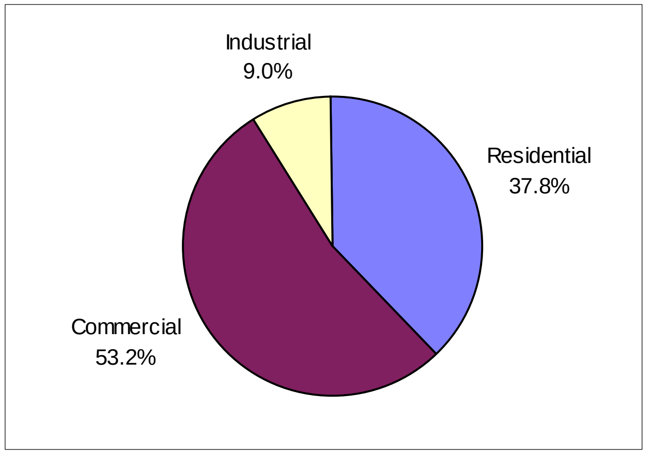


- Real estate taxes and business taxes are the primary revenue sources for the Township, constituting nearly three-quarters of all tax revenues.

- The Township's business taxes have eclipsed real estate taxes in importance since 1981, increasing from 25.1 percent of total revenues to 38.5 percent in 1995, while real estate taxes have fallen from 54.8 percent to 34.9 percent over the period. Note that no BPT existed in 1981.

- The 17.3 percent of revenues attributable to real estate transfer taxes is one of the Township's less stable sources of revenue--if and when new development slows in coming years, revenues will decline accordingly.

Figure 2: Taxes Paid, by Sector



- The commercial sector is a strong presence in Montgomery Township, making up greater than half the tax base. This is a high share relative to most jurisdictions of comparable size.

- While the commercial share of taxes paid has declined a few percentage points since 1981, residents now pay a significantly greater share--increasing from 23.7 percent to 37.8 percent over the period--fueled by 200 percent growth in the Township's population.

Figure 3: Real Estate Taxes Paid

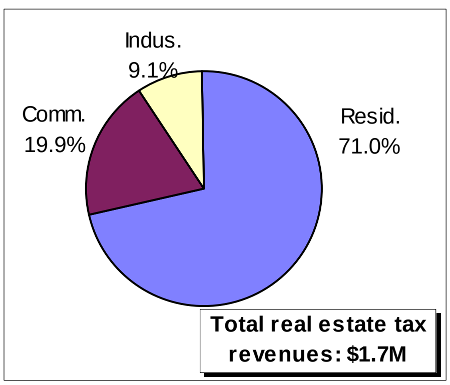
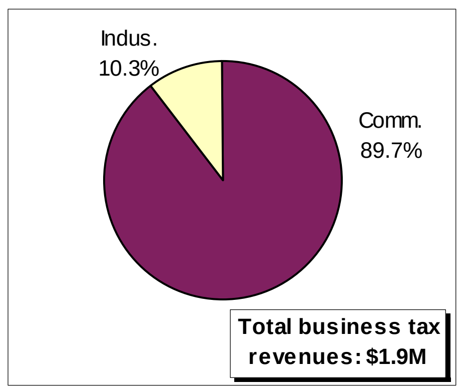


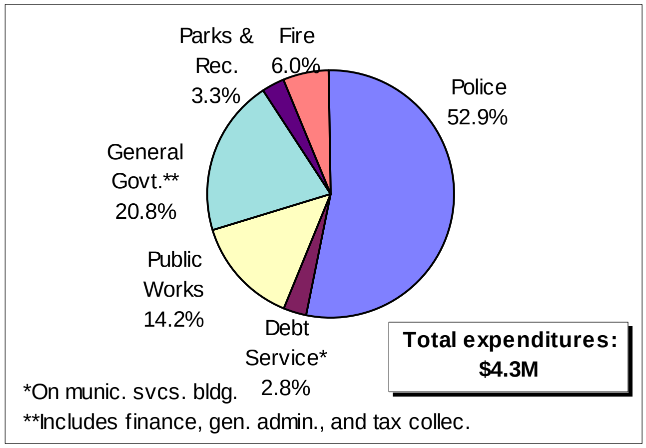
Figure 4: Business Taxes Paid



- The residential sector pays over 70 percent of the real estate taxes in the Township, while the commercial sector pays nearly 90 percent of business taxes, led by the shopping malls and their tenants.

B. Services Received[5]

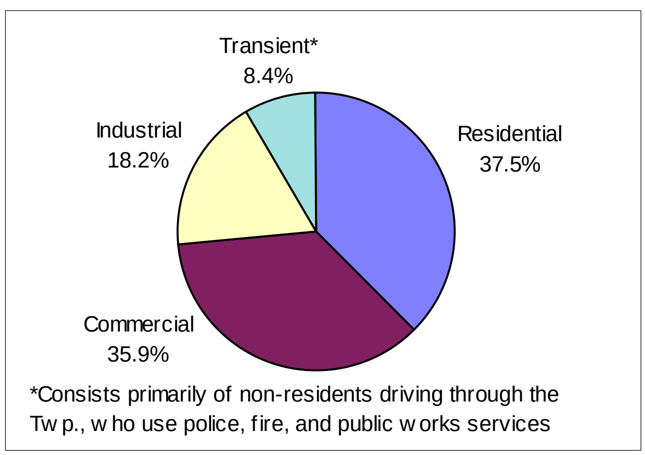
Figure 5: Services Provided, by Department



- Police services dominate this category, making up more than half of all locally tax-funded expenditures. General government and public works are the other major service providers.

- Compared to 1981, the public safety share of expenditures (police and fire) remains about the same, while general government has risen approximately 7 percentage points and public works has declined 5 percentage points. It should be noted that general government has taken on the added responsibilities of collecting real estate and business taxes; the additional cost has been offset by the higher tax revenues resulting from bringing this operation in-house.

Figure 6: Services Received, by Sector



[5] Recall that 'services received' are restricted to locally tax-funded services, or those services funded by local tax revenues; services funded by intergovernmental transfers, grants, fees, fines, or revenue from services rendered are excluded. That is why services provided by the code enforcement department are not counted in 'services received', because the department is supported by the fees they collect for permits issued.

- The residential and commercial sectors receive about equal shares of services, each greater than a third of the total. The transient sector uses a significant amount of services, considering that no taxes are collected from this group.

- Compared to 1981, the residential and industrial sectors receive a higher share of services, while the commercial and transient sectors receive less.

Figure 7: Public Safety Svcs. Received

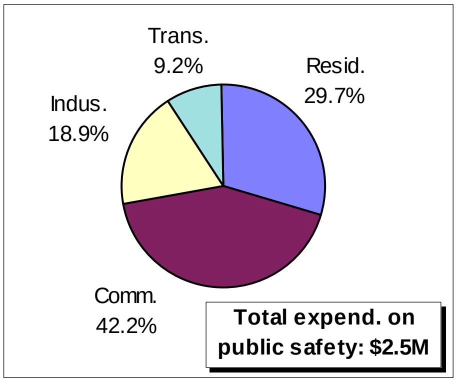
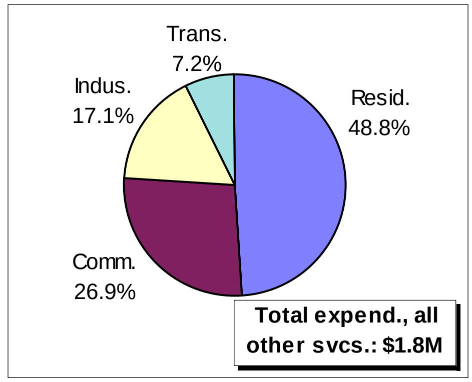


Figure 8: All Other Svcs. Received



- Commercial establishments use more public safety services than any other sector, while residents use more public works and parks & recreation services than others.

Figure 9: Breakdown of Services Received, by Sector
(cents on every tax dollar)

SECTOR	Police	Fire	Public Works	Parks & Rec.	General Govt.	Debt Svc., Twp. Bldg.	TOTAL
Residential	40	6	19	9	23	3	100
Commercial	64	6	5	0	23	3	100
Industrial	56	5	13	0	23	3	100
Transient*	57	8	35	0	0	0	100

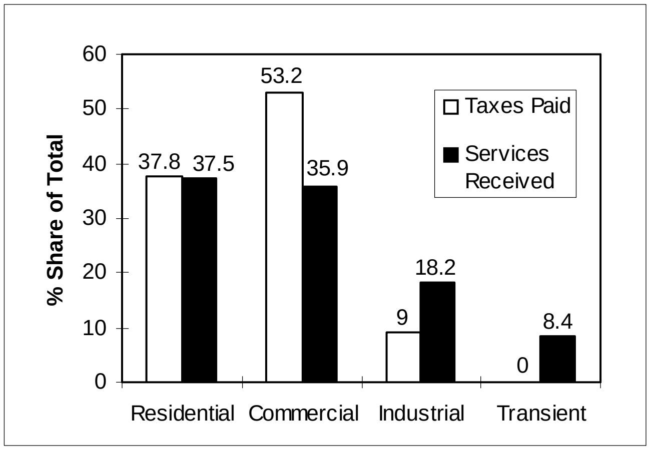
* The transient sector does not pay taxes for these services, but a breakdown of their use is provided nonetheless.

- Police services consume the highest portion of each sector's tax dollar. The commercial and industrial sectors spend a higher portion of their tax dollar on public safety (police and fire) than does the residential sector, which draws on a more balanced array of services.

- Despite the relative size of the commercial sector, it does not spend much on public works because most commercial establishments in the Township are located on roads that are owned and maintained by the state. Transients, on the other hand, use a relatively high share of public works because the sector is composed of commuters.

C. Equity Analysis

Figure 10: Taxes Paid vs. Services Received, by Sector



- Despite the rapid growth of the Township in recent years and the fiscal upheaval this can bring, residents continue to enjoy remarkable equity between the share of taxes they pay and services they receive.

- The commercial sector, however, appears to be paying more than its share. While receiving 36 percent of services, commercial establishments pay 53 percent of the Township's taxes.

