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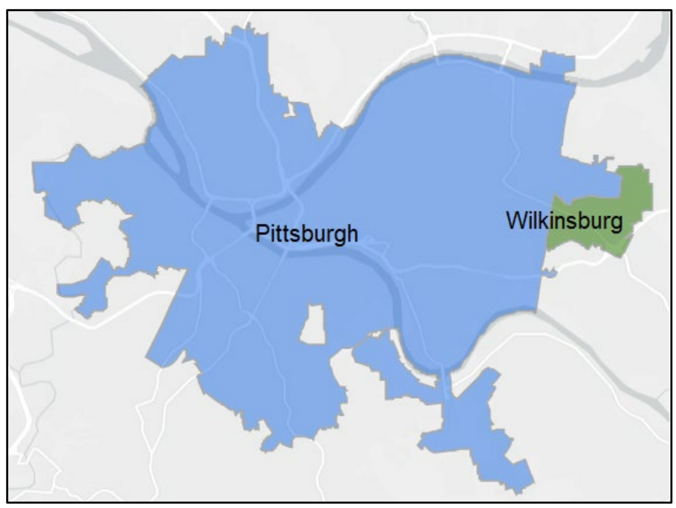
Wilkinsburg-Pittsburgh Merger Analysis

In March 2021, the Wilkinsburg Community Development Corporation (WCDC) contracted with Public Financial Management to evaluate the fiscal and operational impact of a potential merger between the Borough of Wilkinsburg ("Borough") and the City of Pittsburgh ("City").

Municipal mergers in Pennsylvania are very rare. The last successful merger was in 2013 when Lumber City Borough merged into Ferguson Township in Clearfield County. Since 2000, there have been just nine attempted mergers (seven successful), most involving two small municipalities with a combined population less than 10,000 people.

While mergers are rare, Wilkinsburg's financial challenges are real. The Borough's 2021 budget relies on $1.8 million in projected fund balance (i.e. reserves) carried forward from 2019 to cover 14.1 percent of its planned expenditures for 2021.[1] The Borough's largest revenue source is real estate taxes which traditionally have little growth because the tax base itself (assessed value of taxable property) does not consistently grow. That is also true in Wilkinsburg where the assessed value of taxable property dropped from $420 million in 2015 to $417 million in 2019. While total taxable value rebounded to $423 million in 2020, the five-year compound annual growth rate is just 0.1 percent.

Meanwhile local officials are faced with the intractable challenge of maintaining critical services, like police and public works. The costs of those services grow over time with a limited or even shrinking tax base. Often this results in a cycle of tax increases, service cuts, reserve depletion, and reduced investments in infrastructure like roads or parks.



The WCDC has been studying the implications of Wilkinsburg remaining an independent borough. Prior to this analysis, the WCDC met with 130 stakeholders through focus groups and one-on-one meetings to discuss opportunities for greater collaboration between the Borough and the City.

There are alternatives to full merger, such as intergovernmental contracting where one government pays another for services. Pittsburgh and Wilkinsburg already use this approach. The Borough has paid the City for residential refuse collection since 2006 and fire protection since 2011. The two communities have also taken some initial steps toward full merger, consolidating Wilkinsburg's middle and high schools into Pittsburgh Public Schools.

The purpose of this analysis is to provide the WCDC and others involved in the process with information so they can discuss whether and under what circumstances a full merger may work for both communities and their taxpayers. This analysis is specifically focused on the tax-related impacts of a full merger for Wilkinsburg taxpayers and the City government.

[1] If the Borough ran a deficit during the pandemic in 2020, then it would have less than $1.8 million to cover expenses in 2021.

Given the open-ended nature of this discussion, we have made assumptions about a potential merger so we can provide meaningful estimates of its impact. Those assumptions are:

- There would be full merger of Wilkinsburg into Pittsburgh in which the Borough local government would no longer exist, and the City local government would provide municipal services to Wilkinsburg.

- Wilkinsburg residents and businesses would pay the same taxes at the same rates that their Pittsburgh counterparts do. In some cases, this would mean a tax cut for Wilkinsburg residents (e.g. real estate tax), and in others it would mean a tax increase (e.g. earned income and real estate transfer taxes).

- Wilkinsburg residents and businesses would no longer pay taxes that the City does not use, such as the business privilege tax or mercantile tax.

- Wilkinsburg residents and businesses would pay taxes that the City levies, even if the Borough does not currently levy them, such as the payroll preparation tax.

