

NOTICE OF PUBLIC HEARING AND INTENTION TO ADOPT RESOLUTION TO AUTHORIZE A REFERENDUM QUESTION AT THE MUNICIPAL ELECTION OF 2023 SEEKING APPROVAL OF THE ELECTORATE TO INCREASE THE RATE OF EARNED INCOME TAX, WITH THE REQUIREMENT THAT THE INCREASE BE USED TO ELIMINATE THE OCCUPATION TAX, IN ACCORDANCE WITH CHAPTER 4 OF THE LOCAL TAX ENABLING ACT, OPTIONAL OCCUPATION TAX ELIMINATION, ACT NO. 130 OF 2008

TO: ALL RESIDENTS OF THE PHOENIXVILLE AREA SCHOOL DISTRICT

Pursuant to Act 130 of 2008 ("Act 130"), the Board of School Directors (the "Board") of the Phoenixville Area School District (the "District") may seek authority to increase the maximum limit of its Earned Income Tax by adopting a resolution to place a referendum on the ballot at the general municipal election preceding the fiscal year when the maximum rate of the Earned Income Tax will be increased. New revenue from the increased rate of the Earned Income Tax must be used to eliminate the District's Occupation Tax.

Pursuant to the Local Tax Enabling Act, 53 P.S. Section 6924.101, et seq, the Board had previously passed an Occupation Tax and Earned Income Tax. The millage rate of the Occupation Tax is 370.65 mills on the assessed value of all occupations of persons residing in the District at any time during the school year. The District's Earned Income Tax rate is (1%), with an effective rate of .5% in accordance with Section 311 of the Local Tax Enabling Act. In addition, the municipalities within the District impose an Earned Income Tax at rates which range from .5% to .75%. Accordingly, the current combined District and municipal Earned Income Tax rate varies from 1% to 1.25%.

The Board has examined the amount of revenue generated by the Occupation Tax and the increase in the rate of the Earned Income Tax necessary to replace revenues generated by the Occupation Tax and has determined that an increase in the rate of the Earned Income Tax would be more equitable than continuation of the Occupation Tax. The Board has determined that increasing the current Earned Income Tax rate of .5% by .1%, for a new effective Earned Income Tax rate of .6%, would yield approximately \$1,723,998 in estimated additional revenues beginning the calendar year beginning January 1, 2025.

The Occupation Tax would be eliminated effective July 1, 2024, but the increase in the Earned Income Tax would not take effect until January 1, 2025. While this would result in a loss of 0.10% in tax revenues for a six (6) month period of time, this shortfall would be made up by the \$1 million in delinquent occupational taxes being collected. This delay in the effective date of the increase in the Earned Income Tax would also benefit residents by not having two different tax rates apply to their 2024 local tax returns.

As required under Act 130, this is a formal advertisement setting forth the intention of the Board to consider at a public hearing to be held immediately before its duly advertised, regular public meeting on May 8, 2023, adoption of a resolution authorizing a referendum question to be submitted to voters of the District at the municipal election of 2023 in substantially the following form, with additions or changes as determined by the Board or election officials prior to the election:

"Do you favor increasing the effective rate of the Phoenixville Area School District Earned Income Tax to a maximum of .6%, with the requirement that the increase be used to eliminate the District's Occupation Tax?"

A copy of the proposed Resolution to be acted upon by the Board shall be available from 8:00 A.M. to 4:00 P.M. at the Business Office, Phoenixville Area School District, 386 City Line Avenue, Phoenixville, PA 19460.

As further required under Act 130, the District shall conduct a public hearing on the proposed Resolution which will be held on May 8, 2023, commencing at 6:45 P.M., in the Board Room at 386 City Line Ave, Phoenixville, PA 19460. The purpose of the public hearing is for the Board to share information and hear public comments on the proposed resolution authorizing the referendum question. All members of the public are invited and encouraged to attend the hearing. The public is also offered the opportunity to submit written comments to the Board prior to the hearing. Written comments should be received by Dr. Jeremy Melber, the Director of Finance no later than 3:00 P.M. on May 8, 2023, at 386 City Line Avenue Phoenixville, PA 19460. The regular public meeting of the Board shall commence immediately following said hearing or at 7:30 P.M., whichever is later.

If a majority of voters voting on the referendum question at the municipal election of 2023 vote "yes," the Board thereafter in May or June, 2024, will adopt a new Earned Income Tax resolution increasing the Earned Income Tax rate collected by the District from .5% to .6% effective January 1, 2025. Pursuant to Section 306 of the Local Tax Enabling Act, 53 P.S. Section 6924.306, the District is required to advertise notice of its intention to pass any resolution imposing a tax or increase in any tax thereunder. To the extent the proposed increase in the Earned Income Tax as authorized under Act 130, if approved by the voters, is deemed to be subject to this requirement, this is a formal advertisement setting forth the intention of the Board to adopt, levy and assess said tax.

As noted above, the revenue from the increased Earned Income Tax will be used to eliminate the District's Occupation Tax. The nature of the increased tax will be substantially the same as the Earned Income Tax that is currently levied by the District, except that the tax rate will be increased. The tax will be levied on earned income and net profits earned by residents of the District. "Earned Income" is defined in the Local Tax Enabling Act as "compensation" subject to the Pennsylvania Personal Income Tax, but not including certain types of compensation specified in the Act. "Net Profits" is defined in the Local Tax Enabling Act as net income from the operation of a business, profession or other activity subject to the Pennsylvania Personal Income Tax, but not including certain types of net income as specified in the Act. The tax does not apply to investment income.

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