- The industrial sector is benefiting from the "deficit" of the commercial sector: industrial establishments pay only 9 percent of taxes but receive over 18 percent of services. This could be due in part to the exclusions that manufacturers receive on portions of the BPT and mercantile tax. The industrial sector contributes 10 percent of total BPT and mercantile tax revenues compared to the commercial sector's 90 percent. This share is low compared to the industrial-to-commercial ratio of 1 to 3 in the OPT (based on employment) and 1 to 2 in the real estate tax (based on property value).

- The transient sector is also benefiting from the commercial sector's deficit. Adding up the 8 percentage point 'surplus' for transients and the 9 percentage point 'surplus' for the industrial sector yields the 17 percentage point deficit experienced by the commercial sector. The transient sector presents a special case, however, because of the unavoidable inequity between the services they use and the absence of any tax revenues from them. The following section deals with this problem of accounting for transients by reallocating their tax burden.

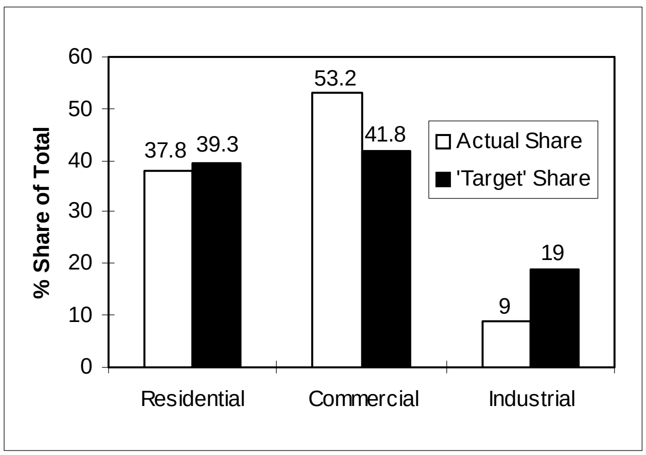
- A comparison to 1981 reveals that although the residential sector has maintained its equitable situation, the commercial sector's inequity measure has grown significantly over the years, rising from 6 percentage points in 1981 to the current 17 percentage points.

- Conversely, the industrial sector enjoyed the most favorable swing in terms of services received for taxes paid: they went from a 4 percentage point deficit in 1981 to a 9 percentage point surplus in 1995. This appears to result more from changes in the share of taxes they pay, which dropped from 17.7 percent of the total to 9 percent, than from changes in their services usage, which rose only moderately. One factor behind the drop in the industrial share of taxes paid could be the rapid growth of the commercial sector in the Township over the last 15 years: even though the industrial sector may be paying more in taxes than they were in 1981 (in absolute terms), this growth has been much slower than tax growth in the commercial sector, largely attributable to rapid revenue growth. The result is a higher share of taxes paid for the commercial sector, and a lower share for the industrial sector.

D. Equity Analysis with a "Target" Tax Burden Distribution

In an effort to deal with the problem of accounting for the transient sector--they use services, (mostly in the form of commuters consuming police, fire, and public works services) but do not pay taxes to the Township to support them--PEL and Township officials calculated a "target" tax burden distribution. The target is the share of taxes each group should pay to exactly support the amount of services they receive, plus a portion of the services received by the transient sector. The 8.4 percent of services received by the transient sector is reallocated as follows: 4.2 percentage points are allocated up front to the commercial sector because this sector has the most to gain by the presence of commuters, who can bring business to commercial establishments, whereas the industrial and residential sectors do not really benefit from commuters. The other 4.2 percentage points are allocated to the residential, commercial, and industrial sectors according to the share of services each receives, because it is felt that each sector must in some capacity share the burden of supporting the transient sector. The results of this target tax burden distribution are displayed below.

Figure 11: Actual Tax Burden Distribution vs. "Target" Distribution, by Sector



The general conclusions of the equity analysis using a "target" tax distribution are similar to those found in the earlier "conventional" equity analysis:

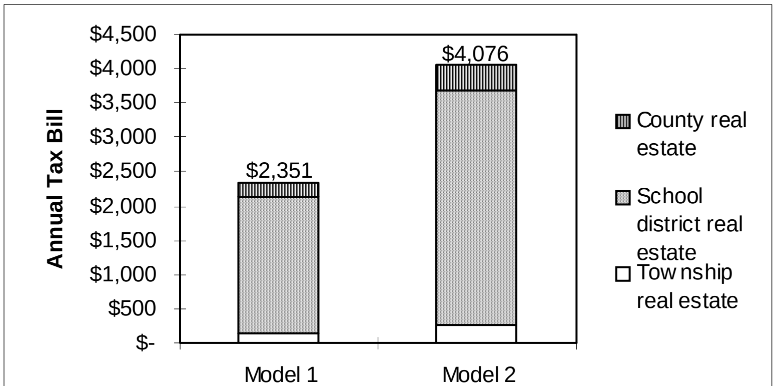
- Though residents end up paying slightly less in taxes than is optimal, they are still in a relatively equitable situation.
- The industrial sector's actual share remains significantly below its target share.
- Though their equity deficit is smaller, the commercial sector continues to pay a substantially higher share of taxes than it receives of services.

II. Model Tax Burdens
Montgomery Township vs. Comparison Townships

A. Montgomery Township Detail

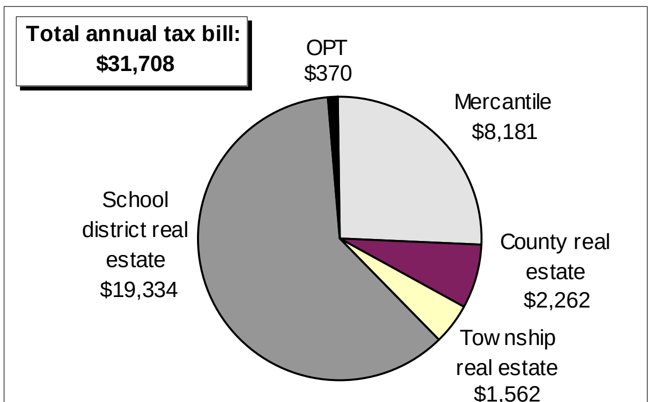
To provide a better sense of what Montgomery Township's taxes mean for the average taxpayer, it is necessary to calculate individual tax burdens. There are eight taxpayer models presented here: two residential, three commercial, and three industrial. The models were chosen based on statistics and consultation with Township officials regarding average taxpayer characteristics. Note that 'tax burden' includes all local taxes: township, school district, and county.

Figure 12: Residential--Models 1 and 2



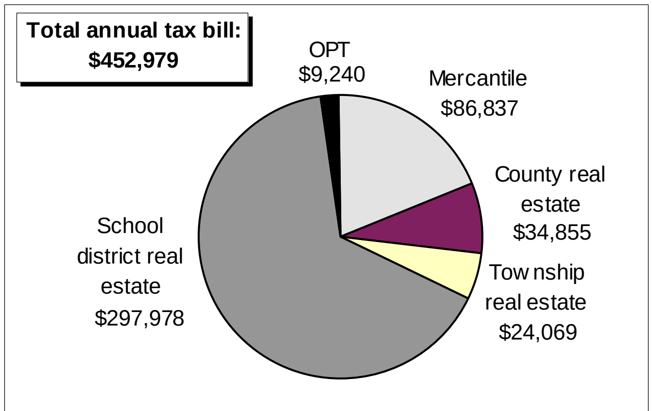
Model 1: Couple; HH income of $45,000; owners of home valued at $135,000
Model 2: Couple; HH income of $78,000; owners of home valued at $234,000

Figure 13: Commercial--Model 1



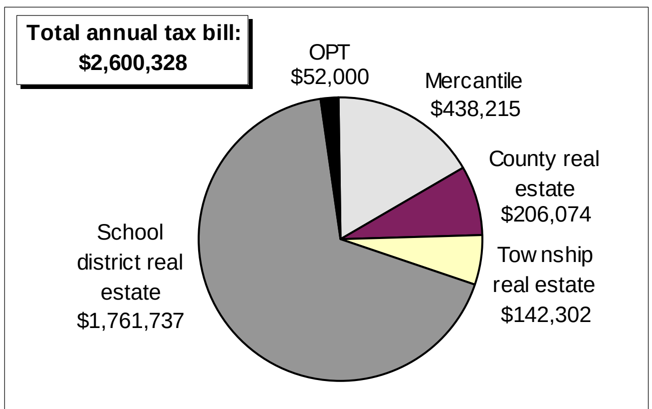
Model 1: Indep. retailer; 37 emps.; ann. sales of $5.5M; prop. value of $1.3M

Figure 14: Commercial--Model 2



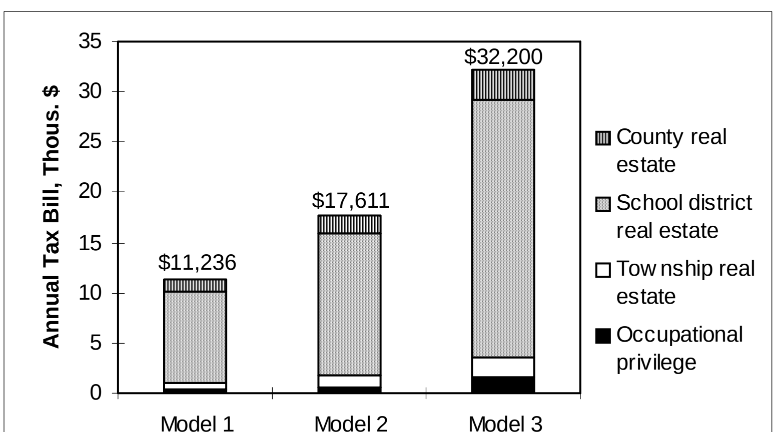
Model 2: Strip mall; 924 emps.; ann. sales of $58M; prop. value of $20.5M