One reason that mergers are so rare in Pennsylvania is that they are so complex. There are many issues that fall outside the scope of our work here. We are focused exclusively on the tax-related impacts of a municipal merger and two questions in particular:

- How much tax revenue would the City receive in a merger, and would it be enough to offset the lost service fees that the Borough currently pays for fire and residential refuse collection services?

- What would the financial impact of a municipal merger be on Wilkinsburg residents and businesses from the perspective of taxes?

The analysis raises related questions about service levels (what would Wilkinsburg residents get in return for the taxes they pay) and service costs (what would it cost the City to provide service to Wilkinsburg). Our analysis should inform the discussion between both communities on these issues.

For this analysis, we relied largely on publicly available data. This analysis does not consider the potential impact of merging local libraries, school districts, municipal authorities, or other forms of government besides the Borough and City.

Tax impact: City government perspective

The key question here is how much new tax revenue the City could anticipate after a merger and whether it would be enough to offset the service fees the City would no longer receive. The City's 2021 budget anticipates $952,000 in revenue from the Borough for trash collection and $1.9 million for fire services. The City would no longer receive those service fee revenues in a merger because Pittsburgh residents and property owners do not pay for trash collection or fire fees apart from their taxes.

The City needs to collect at least $2.9 million in tax revenue to offset that revenue loss, and the projected tax revenues easily exceed that amount.

	Low End Estimate	High End Estimate
Trash fee	(952,000)	(952,000)
Fire fee	(1,940,000)	(1,940,000)
Lost revenue	(2,892,000)	(2,892,000)
Current year real estate taxes	2,746,000	2,963,000
Prior year real estate taxes	600,000	800,000
Current year EIT	2,400,000	3,149,000
Delinquent EIT	35,000	59,000
Payroll preparation tax	960,000	1,079,000
Real estate transfer tax	720,000	1,312,000
Regional Asset District tax	579,000	665,000
Local services tax	127,000	153,000
Added tax revenue	8,167,000	10,180,000
Subtotal	**5,275,000**	**7,288,000**
Non-tax revenues	1,832,000	2,282,000
Total	**7,107,000**	**9,570,000**

Real estate tax estimate: $3.3 million - $3.8 million, minus differences in exemptions/abatements

According to the Borough's budget, Wilkinsburg's total taxable assessed property value was $423 million in 2020. Wilkinsburg's current year collection rate from 2015 through 2019 was 80.5 percent, which is lower than the City's collection rate over that same period (86.9 percent). If we assume that collection rates remain at 80.5 percent in a merger, then the estimated City revenue is $2.7 million.[2] If we assume collection rates improve to the City's level, then current year revenues rise to $3.0 million.

These estimates account for the City having a lower real estate tax rate than the Borough, as explained more later. The estimates do not account for the variable that the City offers more tax relief programs than the Borough.

- The City offers a homestead tax exemption that lowers the taxable value of a home by $15,000.[3]
- The Borough's Senior Tax Relief program provides a 25 percent reduction in the full value assessment for eligible participants, while the City's program provides a 40 percent reduction.[4]

Those programs drop Wilkinsburg's total taxable value below $423 million, which then lowers the revenues.

[2] Pittsburgh property owners pay a separate 0.5 mill tax for parks which would generate about $170,000 and they pay a 0.25 mill tax for the Carnegie Library which would generate about $85,000.

[3] This is separate from the $18,000 homestead exemption that Allegheny County offers that Wilkinsburg residents receive on their County taxes.

[4] To qualify, individuals must be 60 years of age or older, married to a spouse who is age 60 or older, widowed and age 50 or older, or permanently disabled and age 18 or older. They must also have owned their property for 10 or more years which serves as their primary residence and have a gross household income less than $30,000.

The Borough's 2021 budget anticipates $600,000 in delinquent real estate tax revenue that would also flow to the City, less any small amount associated with the Wilkinsburg Library millage.[5] Prior to the pandemic, the Borough received closer to $800,000 in revenue from this source. The revenue estimate table above uses the higher Wilkinsburg real estate tax rate; however, the City would eventually receive less because future delinquencies would be taxed at Pittsburgh's lower rates.

Earned income tax: $2.5 million - $3.3 million

Wilkinsburg's 2021 budget projects $1.2 million in current year earned income tax (EIT) revenue from the Borough's 0.5 percent resident EIT rate.[6] That translates to an EIT base of $240 million in 2021. The pandemic reduced EIT revenues, but they will hopefully rebound to pre-pandemic levels. The Borough collected $1.57 million in 2019, which translates to a $315 million tax base.