Figure 15: Commercial--Model 3



Model 3: Major mall; 5200 emps.; ann. sales of $292M; prop. value $126M

Figure 16: Industrial--Models 1, 2, and 3

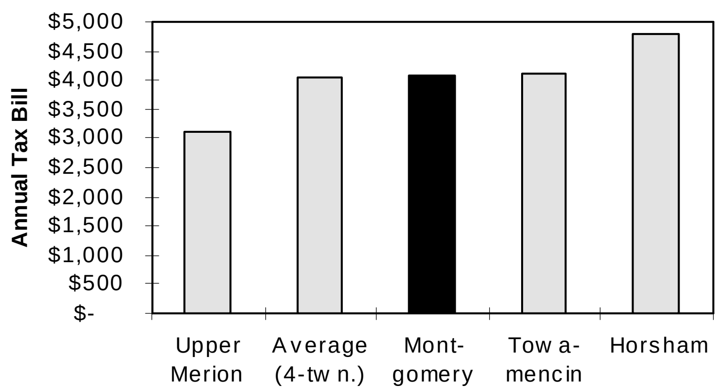


Model 1: Small manuf.; 32 emps.; annual sales of $2M; property value of $627,000
Model 2: Small-to-midsize manuf.; 54 emps.; annual sales of $8M; prop. value of $980,000
Model 3: Midsize manuf.; 160 emps.; annual sales of $20M; prop. value of $1.75M

B. Tax Burden Comparison Across Townships

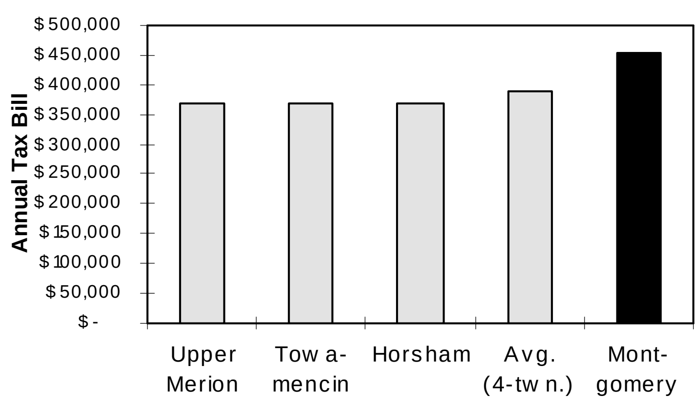
To place the Montgomery Township tax burdens within a larger context, it is helpful to compare them to tax burdens on the same model taxpayers in nearby jurisdictions. Those jurisdictions--Horsham, Towamencin, and Upper Merion--were selected based on their regional proximity and economic similarities to Montgomery Township. The following charts display Montgomery Township's relative tax burden among this group, comparing one model in each of the residential, commercial, and industrial sectors. Appendix B contains a comparative table of all model taxpayers as well as a breakdown of the components of each taxpayer's bill.

Figure 17: Residential Tax Burden Comparison



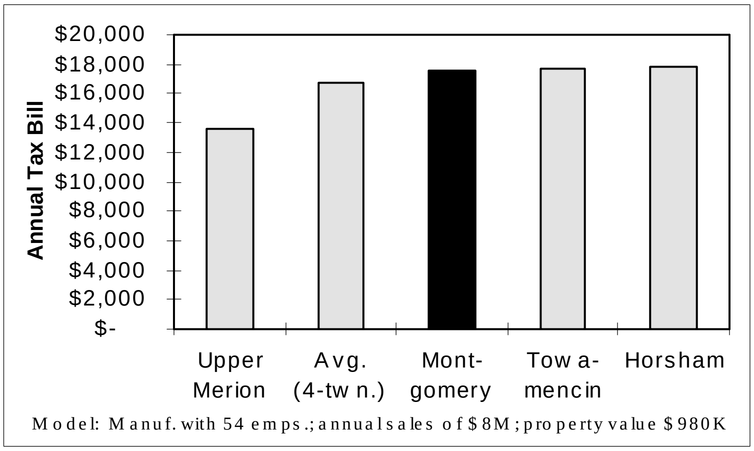
Model: Couple w/ annual HH inc. of $78,000; home valued at $234,000

Figure 18: Commercial Tax Burden Comparison



Model: Strip mall; 924 emps.; annual sales $58M; property value $20.5M

Figure 19: Industrial Tax Burden Comparison



- For residential and industrial taxpayers in Montgomery Township, taxes are equal to or slightly above the average of the four townships. Residents of Montgomery and Towamencin Townships pay taxes at virtually the same rate, owing to the fact that they share a school district and a county, while Horsham residents pay higher taxes and Upper Merion residents pay lower taxes. The differences primarily stem from differing school district real estate tax rates.

- Commercial taxes in Montgomery Township are significantly higher than in each of the other townships, because of either lower school district real estate taxes (Upper Merion) or the absence of a mercantile tax (Towamencin and Horsham).

- Across the board, Upper Merion tax burdens are below average, particularly for residential and industrial taxpayers. The reason is that the Upper Merion school district's taxes are much lower than the school districts in which the other townships are located. Because school district taxes make up such a large portion of the total tax burden, this difference translates into a substantial overall tax burden differential.

III. Alternative Tax Scenarios

Because local governments operate within economic and social environments that are often very different from other localities, whether next door or across the state, they need to have a measure of taxation flexibility. The level of growth in Montgomery Township, for example, can lead to shifting tax burdens and create the need to at least adjust taxation accordingly, if not tap into entirely new revenue sources. The Pennsylvania constitution's "uniform taxation" clause tends to be fairly restrictive on these counts, however, because it mandates that individual taxes be levied equally on all sectors. For example, it does not allow the township to reduce the property tax rate on residents without comparably reducing the rate on commercial and industrial establishments.

There are some options available to the Township, though--one presently (an earned income tax) and others potentially (several options under hypothetical local tax reform legislation). This section provides a look at how those options would affect Montgomery Township's fiscal situation, what other taxes could be offset by new taxing alternatives, and how such changes would impact the current tax burden distribution. All calculations are based on 1995 data.

A. Current Option--Earned Income Tax

The most significant alternative tax option currently available to the Township is an earned income tax (EIT), which can be levied on the earned income of Township residents at a rate of up to 1/2 percent. [The school district may also levy the EIT up to 1/2 percent, for a potential total tax burden of 1 percent on Township residents.] The EIT is an option being used by a growing number of jurisdictions these days as an alternative to the increasingly unpopular real estate tax. Because real estate taxes at the school district level are perceived to place an unfair burden on those who do not have children in school (particularly senior citizens), the EIT is seen by school districts and localities as a way to shift some of the tax burden to families that benefit from the schools. These families typically derive a much higher share of their total income from earned income than do senior citizens.

Figure 18 shows the potential impacts of such an earned income tax in Montgomery Township, at rates of 1/4 percent and 1/2 percent. Keep in mind that the EIT cannot be levied on residents of the Township who work in the City of Philadelphia, as those individuals must pay their Philadelphia wage tax, and cannot be double-taxed. It is assumed that 20 percent of the Township's residents work in Philadelphia, and they are consequently factored out of the Township's hypothetical EIT revenues.

B. Potential Options--Local Tax Reform

For many years, there has been agreement on the need for local tax reform in Pennsylvania. Accomplishing reform that satisfies all of the varying interests has been another matter entirely. The most recent version, Senate Bill 2 (SB2), received considerable attention as one of the more viable proposals in recent memory before being tabled indefinitely near the end of the 1995-96 legislative session. It now seems unlikely that local tax reform will be achieved for at least another year. Nonetheless, if and when local tax reform becomes reality in Pennsylvania, it is likely to contain many of the same components and taxing options as SB2 did. It is therefore useful to consider the potential impacts of a bill like SB2 on Montgomery Township. This report will not go into great detail on the provisions of such a bill, but some of the key elements are as follows:

- Levying of alternative taxes--income and sales--would be permitted at the local level, with the requirement that real estate taxes would be reduced dollar-for-dollar with any new taxes levied.
- Enactment of a local tax reform bill at the state level would be tied to the approval of a constitutional amendment allowing for a homestead exemption on real estate taxes, essentially an override of the "uniform taxation" clause for the residential sector.
- Any alternative tax option would have to be approved at the local level through a referendum.
- Jurisdictions opting for alternative taxes would have to eliminate all nuisance taxes: occupation, occupational privilege, per capita, and any existing EIT.
- There is no guarantee that local tax reform would be applicable to localities and counties--the latest version of SB2 only allowed school districts to levy alternative taxes (since the tax reform debate often centers on school tax burdens). But earlier versions of the bill extended these taxing options to counties and localities.

Some of the general advantages of local tax reform as structured in a bill like SB2 are:

- More tax options provide flexibility for local taxing jurisdictions to customize their tax mix to their local needs.
- Limits on rates prevent a stacking of tax burden on any one sector.
- Income and sales taxes have a greater responsiveness to changing economic conditions and service demands.
- The elimination of certain nuisance taxes will simplify and rationalize multi-level taxing systems.

The alternative scenarios analyzed in this report were chosen based on consultation with Township officials. It was decided that the revenues from the alternative taxes would be used to offset primarily residential real estate taxes, and to a lesser extent, non-residential real estate taxes and the amusement tax (depending on the scenario). It was also determined that, for the PIT and EIT under a tax reform bill (i.e., a bill like SB2), the "target" tax burden distribution of 39.3 percent residential and 60.7 percent non-residential would be the goal (there were no provisions in SB2 for differentiating between commercial and industrial real estate taxes, so their "target" distribution cannot be achieved in this manner). The maximum desirable amount of residential real estate tax reduction is 14.5 mills, as this is the total general fund millage (the Township wishes to maintain the minimum level for designated millage, i.e., millage designated specifically for fire protection, parks and recreation, and debt service on the new municipal services building).

The alternative tax rates were chosen in the following manner. For the current EIT option, rates of both 1/4 percent and 1/2 percent yielded workable revenue levels. Under a tax reform bill, a county sales tax of 1 percent was used. Finally, the tax rates for the tax reform versions of the PIT and EIT were determined by the level of taxation which would yield the "target" tax burden distribution between residential and non-residential real estate taxes, in two scenarios where residential real estate taxes were initially reduced by 14.5 mills and by 8 mills. A full methodological description of the alternative tax analysis is contained in Appendix C.

Figure 20: Impacts of Alternative Tax Scenarios in Montgomery Township

	REVENUE	REDUCTIONS IN EXISTING TAXES	ADJUSTED	CH. FROM

ALTERNATIVE TAX IMPOSED SCENARIO#	FROM ALTERN. TAX	Real Estate Taxes Resid.	 Non-resid.	 Amusemnt.	TAX BURDEN SHARES	CURRENT SHARE
EARNED INCOME TAX OF 1/4% (current option - Sterling Act applicable)						
#1: Offset all r.e. taxes in equal millage	$ 576,375	$ 409,399 (7.1 mills)	$ 166,976 (7.1 mills)		Resid: 41.2% Non-res: 58.8%	3.4% -3.4%
#2: Offset half of amusement tax, remainder applied equally to r.e. taxes	$ 576,375	$ 360,436 (6.2 mills)	$ 147,006 (6.2 mills)	$ 68,933	Resid: 42.2% Non-res: 57.8%	4.4% -4.4%
EARNED INCOME TAX OF 1/2% (current option - Sterling Act applicable)						
#1: Offset all r.e. taxes in equal millage	$ 1,152,751	$ 818,799 (14.1 mills)	$ 333,952 (14.1 mills)		Resid: 44.6% Non-res: 55.4%	6.8% -6.8%
#2: Offset half of amusement tax, remainder applied equally to r.e. taxes	$ 1,152,751	$ 769,836 (13.3 mills)	$ 313,982 (13.3 mills)	$ 68,933	Resid: 45.6% Non-res: 54.4%	7.8% -7.8%
PERSONAL INCOME TAX UNDER LOCAL TAX REFORM BILL* (Sterling Act not applicable)						
#1: Offset resid. r.e. taxes by 14.5 mills, offset non-resid. r.e. taxes by 3.1 mills	$ 914,334 PIT rate=.28%	$ 840,653 (14.5 mills)	$ 73,681 (3.1 mills)		Resid: 39.3% Non-res: 60.7%	1.5% -1.5%
#2: Offset resid. r.e. taxes by 8 mills, offset non-resid. r.e. taxes by 3.1 mills	$ 537,489 PIT rate=.16%	$ 463,808 (8 mills)	$ 73,681 (3.1 mills)		Resid: 39.3% Non-res: 60.7%	1.5% -1.5%
EARNED INCOME TAX UNDER LOCAL TAX REFORM BILL* (Sterling Act not applicable)						
#1: Offset resid. r.e. taxes by 14.5 mills, offset non-resid. r.e. taxes by 3.1 mills	$ 914,334 EIT rate=.32%	$ 840,653 (14.5 mills)	$ 73,681 (3.1 mills)		Resid: 39.3% Non-res: 60.7%	1.5% -1.5%
#2: Offset resid. r.e. taxes by 8 mills, offset non-resid. r.e. taxes by 3.1 mills	$ 537,489 EIT rate=.19%	$ 463,808 (8 mills)	$ 73,681 (3.1 mills)		Resid: 39.3% Non-res: 60.7%	1.5% -1.5%
COUNTY SALES TAX OF 1% UNDER LOCAL TAX REFORM BILL						
#1: Offset all r.e. taxes in equal millage	$ 328,047	$ 233,012 (4 mills)	$ 95,035 (4 mills)		Resid: 39.7% Non-res: 60.3%	1.9% -1.9%
#2: Offset resid. r.e. taxes only	$ 328,047	$ 328,047 (5.7 mills)			Resid: 37.8% Non-res: 62.2%	0.0% 0.0%
#3: Offset half of amusement tax, remainder applied equally to r.e. taxes	$ 328,047	$ 184,049 (3.2 mills)	$ 75,065 (3.2 mills)	$ 68,933	Resid: 40.7% Non-res: 59.3%	2.9% -2.9%

* PIT and EIT rates here are determined by specific millage reductions in the r.e. taxes that yield an equitable tax distribution.
Rates are listed below the figure identifying how much revenue results from each alternative tax.

- Imposing an EIT under the option currently available to the Township results in a higher tax burden on the residential sector, because revenues from the EIT must be used to reduce property taxes equally on both the residential and non-residential sectors. EIT tax rates of both 1/4 percent and 1/2 percent push the residential share above the “target” tax burden of 39.3 percent, although not by much with the 1/4 percent rate.

- Scenarios that offset a portion of the amusement tax place a higher tax burden on the residential sector than scenarios that offset real estate taxes in equal fashion (but ignore amusement taxes). This is due to the fact that lower amusement taxes benefit the non-residential sector exclusively.

- The potential for local tax reform, under which real estate taxes could be levied in unequal rates between sectors, is exciting. By targeting the level of the PIT and EIT to strategically offset real estate taxes, it is possible to achieve the “target” tax burden distribution. With a 14.5 mill decrease in residential real estate taxes, the desired PIT rate is .28 percent and the desired EIT rate is .32 percent. With a more modest 8 mill decrease in residential real estate taxes, the desired PIT rate is .16 percent and the desired EIT rate is .19 percent.

- The county-level sales tax option does not yield as much revenue as the other alternative taxes, but it does result in a tax burden distribution close to the “target” when it is used to offset real estate taxes equally on all sectors. This particular tax will not benefit Montgomery Township in proportion to what the Township contributes to the county’s sales tax revenues, given the concentration of commercial activity in the Township. As it stands now, sales tax revenues would be redistributed from the county level based on a combination of a jurisdiction’s population, socioeconomic need, and tax effort, rather than based more heavily on the sales tax revenues that come from that jurisdiction.

Appendix A: Equity Analysis Methodology

Tax Revenues Breakdown

REAL ESTATE TAXES

Payer Group		R.E. Taxes Paid
Residential (71.03%)	$	1,217,497
Commercial (19.89%)	$	340,927
Industrial (9.08%)	$	155,637
TOTAL	$	1,714,060

BUSINESS PRIVILEGE TAX (BPT) AND MERCANTILE TAX

Payer Group		Taxes Paid
Commercial (89.7%)	$	1,696,292
Industrial (10.3%)	$	194,781
TOTAL	$	1,891,073

OCCUPATIONAL PRIVILEGE TAX (OPT)

Payer Group		Taxes Paid
Commercial (76.3%)	$	245,235
Industrial (23.7%)	$	76,174
TOTAL	$	321,409

TRANSFER TAX

Payer Group		Taxes Paid
Residential (75.3%)	$	638,237
Commercial (22.9%)	$	193,951
Industrial (1.8%)	$	15,473
TOTAL	$	847,661

AMUSEMENT TAX

Payer Group		Taxes Paid
Commercial (100%)	$	137,866
TOTAL	$	137,866

TOTAL TAXES

Payer Group		**Taxes Paid**	**Share of Total**
Residential	**$**	**1,855,734**	**37.8%**
Commercial	**$**	**2,614,271**	**53.2%**
Industrial	**$**	**442,064**	**9.0%**
TOTAL	**$**	**4,912,069**	**100.0%**

Tax-Funded Expenditures (Service Delivery) Breakdown

POLICE

User Group	Benefits Received
Residential (28.6%)	$ 647,529
Commercial (43.2%)	$ 978,920
Industrial (19.3%)	$ 437,752
Transient (9.0%)	$ 203,561
TOTAL	$ 2,267,762

FIRE PROTECTION

User Group	Benefits Received
Residential (39.7%)	$ 102,019
Commercial (33.9%)	$ 87,135
Industrial (15.1%)	$ 38,965
Transient (11.3%)	$ 29,071
TOTAL	$ 257,190

PUBLIC WORKS

User Group	Benefits Received
Residential (49.9%)	$ 302,973
Commercial (12.7%)	$ 77,382
Industrial (16.6%)	$ 101,035
Transient (20.8%)	$ 126,205
TOTAL	$ 607,595

PARKS AND RECREATION

User Group	Benefits Received
Residential (100%)	$ 142,154
TOTAL	$ 142,154

GENERAL GOVERNMENT

User Group	Benefits Received
Residential (41.0%)	$ 365,921
Commercial (39.2%)	$ 350,228
Industrial (19.8%)	$ 176,961
TOTAL	$ 893,110

DEBT SERVICE FUND (NEW MUNICIPAL SERVICES BUILDING)

User Group	Benefits Received
Residential (41.0%)	$ 50,062
Commercial (39.2%)	$ 47,915
Industrial (19.8%)	$ 24,210
TOTAL	$ 122,188

TOTAL SERVICES

User Group	**Benefits Received**	**Share of Total**
Residential	**$ 1,610,658**	**37.5%**
Commercial	**$ 1,541,581**	**35.9%**
Industrial	**$ 778,924**	**18.2%**
Other/transient	**$ 358,837**	**8.4%**
TOTAL	**$ 4,289,999**	**100.0%**

Summary of Tax Revenue--Service Delivery Shares

Sector	Taxes Paid	Svcs. Received	Difference
Residential	37.8%	37.5%	0.2%
Commercial	53.2%	35.9%	17.3%
Industrial	9.0%	18.2%	-9.2%
Transient	0.0%	8.4%	-8.4%
TOTAL	100.0%	100.0%	0.0%

“Target” Tax Burden Distribution*

Sector	Target Share	Actual Share	Difference
Residential	39.3%	37.8%	-1.5%
Commercial	41.8%	53.2%	11.5%
Industrial	19.0%	9.0%	-10.0%
TOTAL	100.0%	100.0%	0.0%

* Calculation of share of taxes each group should pay to exactly support the amount of services they receive, with adjustments for transient users. See methodology for more details.

. Note: Due to rounding, numbers may not add exactly.

Methodology for the Allocation of Tax Revenues

Real Estate Tax

This was allocated based on property type breakdown obtained from the Montgomery County Board of Assessors. The breakdown was calculated as follows. The 'vacant land' category (approx. $1 million in assessed value) and the 'preferential assessment' category ($78,700) were divided up according to the breakout of residential, commercial, and industrial for all other property. Of the remaining categories, institutional non-profits and government do not pay taxes, and utilities are exempt (PURTA funds from the state replaces this revenue) so they are all excluded from the total.