The City's resident EIT rate is 1.0 percent, twice the rate of Wilkinsburg meaning current year income tax revenue would double in the case of a merger.[7] Estimated current year EIT revenue for the City in a merger ranges from $2.4 million to $3.15 million.

Wilkinsburg's budget has a small amount of delinquent EIT revenue ($35,000 in 2021; $59,000 in 2019). That revenue would also eventually double since future delinquencies would be taxed at Pittsburgh's higher rates.

The City would receive one additional piece of EIT revenue that we cannot calculate but is likely small. Wilkinsburg does not levy a non-resident EIT on commuters who work in the Borough but live elsewhere. Even if Wilkinsburg had a non-resident EIT rate, the money generated would usually remit back to the commuters' home municipalities. Pittsburgh's non-resident EIT rate is 1.0 percent. In a merger, any commuter who does not pay a resident EIT where they live (e.g. someone who drives into Wilkinsburg from outside Pennsylvania) would pay Pittsburgh's non-resident EIT to the City.

Payroll preparation tax: $960,000 - $1,079,000

The payroll preparation tax (PPT) is a 0.55 percent tax levied on the gross payroll of employers and the net income from self-employed individuals working in Pittsburgh. Non-profit institutions are exempt from the PPT. Businesses that work in Pittsburgh but are located elsewhere are expected to track and pay their PPT liability.

PPT revenue is difficult to project because gross payroll is not tracked or taxed in Wilkinsburg's current structure. In 2020, HR&A Advisors Incorporated provided the WCDC with a PPT revenue projection of $1,079,000 based on census data for workers and average payroll. We assume that the census data used predates the pandemic. The City estimated that payroll preparation tax revenues dropped by 11 percent in 2020 but will rebound completely in 2021. Applying the 11 percent reduction to HR&A's estimate provides a low-end $960,000 estimate.

[5] We assume the Wilkinsburg Library remains separate and continues to receive funding from the Wilkinsburg library millage.
[6] Wilkinsburg residents pay a total EIT of 1.0 percent that is split evenly between the Borough and School District.
[7] Pittsburgh residents pay a total EIT of 3.0 percent with 1.0 percent going to the City and 2.0 percent to the Pittsburgh Public Schools.

Realty transfer tax: $720,000 - $1,312,000

Both communities levy a realty (or deed) transfer tax on transactions involving deeds, long-term leases, or similar instruments. The Borough's realty transfer tax rate is 0.50 percent of the value of real estate transferred while the City's realty transfer tax rate is six times higher at 3.0 percent.[8]

The 2021 budget shows that this revenue has ranged from $219,000 before the pandemic to $120,000 projected for 2021. Applying Pittsburgh's higher tax rates yields revenues ranging from $720,000 to $1.3 million a year, with the assumption that the higher tax rate does not depress the volume of transactions.

Regional Asset District Tax: $579,000 - $665,000

The Regional Asset District (RAD) tax is a 1.0 percent sales tax levied on transactions in Allegheny County. RAD tax revenue is split first between facilities or projects designated as "regional assets" and local governments. That government allocation is then split between Allegheny County government and municipal governments, including the City and Borough.

Each municipality's share of the local government allocation is determined by a formula that uses tax revenues, population, and the market value of property. The City anticipates receiving $22.7 million from the RAD tax for operations in 2021.[9] The Borough anticipates $900,000 in 2021 and received $1,004,000 in 2019 before the pandemic.

The RAD formula allocates more money to larger municipalities so merging Wilkinsburg into Pittsburgh should increase the City's allocation. However, the formula also allocates more money to municipalities with lower per capita market values, so the revenue currently allocated to Wilkinsburg would not be transferred dollar-for-dollar to Pittsburgh.

HR&A projected that Wilkinsburg's allocation would be 36 percent smaller in a merger scenario. Applying that 36 percent reduction to the Borough's pre- and post-pandemic allocations yields revenues ranging from $579,000 to $665,000.

Local services tax: $127,000 - $153,000

The City and Borough both collect a local services tax (LST) of $1 per week from anyone employed in the jurisdiction making more than $12,000 a year. People employed in Pittsburgh pay $52 per year to the City, while people employed in Wilkinsburg pay $47 to the Borough plus $5 to the School District. Since we do not assume a school district merger in this scenario, we anticipate those employed in Wilkinsburg will continue to pay $47 in municipal LST. The revenues that shift to Pittsburgh range from $127,000 projected for 2021 to the $153,000 collected before the pandemic in 2019.