So the allocation was based on percent of assessed value in 1995, and then applied to the total real estate tax revenues for 1995 to convert back to dollar terms (in order to tally up total property tax revenues from all types of payers). The figure below provides a numerical breakdown of assessed values.

Property Assessment, by Type
Montgomery Township

Type	Assessed Value	Share of Total
Residential	$61.454 million	71.03%
Industrial	7.856	9.08%
Commercial	17.211	19.89%
TOTAL	$86.521 million	100.00%

Source: Montgomery County Assessor's Office

Business Privilege Tax (BPT) and Mercantile Tax

This was allocated based on a breakdown provided by Pat McBride, Business Tax Administrator. Pat totaled up tax payments by all payers, divided into commercial, industrial, developers, non-resident businesses, and home occupations. All establishments located in industrial parks were considered 'industrial', and the few manufacturers outside of industrial parks were also accounted for.

Developers, non-resident businesses, and home occupations were placed into the 'commercial' category.

Occupational Privilege Tax (OPT)

Pat McBride listed the 35 largest employers in town, classifying them as either 'commercial' or 'industrial'. From this, revenues were allocated based on total individual revenues paid by commercial firms and by industrial firms ($10 per employee). These 35 companies had 11,223 employees in 1995, or approximately 55 percent of total Township employment (while Township employment is not specifically tracked, it was estimated to be 20,225 from the level of OPT revenues in 1995). The breakdown of the remainder of the Township's employers is assumed to be the same as the first 55 percent: 76.2 percent commercial and 23.8 percent industrial.

Transfer Tax

Using the results of MetroScan's transaction-specific information on 1995 property transfers in Montgomery Twp., PEL tallied up total sales prices for commercial and industrial sales, and assumed that residential made up the rest. With commercial sales at $35,446,500 and industrial sales at $2,831,828, the respective transfer tax revenues were $177,233 and $14,159, based on the 1/2 percent rate that goes to the Township. Current residential transfer tax revenues were therefore ($774,657- ($177,233 + $14,159)) = $583,265. The prior year revenues collected in 1995 ($73,004) were allocated by the same percentages as made up the current year 1995 revenues collected: 75.3 percent residential, 22.9 percent commercial, 1.8 percent industrial.

Amusement Tax

This tax was allocated entirely to commercial payers, because it is levied only on amusement service facilities.

Methodology for the Allocation of Departmental Expenditures

General Government (includes general administration, tax collection, and finance)

After consultation with the Montgomery Township staff, PEL decided to allocate general government services along the same proportion as the rest of services combined (41.0 percent residential, 39.2 percent commercial, 19.8 percent industrial). So all other services were tallied first, and that share was applied to this category. This simplifies a service which encompasses a host of small, difficult-to-measure services.

Code Enforcement

Code enforcement activities are self-sustaining, as no tax revenues are used to support this department. Therefore, it was not included in the calculus of tax revenue-service equity. However, it should be noted that the surplus revenues currently being brought in by code enforcement are the result of the Township's high level of current development. This rate of development is not expected to continue, and in fact is already tapering off. So revenues will in all likelihood decrease back to the point where the department is in relative financial balance. Indeed, the current surplus may be needed to subsidize operations when permit and inspection revenues drop off in coming years.

Police

Police activities were allocated by user according to Chief Brady's estimates of the breakout between commercial/industrial, residential, and transient demand for responses to 16 different types of offenses. In order to determine the total amount of time devoted to each of these offenses, a relative duration value between 1 and 3 was assigned to each offense based on Chief Brady's estimates of relative time spent on each type of offense. This was then multiplied by the number of each offense that occurred throughout the year, to yield an estimate of the department's time spent on each offense during the year. [There is an implicit assumption that relative differences in follow-up/administrative time required for offenses is comparable to their differences in response time.]

For traffic accidents, type of user was based on the designation of the road/lot on which it occurred. These designations are based on information provided by the Public Works Department, and were verified by the Township's traffic engineer at Pennoni Associates. Because state roads generally accommodate a greater variety of traffic than the Township's other roads, it was necessary to customize their designation in accordance with estimates of the types of traffic they served, based on map analysis. These designations are contained in the following tables of traffic data.

The total number of traffic accidents on each road was divided according to that road's allocation by user. Because the police department was not able to provide what they considered a reliable breakout of commercial from industrial, it was necessary to allocate these based on the breakout between the two categories of real estate assessment in the Township: 69 percent commercial and 31 percent industrial.

Colmar Volunteer Fire Department

Montgomery Township supplies the Colmar Volunteer Fire Department with 3 mills of its property tax for a revenue base (2 mills toward department operations and 1 mill toward capital purchases). The allocation of fire protection services delivered to different users was determined in similar fashion as were police services. PEL used data provided by Fire Chief Skrzat on the number and duration of 15 different types of fire calls to determine how the department's time is allocated. PEL then combined this information with Chief Skrzat's estimates of the user breakdown of each type of call to develop an allocation of total department time, which translates into an allocation of expenditures. Traffic accident calls were handled the same way as for the police department. See detailed 'traffic' tables for full calculations.

Public Works

General methodology: First PEL determined the level of local tax-funded expenditures for each type of public works activity by subtracting non-tax source revenues. Then PEL determined allocation of dollars to each type of user in each activity area. These were then added up to get total dollars spent by the public works department on each type of user. The activity-specific methodologies are described below, and numerical calculations are in the detailed public works tables.

General Department Operations: This category encompasses all expenditures by the public works department not allocated to a specific activity, i.e., all expenses not directly related to snow removal, traffic and street light maintenance, and general repair and rebuilding. It includes expenses like general labor costs, social security, vehicle maintenance, insurance, general capital expenditures, etc. Labor costs in this category were adjusted downward by the amount of labor expenditures directly attributable to specific activities (provided to PEL by the public works department). General department operations expenditures totals $586,859, adjusted downward by $114,280 in activity-specific labor costs, and downward again by $269,617 in major project costs (which were separated out because they can be allocated to specific users separate from general operations) for a net expenditure of $202,962. This amount was allocated according to Township road mileage by user: 55 percent residential, 20 percent industrial, 5 percent commercial, and 20 percent transient (the public works department estimated the first 3 categories, and PEL added a share for the transient sector based on their usage of roads like Stump, Knapp, Lower State, Vilsmeier, Richardson). State roads were not included in this total because they are maintained by the state only.

Road General - Major Projects: Expenditures on major projects in 1995--Vilsmeier, Stump, Independence and Montgomery Glen--was $269,617. [This does not include labor costs - they are embedded in the general department operations, so there was no attempt to separate them out.] Because the liquid fuels state grant goes toward these projects, this total was adjusted downward by $240,000, leaving $29,617 of tax-funded expenditures. Note that this amount of liquid fuels funding is based not on what was actually received in 1995, but on the virtual certainty that future annual liquid fuels funding will increase to the $240,000 range. All four projects are on primarily residential roads, but both Stump and Vilsmeier accommodate a substantial amount of transient traffic. Therefore, the allocation was done as 80 percent residential and 20 percent transient.

Road General - Repair and Rebuilding: Expenditures on general repair and rebuilding were $137,491 in 1995 ($32,272 repair and $105,219 rebuilding) plus labor costs of $78,426 totals $215,917. This amount was allocated according to Township road mileage by user: 55 percent residential, 20 percent industrial, 5 percent commercial, and 20 percent transient (the public works department estimated the first 3 categories, and PEL added a share for transient based on their usage of roads like Stump, Knapp, Lower State, Vilsmeier, Richardson). State roads were not included in this total because they are maintained by the state only.

Street Lights: Repair and replacement of common street lights--those in commercial districts (over 80 of them)--are paid for out of the general fund. In 1995, $16,575 was spent on these, plus department labor costs of $1,124, for total expenditures of $17,699. [Note: Residents pay for future replacement of their street lights through what is essentially a real estate user's fee of $40 per single-family home and $10 per townhouse. The money goes directly into a street light fund and is only used for these purposes. In 1995, $76,545 was collected for this fund and $53,135 was spent, excluding department labor costs. New street lights in developments are paid for by the developers.]

Traffic Lights: While developers pay for most new traffic lights, repair and maintenance costs come out of the general fund. In 1995, this was $72,642, plus $9,353 in department labor costs, for a total of $81,995. This amount was allocated among the four user types according to the share of traffic lights allotted to each, based on maps drawn by the public works department.

Snow Removal: In 1995, $30,600 was spent on snow removal, plus $25,376 department labor costs, totaling $55,977. This amount was allocated according to Township road mileage by user: 55 percent residential, 20 percent industrial, 5 percent commercial, and 20 percent transient. State roads were not included in this total because they are maintained by the state only; commercial is accounted for by the office park roads.

Public Works Department Expenditures, Listed by Activity

GENERAL DEPARTMENT OPERATIONS (EXCLUDING ACTIVITY-SPECIFIC LABOR COSTS)

Expenditures	$ 586,859
- activity-specific labor costs	$(114,280)
- expend. on major projects	$(269,617)
Total expenditures	$ 202,962
Net expenditures	**$ 202,962**

ROAD GENERAL - MAJOR PROJECTS

Expenditures	$ 269,617
- these revenues:	
(Liquid fuels funding)	$ (240,000)
Net Expenditures	**$ 29,617**

ROAD GENERAL - REPAIR & REBUILD

Expenditures	$ 137,491
+ dept. labor costs	$ 78,426
Total expenditures	$ 215,917
Net Expenditures	**$ 215,917**

SNOW REMOVAL

Expenditures	$ 30,600
+ dept. labor costs	$ 25,377
Total expenditures	$ 55,977
Net Expenditures	**$ 55,977**

TRAFFIC LIGHTS

Expenditures	$ 72,642
+ dept. labor costs	$ 9,353
Total expenditures	$ 81,995
Net Expenditures	**$ 81,995**

STREET LIGHTS

Expenditures	$ 16,575
+ dept. labor costs	$ 1,124
Total expenditures	$ 17,699
Net Expenditures	**$ 17,699**

Parks and Recreation

Park and recreation services (including programs, upkeep, etc.) are funded by two mills of the real estate tax. Non-tax sources like grants, interfund transfers, rent and fees also contribute to park funding. The benefits of parks and recreation services were allocated entirely to residential users.

Basin Maintenance and Replacement

A one-time contribution by developers pays for maintenance of current basins and their future replacement, so this service was not counted as supported by tax revenues.

Debt Service Fund

The debt service (bond issue payments) on the construction of the municipal services building was $182,538 in 1995. This breaks out to $122,188 funded by real estate taxes (approx. 1.5 mills of the real estate tax) and $57,650 transferred from the municipal services building fund. PEL assumes that the municipal services building fund was not funded by tax revenues but is the actual proceeds of the bond, therefore, only $122,188 was counted as tax-funded expenditures. This was allocated in the same manner as general government services, i.e., at the same ratio as all other services combined (41.0 percent residential, 39.2 percent commercial, 19.8 percent industrial).

Methodology for Determining Tax-Funded Expenditures

The amount of expenditures on each type of service encompasses expenditures funded from all sources, both those supported by Township taxes and those supported by all other sources (fees, fines, services rendered, state and federal money, interest earned, etc.). Because the goal of the equity analysis was to compare the taxes paid by Township residents and employers to the services they are receiving directly as a result of those taxes, it was necessary to develop the concept of “tax-funded expenditures”. By subtracting all other sources of funding for a particular service from the total expenditures on that service, PEL was able to identify the amount of that service that is being paid for by local taxes: “tax-funded expenditures”.

This calculation was performed for each department providing services. In addition to subtracting out the ‘other sources’ mentioned above, there was also an adjustment for capital replacement costs in police, public works, and general government. Because a tax-supported revolving fund covers the costs of replacing capital equipment in the Township, it was necessary to first add to department expenditures the pro-rated average cost of replacement capital equipment purchases from the ten-year replacement plan (essentially a “smoothed” figure for annual capital reserve replenishment in the department). Then, actual capital replacement costs for the department were subtracted from total department expenditures, to account for the difference between what was allotted the department and what was actually spent on capital equipment. See the following table for the numerical details.

The tax-funded expenditures were then used in the overall equity analysis to determine the amount of services received by each type of user. Once this was done for each type of service, they were totaled up to get an overall measure of the share of total services being received by each type of user. This was the ultimate goal of the service delivery analysis: who is receiving what share of services in the Township?

Methodology for Determining the "Target" Tax Burden Distribution

It is reasonable to assume that an equitable tax scheme would impose a tax burden on the residential, commercial, and industrial sectors equal in share to the share of services that they receive: if you receive half of the Township's services, for example, you should pay half of the taxes. This goal can be labeled the "target" tax burden distribution.

The calculation of this target distribution is complicated, however, by the presence of a transient user group--mainly commuters who drive through the Township but do not stop to spend any money, let alone pay taxes. While transients receive services from the Township (8.4 percent of the total) in the form of public works, police, and fire services, they do not pay taxes to the Township. These services must be accounted for in PEL's calculation because the Township's residential, commercial, and industrial taxpayers are already paying for them.

In consultation with Township officials, it was decided that the best way to allocate the cost of providing services to transients was to take half of transients' share, or about 4.2 percent, and put them with commercial users, and divide the remaining half among residential, commercial, and industrial according to their share of total services received. The thinking behind allocating more to the commercial sector is that they stand to benefit from the presence of transients, far more than residents or manufacturers do. There is potential benefit for commercial establishments when commuters drive by daily, for some may eventually become customers.

After making this allocation for transients, the target tax burden distribution was 39.3 percent for residential, 41.8 percent for commercial, and 19.0 percent for industrial.

Appendix B: Model Tax Burdens

The comparison townships--Horsham, Towamencin, and Upper Merion--were chosen because of their geographic proximity and/or economic similarities to Montgomery Township. The model taxpayers were chosen to encompass a range of characteristics within the residential, commercial, and industrial sectors.

To determine the characteristics of the two residential models, the average sales price for townhouses ($135,000) and for single-family homes ($234,000) sold in Montgomery Township during 1995 were used as the tax base for middle-class and upper middle-class residents, respectively. Annual household income was assumed to be one-third of the townhouse/home price.

For the commercial sector, a sample of existing Montgomery Township establishments was used to determine the average characteristics of commercial establishments in each of three categories: single-store independent retailer; strip shopping center; and a major enclosed shopping mall. These characteristics included number of employees, annual sales receipts, square footage, and property value.

For the industrial sector, a similar approach was taken, with a sample of industrial establishments used to determine average characteristics in the following size categories: square footage of 1,000 to 25,000; 25,000 to 50,000; and 50,000 to 100,000. The characteristics were similar to those listed above for the commercial sector.

Summary Table: Comparative Tax Burdens for Residential, Commercial, and Industrial Model Taxpayers

Model	Mont-gomery	Upper Merion	Horsham	Towa-mencin	Average (4 towns)
Residential					
Model 1 (middle class couple)	$ 2,351	$ 1,792	$ 2,764	$ 2,386	$ 2,323
Model 2 (mid.-upper class cple.)	$ 4,076	$ 3,107	$ 4,791	$ 4,122	$ 4,024
Commercial					
Model 1 (small indep. retailer)	$ 31,708	$ 26,203	$ 23,804	$ 23,676	$ 26,348
Model 2 (strip shopping center)	$ 452,979	$ 368,125	$ 370,412	$ 368,428	$ 389,986
Model 3 (major indoor mall)	$2,600,328	$2,098,644	$2,187,354	$2,175,626	$2,265,488
Industrial					
Model 1 (small manufacturer)	$ 11,236	$ 8,641	$ 11,367	$ 11,306	$ 10,638
Model 2 (small-midsize manuf.)	$ 17,611	$ 13,552	$ 17,815	$ 17,720	$ 16,675
Model 3 (midsize manufacturer)	$ 32,200	$ 25,035	$ 32,503	$ 32,333	$ 30,518

Breakdown of Tax Bill Components for Model Taxpayers

Montgomery--Residential

MODEL 1

Characteristics: Young couple, annual household income of $45,000; own a townhouse valued at $135,000*

Taxes:	Real estate tax to township** (21 mills):	$ 159
	Real estate tax to school district** (263.7 mills):	$ 1,963
	Real estate tax to county (31.5 mills)	$ 230
Total local tax burden		**$ 2,351**

MODEL 2

Characteristics: Middle-aged couple, annual household income of $78,000; own a home
valued at $234,000*

Taxes:	Real estate tax to township** (21 mills):	$ 275
	Real estate tax to school district** (263.7 mills):	$ 3,403
	Real estate tax to county (31.5 mills)	$ 398
Total local tax burden:		**$ 4,076**

* Residential property values based on average prices of new homes sold in 1995; HH income assumed to be one-third of prop. value

** Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the munic. market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Montgomery--Commercial

MODEL 1

Characteristics: Independent retailer, single store, 37 employees, annual sales of $5.45M;
24,000 square feet, property valued at $1.33M

Taxes:	Mercantile tax (1.5 mills)	$ 8,181
	Occupational privilege tax ($10 per employee)	$ 370
	Real estate tax to township* (21 mills):	$ 1,562
	Real estate tax to school district* (263.7 mills):	$ 19,334
	Real estate tax to county (31.5 mills)	$ 2,262
Total local tax burden:		**$ 31,708**

MODEL 2

Characteristics: Strip shopping center with out buildings, 18 units, 924 employees, annual sales of $57.9M;
250,000 square feet, property valued at $20.49M

Taxes:	Mercantile tax (1.5 mills)	$ 86,837
	Occupational privilege tax ($10 per employee)	$ 9,240
	Real estate tax to township* (21 mills):	$ 24,069
	Real estate tax to school district* (263.7 mills):	$ 297,978
	Real estate tax to county (31.5 mills)	$ 34,855
Total local tax burden:		**$ 452,979**

MODEL 3

Characteristics: Major shopping mall, 161 units, 5200 employees, annual sales of $292M;
1.14M square feet, property valued at $125.5M

Taxes:	Mercantile tax (1.5 mills)	$ 438,215
	Occupational privilege tax ($10 per employee)	$ 52,000
	Real estate tax to township* (21 mills):	$ 142,302
	Real estate tax to school district* (263.7 mills):	$1,761,737
	Real estate tax to county (31.5 mills)	$ 206,074
Total local tax burden:		**$2,600,328**

* Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the municipal market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Montgomery--Industrial

MODEL 1

Characteristics: Small manufacturer with 32 employees, $2M in annual sales of manufactured goods; 12,500 square feet, property valued at $627,000

Taxes:	Mercantile tax*	$	-
	Occupational privilege tax ($10 per employee)	$	320
	Real estate tax to township** (21 mills):	$	736
	Real estate tax to school district** (263.7 mills):	$	9,114
	Real estate tax to county (31.5 mills)	$	1,066
Total local tax burden:		**$**	**11,236**

MODEL 2

Characteristics: Small-to-midsize manufacturer with 54 employees, $8M in annual sales of manufactured goods; 37,500 square feet, property valued at $980,000

Taxes:	Mercantile tax*	$	-
	Occupational privilege tax ($10 per employee)	$	540
	Real estate tax to township** (21 mills):	$	1,151
	Real estate tax to school district** (263.7 mills):	$	14,252
	Real estate tax to county (31.5 mills)	$	1,667
Total local tax burden:		**$**	**17,611**

MODEL 3

Characteristics: Midsize manufacturer with 160 employees, $20M in annual sales of manufactured goods; sells small amount ($315,000) of non-manuf. goods wholesale ;75,000 square feet, property valued at $1.75M

Taxes:	Mercantile tax (.2 mills)*	$	63
	Occupational privilege tax ($10 per employee)	$	1,600
	Real estate tax to township** (21 mills):	$	2,059
	Real estate tax to school district** (263.7 mills):	$	25,496
	Real estate tax to county (31.5 mills)	$	2,982
Total local tax burden:		**$**	**32,200**