Other taxes

Pittsburgh levies the following taxes that do not exist in Wilkinsburg, and we assume would not generate significant revenue in a merger:

[8] The total real estate transfer tax rate in Wilkinsburg is 2.0 percent split evenly between the Borough (0.5 percent), School District (0.5 percent) and Commonwealth (1.0 percent). The real estate transfer tax rate in Pittsburgh is 5.0 percent split between the City (3.0 percent), Pittsburgh Public Schools (1.0 percent) and Commonwealth.

[9] The City also expects to receive $6.4 million to maintain regional parks.

- The **Institution and Service Privilege Tax** levied on the gross income of foundations, partnerships and non-profit organizations that provide a public service. The tax only generates $650,000 for the City and would therefore be a small amount if applied to Wilkinsburg.

- The **Amusement Tax** is a 5.0 percent levy on gross admissions to entertainment events, excluding those held by non-profit performing arts organizations. The three professional sports teams generate most of this revenue for the City.

- The City levies a 37.5 percent **parking tax** on fees for parking or storing cars in Pittsburgh. This is separate from the City's revenues from parking meters and parking fines.

Non-tax revenues

The taxes described above account for most of the Borough's 2021 General Fund revenue budget. The largest non-tax source of revenue in Wilkinsburg budget is the Municipal Service Fee for refuse and recycling collection, which would no longer exist in a merger.[10] The other smaller non-tax items in the Borough's revenue budget generate between $1.8 million and $2.3 million combined, according to the 2021 projected budget and pre-pandemic 2019 results.

The degree to which these non-tax revenues transfer to the City depends on the individual item. We have not evaluated the differences in fees, fines, or permit costs between the Borough and City since our analysis focuses on taxes, but please note the following on some of the larger non-tax revenues:

- The Borough budgets $389,000 for State pension aid in 2021. The amount that the Borough receives depends partly on its headcount. If the City retains Borough employees or adds new employees to serve the Borough, than the State pension aid associated with those employees flows to the City instead.

- The Borough budgets $203,000 for an interfund transfer into the General Fund from its Sewer Fund. We assume this is a reimbursement for time that Borough Public Works employees (who are paid in the General Fund) spend on the sewer system. Whether the City would receive this money in a merger would depend on whether the City retains those employees and whether they continue to do reimbursable sewer work. If sewer maintenance duties for Wilkinsburg shifted to the Pittsburgh Water and Sewer Authority, those revenues might flow there instead.

Overall, we estimate that the City would receive $6.2 million to $8.4 million in new tax revenue, net of the municipal service fee revenues it would no longer receive for trash and fire service. If we shift Wilkinsburg's non-tax revenues to the City, that adds another $1.8 million to $2.3 million. Overall, the City's new revenues would range from $7.1 million to $9.6 million.

Whether this amount would fully cover the cost of providing service to Wilkinsburg's residents and businesses will depend on the type and level of services the City provides in a merger. It will also depend on whether the City has generally higher or lower costs than the Borough to provide the same services. Those are the key questions for the two communities to discuss next.

[10] The Borough budgets $880,000 for current year municipal service fees and $225,000 for delinquent fees. In a merger the City would eliminate current year fees and delinquent fees would eventually drop to a very small amount.

Tax impact: Wilkinsburg resident/business perspective

The answer to how a resident's local tax bill would change in a merger, "It depends on whether you own property and how much you earn."

In general, residents who pay real estate taxes now would pay less in a merger because the City has a lower tax rate than the Borough. Someone who does not pay the real estate tax (e.g. renters for whom real estate taxes are not part of their monthly rent) would likely pay more in a merger if they have taxable earnings, though the additional amount may be relatively small on a monthly basis. Businesses that own property would also pay lower real estate taxes in a merger, though whether the total tax bill is lower depends on the type of business, their current level of gross receipts, and their payroll.

We provide eight scenarios that show how these dynamics affect different types of residents and businesses. First, we outline the major tax rate differences. As noted earlier, the analysis presented here only shows the impact on municipal (i.e. Borough/City) taxes. The trends described would be more pronounced if the merger included school districts.