* manufactured goods are exempt from business taxes, with the exception of goods sold as wholesale (taxed at .2 mills) or retail (taxed at 1.5 mills) goods

** Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the munic. market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Horsham--Residential

MODEL 1

Characteristics: Young couple, annual household income of $45,000; own a townhouse valued at $135,000*

Taxes:	Earned income tax** (1%)	$ 385
	Real estate tax to township*** (11.8 mills):	$ 88
	Real estate tax to school district*** (278 mills):	$ 2,062
	Real estate tax to county (31.5 mills)	$ 230
Total local tax burden		**$ 2,764**

MODEL 2

Characteristics: Middle-aged couple, annual household income of $78,000; own a home valued at $234,000*

Taxes:	Earned income tax** (1%)	$ 667
	Real estate tax to township*** (11.8 mills):	$ 153
	Real estate tax to school district*** (278 mills):	$ 3,573
	Real estate tax to county (31.5 mills)	$ 398
Total local tax burden:		**$ 4,791**

* Residential property values based on average prices of new homes sold in 1995; HH income assumed to be one-third of prop. value

** Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the munic. market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Horsham--Commercial

MODEL 1

Characteristics: Independent retailer, single store, 37 employees, annual sales of $5.45M;
24,000 square feet; property valued at $1.33M

Taxes:	Occupational privilege tax ($10 per employee)	$ 370
	Real estate tax to township* (11.8 mills):	$ 870
	Real estate tax to school district* (278 mills):	$ 20,303
	Real estate tax to county (31.5 mills)	$ 2,262
Total local tax burden:		**$ 23,804**

MODEL 2

Characteristics: Strip shopping center with out buildings, 18 units, 924 employees, annual sales of $57.9M;
250,000 square feet; property valued at $20.49M

Taxes:	Occupational privilege tax ($10 per employee)	$ 9,240
	Real estate tax to township* (11.8 mills):	$ 13,403
	Real estate tax to school district* (278 mills):	$ 312,913
	Real estate tax to county (31.5 mills)	$ 34,855
Total local tax burden:		**$ 370,412**

MODEL 3

Characteristics: Major shopping mall, 161 units, 5200 employees, annual sales of $292M;
1.14M square feet; property valued at $125.5M

Taxes:	Occupational privilege tax ($10 per employee)	$ 52,000
	Real estate tax to township* (11.8 mills):	$ 79,243
	Real estate tax to school district* (278 mills):	$1,850,037
	Real estate tax to county (31.5 mills)	$ 206,074
Total local tax burden:		**$2,187,354**

* Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the municipal market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Horsham--Industrial

MODEL 1

Characteristics: Small manufacturer with 32 employees, $2M in annual sales of manufactured goods; 12,500 square feet, property valued at $627,000

Taxes:	Occupational privilege tax ($10 per employee)	$	320
	Real estate tax to township** (11.8 mills):	$	410
	Real estate tax to school district** (278 mills):	$	9,571
	Real estate tax to county (31.5 mills)	$	1,066
Total local tax burden:		**$**	**11,367**

MODEL 2

Characteristics: Small-to-midsize manufacturer with 54 employees, $8M in annual sales of manufactured goods; 37,500 square feet, property valued at $980,000

Taxes:	Occupational privilege tax ($10 per employee)	$	540
	Real estate tax to township** (11.8 mills):	$	641
	Real estate tax to school district** (278 mills):	$	14,967
	Real estate tax to county (31.5 mills)	$	1,667
Total local tax burden:		**$**	**17,815**

MODEL 3

Characteristics: Midsize manufacturer with 160 employees, $20M in annual sales of manufactured goods; sells small amount ($315,000) of non-manufactured goods; 75,000 square feet, property valued at $1.75M

Taxes:	Occupational privilege tax ($10 per employee)	$	1,600
	Real estate tax to township** (11.8 mills):	$	1,147
	Real estate tax to school district** (278 mills):	$	26,774
	Real estate tax to county (31.5 mills)	$	2,982
Total local tax burden:		**$**	**32,503**

* manufactured goods are exempt from business taxes, with the exception of goods sold as wholesale (taxed at .2 mills) or retail (taxed at 1.5 mills) goods

** Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the munic. market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Towamencin--Residential

MODEL 1

Characteristics: Young couple, annual household income of $45,000; own a townhouse valued at $135,000*

Taxes:	Per capita tax ($10 per resident age 18-65)	$ 20
	Real estate tax to township** (24.5 mills):	$ 174
	Real estate tax to school district** (263.7 mills):	$ 1,963
	Real estate tax to county (31.5 mills)	$ 230
Total local tax burden		**$ 2,386**

MODEL 2

Characteristics: Middle-aged couple, annual household income of $78,000; own a home
valued at $234,000*

Taxes:	Per capita tax ($10 per resident aged 18-65)	$ 20
	Real estate tax to township** (24.5 mills):	$ 301
	Real estate tax to school district** (263.7 mills):	$ 3,403
	Real estate tax to county (31.5 mills)	$ 398
Total local tax burden:		**$ 4,122**

* Residential property values based on average prices of new homes sold in 1995; HH income assumed to be one-third of prop. value

** Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the munic. market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Towamencin--Commercial

MODEL 1

Characteristics:	Independent retailer, single store, 37 employees, annual sales of $5.45M; 24,000 square feet, property valued at $1.33M		
Taxes:	Occupational privilege tax ($10 per employee)	$	370
	Real estate tax to township* (24.5 mills):	$	1,710
	Real estate tax to school district* (263.7 mills):	$	19,334
	Real estate tax to county (31.5 mills)	$	2,262
Total local tax burden:		**$**	**23,676**

MODEL 2

Characteristics:	Strip shopping center with out buildings, 18 units, 924 employees, annual sales of $57.9M; 250,000 square feet, property valued at $20.49M		
Taxes:	Occupational privilege tax ($10 per employee)	$	9,240
	Real estate tax to township* (24.5 mills):	$	26,354
	Real estate tax to school district* (263.7 mills):	$	297,978
	Real estate tax to county (31.5 mills)	$	34,855
Total local tax burden:		**$**	**368,428**

MODEL 3

Characteristics:	Major shopping mall, 161 units, 5200 employees, annual sales of $292M; 1.14M square feet, property valued at $125.5M		
Taxes:	Occupational privilege tax ($10 per employee)	$	52,000
	Real estate tax to township* (24.5 mills):	$	155,815
	Real estate tax to school district* (263.7 mills):		$1,761,737
	Real estate tax to county (31.5 mills)	$	206,074
Total local tax burden:			**$2,175,626**

* Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the municipal market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Towamencin--Industrial

MODEL 1

Characteristics: Small manufacturer with 32 employees, $2M in annual sales of manufactured goods; 12,500 square feet, property valued at $627,000

Taxes:	Occupational privilege tax ($10 per employee)	$	320
	Real estate tax to township** (24.5 mills):	$	806
	Real estate tax to school district** (263.7 mills):	$	9,114
	Real estate tax to county (31.5 mills)	$	1,066
Total local tax burden:		**$**	**11,306**

MODEL 2

Characteristics: Small-to-midsize manufacturer with 54 employees, $8M in annual sales of manufactured goods; 37,500 square feet, property valued at $980,000

Taxes:	Occupational privilege tax ($10 per employee)	$	540
	Real estate tax to township** (24.5 mills):	$	1,261
	Real estate tax to school district** (263.7 mills):	$	14,252
	Real estate tax to county (31.5 mills)	$	1,667
Total local tax burden:		**$**	**17,720**

MODEL 3

Characteristics: Midsize manufacturer with 160 employees, $20M in annual sales of manufactured goods; sells small amount ($315,000) of non-manufactured goods; 75,000 square feet, property valued at $1.75M

Taxes:	Occupational privilege tax ($10 per employee)	$	1,600
	Real estate tax to township** (24.5 mills):	$	2,255
	Real estate tax to school district** (263.7 mills):	$	25,496
	Real estate tax to county (31.5 mills)	$	2,982
Total local tax burden:		**$**	**32,333**

* manufactured goods are exempt from business taxes, with the exception of goods sold as wholesale (taxed at .2 mills) or retail (taxed at 1.5 mills) goods

** Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the munic. market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Upper Merion--Residential

MODEL 1

Characteristics: Young couple, annual household income of $45,000; own a townhouse valued at $135,000*

Taxes:	Real estate tax to township** (31.5 mills):	$	256
	Real estate tax to school district** (162.5 mills):	$	1,307
	Real estate tax to county (31.5 mills)	$	230
Total local tax burden		**$**	**1,792**

MODEL 2

Characteristics: Middle-aged couple, annual household income of $78,000; own a home
valued at $234,000*

Taxes:	Real estate tax to township** (31.5 mills):	$	443
	Real estate tax to school district** (162.5 mills):	$	2,266
	Real estate tax to county (31.5 mills)	$	398
Total local tax burden:		**$**	**3,107**

* Residential property values based on average prices of new homes sold in 1995; HH income assumed to be one-third of prop. value

** Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the munic. market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Upper Merion--Commercial

MODEL 1

Characteristics: Independent retailer, single store, 37 employees, annual sales of $5.45M;
24,000 square feet, property valued at $1.33M

Taxes:	Mercantile tax (1.5 mills)	$ 8,181
	Occupational privilege tax ($10 per employee)	$ 370
	Real estate tax to township* (31.5 mills):	$ 2,516
	Real estate tax to school district* (162.5 mills):	$ 12,874
	Real estate tax to county (31.5 mills)	$ 2,262
Total local tax burden:		**$ 26,203**

MODEL 2

Characteristics: Strip shopping center with out buildings, 18 units, 924 employees, annual sales of $57.9M;
250,000 square feet, property valued at $20.49M

Taxes:	Mercantile tax (1.5 mills)	$ 86,837
	Occupational privilege tax ($10 per employee)	$ 9,240
	Real estate tax to township* (31.5 mills):	$ 38,784
	Real estate tax to school district* (162.5 mills):	$ 198,409
	Real estate tax to county (31.5 mills)	$ 34,855
Total local tax burden:		**$ 368,125**