Real estate taxes

The Borough levies higher real estate taxes than the City. In Wilkinsburg, the real estate tax rates are 10.590 mills for general operations, 2.940 for debt payments, and 0.470 for the library system for a total of 14.000 mills. On the Pittsburgh side, the real estate tax rates are 8.060 for municipal taxes, 0.250 for the Carnegie Library system, and 0.500 for parks for a total of 9.280 mills.[11]

In our scenario model, Wilkinsburg residents continue to pay the 0.470 Wilkinsburg Library tax post-merger because we do not assume a library system merger. We assume the City would take on responsibility for any outstanding Borough debt and absorb the debt payments in its larger budget.

2021 Real Estate Taxes

Tax (Mills)	Wilkinsburg	Pittsburgh
Real Estate - Municipal	10.590	8.060
Real Estate - Wilkinsburg Debt	2.940	0.000
Real Estate - Wilkinsburg Library	0.470	0.470
Real Estate - Carnegie Library	0.000	0.250
Real Estate - Pittsburgh Parks	0.000	0.500
Total Real Estate Mills	**14.000**	**9.280**

As noted earlier, the City also has more real estate tax relief programs than the Borough, which would increase the savings to qualifying households.

Earned income taxes

The City levies higher EIT rates on its residents than the Borough. Pittsburgh's municipal rate is 1.0 percent compared to Wilkinsburg's 0.50 percent.

[11] The park tax was passed in December 2020 and went into effect January 1, 2021. Funds are diverted to a separate parks trust fund.

2021 Earned Income Taxes

Tax (%)	Wilkinsburg	Pittsburgh
Earned Income Tax	0.50%	1.0%

While this scenario does not include the School Districts, this trend – lower real estate taxes, higher EIT -- is even more pronounced if the school districts also merge. The Wilkinsburg School District has a higher real estate tax than the Pittsburgh Public Schools (29.500 mills versus 9.950 mills), but a lower EIT rate (0.5 percent versus 2.0 percent).

The key questions for individual residents are whether and how much they pay in real estate taxes and EIT. The scenarios presented later explain this further.

Business taxes

Some businesses in Wilkinsburg pay a business privilege tax (BPT) levied on annual gross receipts. The BPT rate is 0.15 percent for retail businesses and 0.10 percent for wholesale businesses. Not all businesses are subject to these two taxes. For example, manufacturers do not pay the BPT or MCT.

Pittsburgh moved away from this structure and adopted a payroll preparation tax at the beginning of the Commonwealth fiscal oversight period (2004 – 2018). The City has a payroll preparation tax (PPT) of 0.55 percent on the gross payroll of employers and the net income from self-employed individuals working in Pittsburgh. Non-profit institutions are exempt from the PPT. Businesses that work in Pittsburgh but are located elsewhere are expected to track and pay their PPT liability.

The scenarios that follow show this dynamic for hypothetical businesses.

Other service charges and fees

Wilkinsburg residents pay $200 annually to the Turtle Creek Valley Council of Governments which collects the municipal service fee on behalf of the Borough then routes the money to the City for refuse and recycling collection. Property owners pay the fee, multiplied by the number of dwelling units in a multi-unit building.[12] In a merger situation, those residents would no longer pay this fee since Pittsburgh uses tax revenue to fund trash collection for its residents.

Both communities levy the **local services tax**. Someone employed in Wilkinsburg[13] pays $47 annually to the Borough and $5 annually to the School District. Pittsburgh-based employees pay $52 annually to the City. In our scenario, we assume Wilkinsburg-based employees would pay $47 to the City and $5 to the Wilkinsburg School District.

Both communities levy a **real estate (or deed) transfer tax** on transactions involving deeds, long-term leases, or similar instruments. The Borough's realty transfer tax rate is 0.50 percent of the value of real estate transferred while the City's realty transfer tax rate is six times higher at 3.0 percent.[14] While these types of transactions are not everyday occurrences for Wilkinsburg residents or businesses, they would pay higher taxes in a merger.

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[12] Owners of buildings without dwelling units who hire their own commercial trash collectors are exempt from the fee.
[13] The LST is levied on employees based on where they work regardless of residency, so commuters also pay this tax.
[14] The total real estate transfer tax rate in Wilkinsburg is 2.0 percent split evenly between the Borough (0.5 percent), School District (0.5 percent) and Commonwealth (1.0 percent). The real estate transfer tax rate in Pittsburgh is 5.0 percent split between the City (3.0 percent), Pittsburgh Public Schools (1.0 percent) and Commonwealth.