MODEL 3

Characteristics: Major shopping mall, 161 units, 5200 employees, annual sales of $292M;
1.14M square feet, property valued at $125.5M

Taxes:	Mercantile tax (1.5 mills)	$ 438,215
	Occupational privilege tax ($10 per employee)	$ 52,000
	Real estate tax to township* (31.5 mills):	$ 229,305
	Real estate tax to school district* (162.5 mills):	$1,173,051
	Real estate tax to county (31.5 mills)	$ 206,074
Total local tax burden:		**$2,098,644**

* Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the municipal market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Upper Merion--Industrial

MODEL 1

Characteristics: Small manufacturer with 32 employees, $2M in annual sales of manufactured goods; 12,500 square feet, property valued at $627,000

Taxes:	Mercantile tax*	$	-
	Occupational privilege tax ($10 per employee)	$	320
	Real estate tax to township** (31.5 mills):	$	1,186
	Real estate tax to school district** (162.5 mills):	$	6,068
	Real estate tax to county (31.5 mills)	$	1,066
Total local tax burden:		**$**	**8,641**

MODEL 2

Characteristics: Small-to-midsize manufacturer with 54 employees, $8M in annual sales of manufactured goods; 37,500 square feet, property valued at $980,000

Taxes:	Mercantile tax*	$	-
	Occupational privilege tax ($10 per employee)	$	540
	Real estate tax to township** (31.5 mills):	$	1,855
	Real estate tax to school district** (162.5 mills):	$	9,490
	Real estate tax to county (31.5 mills)	$	1,667
Total local tax burden:		**$**	**13,552**

MODEL 3

Characteristics: Midsize manufacturer with 160 employees, $20M in annual sales of manufactured goods; sells small amount ($315,000) of non-manuf. goods wholesale; 75,000 square feet, property valued at $1.75M

Taxes:	Mercantile tax (.5 mills)*	$	158
	Occupational privilege tax ($10 per employee)	$	1,600
	Real estate tax to township** (31.5 mills):	$	3,318
	Real estate tax to school district** (162.5 mills):	$	16,976
	Real estate tax to county (31.5 mills)	$	2,982
Total local tax burden:		**$**	**25,035**

* manufactured goods are exempt from business taxes, with the exception of goods sold as wholesale (taxed at .2 mills) or retail (taxed at 1.5 mills) goods

** Each municipality's real estate assessment ratio is calculated as Montgomery County's 1995 Common Level Ratio (5.4%) adjusted for the munic. market value-assessed valuation ratio divided by the county ratio; School district assessment ratios are calculated in the same fashion, but substituting school district ratios for municipal ratios.

Appendix C: Alternative Tax Structure Methodology

The salient provisions of local tax reform embodied in a bill like Senate Bill 2 (SB2) were discussed fairly thoroughly in Section III of the report, so they will not be repeated here. Instead, this appendix contains a methodological explication of the development of the tax bases upon which the alternative taxes would be levied.

Personal Income Tax (PIT)

To determine the base for the PIT, the goal was to calculate the total amount of personal income in Montgomery Township in 1995. Since PEL had 1994 personal income for the North Penn School District (but not specifically for Montgomery Township), the first step was to determine what share of the school district Montgomery Township makes up. To do this, PEL went back to 1990, when there is Census Bureau data on per capita income and total population, allowing PEL to get total income for each of the municipalities in the school district, leading to the share of Montgomery Township income within the school district (18.2 percent). Without better information, PEL assumed that this share does not change significantly between 1990 and 1994, and applied it to the 1994 school district personal income amount, yielding $297.8 million earned income in Montgomery Township.

With this 1994 estimate, PEL still needed to determine 1995 personal income. There are two components to income growth: 1) average income per household, and 2) household growth. For component #1, PEL used the percent change in average household income for the Philadelphia MSA from 1994 to 1995 (the source is HUD data through Montgomery County's Housing Services). This was 1.1 percent. For component #2, PEL interpolated the annual growth rate in number of housing units between 1990 and 1995 to get the 1994-95 growth rate. With an increase of 2371 units between 1990 and 1995, the average annual growth rate was about 10 percent.

With both the percent increase in number of housing units and the percent increase in average income per household, it was possible to generate the total percent increase in Montgomery Township income from 1994-95 by multiplying the rates of increase, which yielded 11.21 percent (10 percent * 1.1 percent). In dollar terms, this meant that Montgomery Township personal income rose to $331.2 million in 1995.

Finally, the 1/2 percent personal income tax was applied to this 1995 personal income total, yielding $1.656 million in revenues. The Sterling Act would not apply to this income, according to the SB2 version of local tax reform legislation, meaning that the Township would retain all of its personal income tax revenues, including residents who work in the City of Philadelphia. The table at the end of this section has detailed calculations of this material.

Earned Income Tax (EIT)

Calculation of earned income tax revenues was done in the same manner as the personal income tax, except that the 1994 North Penn School District *compensation* figure was used rather than total income, because compensation is equivalent to earned income. The amount of revenues available to the Township from a 1/2 percent EIT under SB2 is $1.441 million. For the current

EIT option, the Sterling Act applies, meaning that Montgomery Township does not collect the wage tax revenues of its residents who work in Philadelphia. There is not any reliable data for determining this share of residents, but Township officials estimated it at 20 percent. Therefore, 20 percent of the total EIT revenues were subtracted from the current EIT option total, leaving $1.15 million in revenues. For the EIT option under local tax reform, the Sterling Act would not apply. As under the PIT option described above, all Township income tax revenues would be retained, regardless of the City of Philadelphia wage tax. Again, the upcoming table details all of this.

County Sales Tax

The other alternative tax structure in a local tax reform bill would likely be the option for counties to impose a 1 percent sales tax. PEL assumed that proceeds of such a tax would be distributed as was specified in SB2: 50 percent of revenues to the county, 25 percent to the school districts in the county, and 25 percent to the municipalities in the county.

The total sales tax remittance for Montgomery County for the period July 1, 1994 to June 30, 1995 is $301,177,000. This is based on the state's 6 percent sales tax. Therefore, to get total sales eligible for taxation, this was divided by 6 percent to get $5.019 billion in total Montgomery County sales. The 1 percent county tax yields total revenues of $50.196 million, of which 25 percent, or $12.549 million, is distributed to municipalities within the county.

Determining what share Montgomery Township receives of this $12.549 million is somewhat trickier. SB2 specified that a weighted formula--one-third based on relative population, one-third based on relative tax effort (tax collection/tax capacity), and one-third based on the relative inverse per capita income--would be used to allocate funding to municipalities.

For the purposes of providing a reasonable estimate of Township revenue from a 1 percent sales tax, PEL calculated its allocation based on relative population. While in actuality, population would not be the only criteria for allocation, information on the other criteria is not available, so this is a best estimate. With 18,325 people in 1995, Montgomery Township has 2.6 percent of Montgomery County's population. Therefore, it would be allocated $328,000 in sales tax revenues for 1995. Again, see the following table for detailed calculations.

The table containing the impacts of these alternative taxes on Montgomery Township's present taxes and on its tax burden distribution is contained back in Figure 20 in the body of the report. The following table shows the calculation of tax bases for the sales tax, PIT, and EIT (current option and under local tax reform).

Calculation of Income and Sales Tax Bases for Alternative Tax Analysis

Montgomery Township's share of school district income, 1990

Municipality	Population	Per Cap. Income	Total Income	Share of Total
Hatfield Bgh.	2,650	$ 15,591	$ 41,316,150	2.88%
Hatfield Twp.	15,357	$ 17,149	$ 263,357,193	18.33%
Lansdale Bgh.	16,362	$ 16,390	$ 268,173,180	18.67%
Montgomery Twp.	***12,179***	***$ 21,465***	***$ 261,422,235***	***18.20%***
North Wales Bgh.	3,802	$ 16,294	$ 61,949,788	4.31%
Towamencin Twp.	14,167	$ 19,370	$ 274,414,790	19.10%
Upper Gwynedd Twp.	12,197	$ 21,818	$ 266,114,146	18.52%
TOTAL	76,714	$ 18,729	$ 1,436,747,482	100.00%

Hypothetical revenues from an EIT (1/4 % and 1/2%) (current option - Sterling Act applicable)

1994 earned income, Montgomery Twp.	$ 259,138,254
% growth, 1994-95, avg. HH income	1.1%
% growth, 1994-95, # of housing units	10.0%
Cumulative % growth, 1994-95, HH income	11.21%
1995 earned income, Montgomery Twp.	$ 288,187,652
Tax revenues (1/4%)	$ 720,469
Wage taxes lost to Phila. (20% of taxpayers)	$ 144,094
Net tax revenues (1/4%)	**$ 576,375**
Tax revenues (1/2%)	$ 1,440,938
Wage taxes lost to Phila. (20% of taxpayers)	$ 288,188
Net tax revenues (1/2%)	**$ 1,152,751**

Hypothetical revenues from a County Sales Tax

Montgomery County Sales Tax Base	$5,019,616,667
Total Sales Tax Revenues (1%)	$ 50,196,167
Share for Municipalities (25% of total)	$ 12,549,042
Mont. Twp. share (based on population share)	**$ 328,047**

Hypothetical revenues from a PIT under local tax reform (Sterling Act not applicable)

1994 personal income, Montgomery Twp.	$ 297,776,981
% growth, 1994-95, avg. HH income	1.1%
% growth, 1994-95, # of housing units	10.0%
Cumulative % growth, 1994-95, HH income	11.21%
1995 personal income, Montgomery Twp.	$ 331,157,781
Tax revenues (1/2%)	**$ 1,655,789**

Hypothetical revenues from an EIT under local tax reform (Sterling Act not applicable)

1994 earned income, Montgomery Twp.	$ 259,138,254
% growth, 1994-95, avg. HH income	1.1%
% growth, 1994-95, # of housing units	10.0%
Cumulative % growth, 1994-95, HH income	11.21%
1995 earned income, Montgomery Twp.	$ 288,187,652
Tax revenues (1/2%)	**$ 1,440,938**