Scenario analysis

As noted earlier, the answer to how the tax bill for an individual household or business would change in a merger depends on several variables. To help the reader understand the interplay of those variables, we've provided eight scenarios below that show the estimated pre- and post-merger tax bills.

For the residents, the major assumptions are:

- Wilkinsburg's median household income was $36,743 in 2019.[15] While "income" could include items that are not subject to the EIT, like pensions or Social Security, we use this figure as our hypothetical base for calculating the EIT liability.

- The median property value for homeowners was $87,800 in 2019.[16] We do not include the homestead exemption or any senior tax relief in our calculations, though both would make the real estate tax savings larger post-merger.

- We assume that renters do not pay the real estate taxes or the $200 municipal service fee for trash collection directly. In instances where renters do pay these fees, they would have lower tax/fee bills in the post-merger scenario. In instances where the landlord pays the fees, the landlord would receive the savings. Theoretically lower tax/fee bills could translate to lower monthly rent.

While the Census Bureau provides five-year estimates for key variables in the resident tax bill calculation, there is not a parallel resource that provides estimates for key variables in the business tax calculation. We are using the following assumptions, which the reader could modify to reflect different circumstances.

- We assume that a small business that owns property in Wilkinsburg has an assessed taxable value of $200,000 while a large business has an assessed taxable value of $750,000. The 10 largest property owners have assessed values ranging from $1.5 million to $10 million.

- Based on analysis of business privilege/mercantile tax payment data, we assume a small business would have $275,000 in taxable gross receipts[17] and a large business would have $1,600,000 in taxable gross receipts. In both cases we apply the retail business privilege tax rate (0.15 percent of gross receipts).

- Payroll as a proportion of gross receipts varies greatly depending on the industry type and business size. As a placeholder, we assumed that payroll for a small business is $100,000 and the payroll for a large business is $500,000.

High level findings

Most working homeowners (Scenario 1) and **all non-working homeowners** (Scenario 2) would pay less in their annual tax bills because the real estate tax reduction offsets the higher EIT payments. The "break-even" point at which the reduction in real estate taxes is entirely offset by higher EIT is about $123,000. Census data shows that 11.8 percent of the population made over $100,000 in 2019. Homeowners who do

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[15] Census Bureau, American Community Survey 5-year estimates, 2019.
[16] Census Bureau, American Community Survey 5-year estimates, 2019.
[17] We reviewed BPT and MCT receipts from 2012 – 2014. The lowest quartile of taxpayers with gross receipts over $100,000 had $224,000 in taxable receipts and the highest quartile had $1,356,000 during that period. This number assumes some growth in receipts since 2014.

not have any income subject to the EIT (i.e. retired or unemployed homeowners) would only see savings in a merger because they would pay lower real estate taxes, no municipal service taxes, and would continue to pay $0 in EIT and LST.

Property-owning businesses would also likely see a decrease in their annual bills, again due to the real estate tax drop. Using the input assumptions, **business that rent property** might see a small increase in taxes, depending on the balance between payroll (PPT base) and gross receipts (BPT base). Businesses with proportionally larger payrolls and no real estate tax liability would see a larger increase.

Census data shows that almost two thirds (65.4 percent) of Wilkinsburg's occupied housing units are occupied by renters, though a portion of those households have little or no taxable income. **Non-working renters** would not experience a change in their annual bills since they do not pay the real estate or the earned income tax.

Working renters (Scenario 3) would pay a higher local government tax bill due to the EIT rate doubling in a merger. For someone making the median household income ($36,743), annual municipal taxes would increase by $187 per year or $15.31 per month. If the renter currently pays the municipal service fee for trash collection, the savings from no longer paying that fee would offset the higher municipal tax bill. While we do not have an exact count of working renters in Wilkinsburg, we estimate that 35 – 45 percent of total households fall into this category.

The key question for working renters is whether the City can provide a higher quality of municipal services (e.g. police, public works, code enforcement) in exchange for the higher EIT bill.

	Wilkinsburg Current	Pittsburgh Post-Merger
Taxable income	$36,743	$36,743
Assessed home value	$87,800	$87,800
Pays municipal service fee?	Yes	No
Real Estate - Municipal	$930	$708
Real Estate - Wilkinsburg Debt	$258	$0
Real Estate - Wilkinsburg Library	$41	$41
Real Estate - Carnegie Library	$0	$22
Real Estate - Pittsburgh Parks	$0	$44
Real estate tax bill	**$1,229**	**$815**
EIT bill	**$184**	**$367**
Municipal Service Fee	**$200**	**$0**
Tax/Fee bill	**$ 1,613**	**$ 1,182**
Savings ($)	**$431**	
Savings (%)	**26.7%**	

Scenario 1: Working Homeowner

This scenario shows the estimated impact on the local government tax bill for a Wilkinsburg resident who pays real estate tax on his/her home and currently pays EIT to the Borough.

This assumes the two school districts remain separate and keep the current tax rates. It also assumes that the libraries remain separate with Wilkinsburg residents paying the millage for their own library and the Carnegie Library in Pittsburgh after the merger.

If the homeowner receives the homestead tax exemption, the municipal tax bill after the merger would be $139.20 lower than shown here.

S	Wilkinsburg Current	Pittsburgh Post-Merger
Taxable income	$0	$0
Assessed home value	$87,800	$87,800
Pays municipal service fee?	Yes	No
Real Estate - Municipal	$930	$708
Real Estate - Wilkinsburg Debt	$258	$0
Real Estate - Wilkinsburg Library	$41	$41
Real Estate - Carnegie Library	$0	$22
Real Estate - Pittsburgh Parks	$0	$44
Real estate tax bill	**$1,229**	**$815**
EIT bill	**$0**	**$0**
Municipal Service Fee	**$200**	**$0**
Tax/Fee bill	**$ 1,429**	**$ 815**
Savings ($)	**$614**	
Savings (%)	**43.0%**	

Scenario 2: Non-Working Homeowner

This is the same as the prior scenario, except none of the homeowner's income is subject to the EIT. The homeowner enjoys the real estate tax savings without any offsetting increase in the EIT.

If the homeowner receives the homestead tax exemption, the municipal tax bill after the merger would be $139.20 lower than shown here.

The homeowner may also be eligible for the Senior homeowner tax relief which is higher in the City than in the Borough.

	Wilkinsburg Current	Pittsburgh Post-Merger
Taxable income	$36,743	$36,743
Assessed home value	N/A	N/A
Pays municipal service fee?	No	No
Real Estate - Municipal	$0	$0
Real Estate - Wilkinsburg Debt	$0	$0
Real Estate - Wilkinsburg Library	$0	$0
Real Estate - Carnegie Library	$0	$0
Real Estate - Pittsburgh Parks	$0	$0
Real estate tax bill	**$0**	**$0**
EIT bill	**$184**	**$367**
Municipal Service Fee	**$0**	**$0**
Tax/Fee bill	**$ 184**	**$ 367**
Savings ($)	**($184)**	
Savings (%)	**-100%**	

Scenario 3: Working Renter

This scenario shows the estimated impact on the local government tax bill for a Wilkinsburg resident who lives in a rental unit and does not pay the real estate tax or municipal service fee.

In this case the household pays the higher EIT rate but does not enjoy any of the savings associated with a lower real estate tax or the eliminated municipal service fee.

If the rental household does pay the $200/year municipal service fee, the savings may offset the higher EIT liability.

S	Wilkinsburg Current	Pittsburgh Post-Merger
Taxable income	$0	$0
Assessed home value	N/A	N/A
Pays municipal service fee?	No	No
Real Estate - Municipal	$0	$0
Real Estate - Wilkinsburg Debt	$0	$0
Real Estate - Wilkinsburg Library	$0	$0
Real Estate - Carnegie Library	$0	$0
Real Estate - Pittsburgh Parks	$0	$0
Real estate tax bill	**$0**	**$0**
EIT bill	**$0**	**$0**
Municipal Service Fee	**$0**	**$0**
Tax/Fee bill	**$ 0**	**$ 0**
Savings ($)	**$0**	
Savings (%)	**0%**	

Scenario 4: Non-working Renter

This is the same as the prior scenario, except the household does not have any income subject to the EIT.

Anyone in this group does not currently pay local government taxes to the Borough and would not pay them to the City either.

If the renter currently pays the $200 annual municipal service fee for trash collection, that fee would be eliminated in a merger.

	Wilkinsburg Current	Pittsburgh Post-Merger
Taxable gross receipts	$270,000	$270,000
Assessed property value	$200,000	$200,000
Payroll	$100,000	$100,000
Real Estate - Municipal	$2,118	$1,612
Real Estate - Wilkinsburg Debt	$588	$0
Real Estate - Wilkinsburg Library	$94	$94
Real Estate - Carnegie Library	$0	$50
Real Estate - Pittsburgh Parks	$0	$100
Real estate tax bill	**$2,800**	**$1,856**
Business privilege tax bill	**$405**	**$0**
Payroll preparation tax bill	**$0**	**$550**
Tax/Fee bill	**$ 3,205**	**$ 2,406**
Savings ($)	$799	
Savings (%)	**24.9%**	

Scenario 5: Small business that owns property

This scenario shows the estimated impact on the local government tax bill for a small business in Wilkinsburg that owns taxable real estate.

The City's lower real estate tax rate generates savings in a merger. The business would exchange the business privilege tax (BPT) on gross receipts for a payroll preparation tax (PPT). In this scenario the PPT costs more than the BPT, but the difference is smaller than the savings in real estate taxes.

Manufacturers do not pay the BPT but would pay the PPT. A small manufacturer with these attributes would have lower, but still positive, savings.

	Wilkinsburg Current	Pittsburgh Post-Merger
Taxable gross receipts	$270,000	$270,000
Assessed property value	$0	$0
Payroll	$100,000	$100,000
Real Estate - Municipal	$0	$0
Real Estate - Wilkinsburg Debt	$0	$0
Real Estate - Wilkinsburg Library	$0	$0
Real Estate - Carnegie Library	$0	$0
Real Estate - Pittsburgh Parks	$0	$0
Real estate tax bill	**$0**	**$0**
Business privilege tax bill	**$405**	**$0**
Payroll preparation tax bill	**$0**	**$550**
Tax/Fee bill	**$ 405**	**$ 550**
Savings ($)	($145)	
Savings (%)	**-35.8%**	

Scenario 6: Small business that rents property

This scenario shows the estimated impact on the local government tax bill for a small business in Wilkinsburg that rents property.

Since this business does not own real estate, it is not affected by the lower real estate tax rates.

The business would exchange the current BPT for the PPT and pay $145 per year more, or 0.05 percent of taxable gross receipts. As the ratio of a business's payroll to gross receipts increases, so too will the difference between their pre- and post- merger tax bills.

	Wilkinsburg Current		Pittsburgh Post-Merger	
Taxable gross receipts	$1,600,000		$1,600,000	
Assessed property value	$750,000		$750,000	
Payroll	$500,000		$500,000	
Real Estate – Municipal	$7,943		$6,045	
Real Estate - Wilkinsburg Debt	$2,205		$0	
Real Estate - Wilkinsburg Library	$353		$353	
Real Estate - Carnegie Library	$0		$188	
Real Estate - Pittsburgh Parks	$0		$375	
Real estate tax bill	**$10,500**		**$6,960**	
Business privilege tax bill	**$2,400**		**$0**	
Payroll preparation tax bill	**$0**		**$2,750**	
Tax/Fee bill	**$**	**12,900**	**$**	**9,710**
Savings ($)	$3,190			
Savings (%)	**24.7%**			

Scenario 7: Larger business that owns property

This scenario shows the estimated impact on the local government tax bill for a larger business in Wilkinsburg that owns taxable real estate.

The City's lower real estate tax rate generates savings in a merger. The business would exchange the BPT on gross receipts for a PPT on payroll.

Wholesale businesses pay a lower BPT rate (0.10 percent) than assumed here and manufacturers do not pay the tax at all. Businesses in those categories would still have some savings under these assumptions because of the real estate tax reduction.

	Wilkinsburg Current		Pittsburgh Post-Merger	
Taxable gross receipts	$1,600,000		$1,600,000	
Assessed property value	$0		$0	
Payroll	$500,000		$500,000	
Real Estate - Municipal	$0		$0	
Real Estate - Wilkinsburg Debt	$0		$0	
Real Estate - Wilkinsburg Library	$0		$0	
Real Estate - Carnegie Library	$0		$0	
Real Estate - Pittsburgh Parks	$0		$0	
Real estate tax bill	**$0**		**$0**	
Business privilege tax bill	**$2,400**		**$0**	
Payroll preparation tax bill	**$0**		**$2,750**	
Tax/Fee bill	**$**	**2,400**	**$**	**2,750**
Savings ($)	($350)			
Savings (%)	**-14.6%**			

Scenario 8: Larger business that rents property

This scenario shows the estimated impact on the local government tax bill for a larger business in Wilkinsburg that rents property.

Since this business does not own real estate, it is not affected by the lower real estate tax rates.

The business would exchange the current BPT for the PPT and pay more in local taxes, but the difference translates to 0.02 percent of gross taxable receipts in this scenario.