

PENNSYLVANIA LOCAL TAXES

Cities raise revenue through property taxes, income taxes, real estate transfer taxes, service fees and charges. However, tax caps and limitations set by the state create challenges in raising revenue to pay for needed and desired services.

PROPERTY TAX: Property taxes are paid by every property owner – individuals and businesses. Renters may pay indirectly; landlords may pass on the cost.

LOCAL EARNED INCOME TAX: City residents pay the city's earned income tax regardless of where they work. Non-residents that work in the city pay only if their home municipality does not levy a local earned income tax.

LOCAL SERVICE TAX: LST is paid by all individuals who hold a job or profession in a municipality that imposes the tax. Employers take it out of your paycheck.

REAL ESTATE TRANSFER TAX: Is paid when a property is sold.

PROPERTY TAX

- Property owners pay property taxes to three entities: local (city), school district, and county.
- There are exceptions for non-profits. *Lancaster has a large number of tax-exempt properties.*
- Property taxes are based on the assessed value, not market rate. Property is assessed by the County.
- Revenue is stagnant and creates periods of no growth due to infrequent assessments.

Current Rate: 12.64 millage (city only). The combined total real estate tax millage is 39.99 - local, school district, and county.

How much revenue? Based on the 2024 budget, each mill generates approximately \$2.25 million. A mill is equal to \$1 in taxation for every \$1,000 of assessed value of your property.

LOCAL EARNED INCOME TAX

- Generally, retirement income is not taxed in PA.
- Unlike most states and the federal government, Pennsylvania municipalities have a flat earned income tax. Rates that increase as someone's income rises would violate the state constitution.
- There are exemptions based on income and rebates for certain seniors, veterans and military.
- Revenue typically experiences a natural growth due to inflation without a rate change.

Current Rate: total 1.1%, the city gets 0.6% and the school district gets 0.5%.

How much revenue? Each .1% of local earned income tax generates approximately \$1.4 million annually for the City.

How much am I paying in Earned Income Tax? Look at your paystub, it may be called "Local Income Tax". On your W-2 form it is box 19.

LOCAL SERVICE TAX: Current amount is \$52 a year.

REAL ESTATE TRANSFER TAX: Current rate: 1% (half goes to school district).

Current Annual Real Estate Tax Bill Examples

Assessed Value	City (12.64 mills)	School District (24.44 mills)	County (2.91 mills)	Total (39.99 mills)
\$90,000	\$1,138	\$2,200	\$262	\$3,599
\$180,000	\$2,275	\$4,399	\$524	\$7,198
\$360,000	\$4,550	\$8,798	\$1,048	\$14,396

Earned Income Tax Bill Examples (Annual and Monthly)

Annual tax bill				Monthly impact		
Income	City (0.6%)	School District (0.5%)	Total (1.1%)	City (0.6%)	School District (0.5%)	Total (1.1%)
\$30,000	\$180	\$150	\$330	\$15	\$13	\$28
\$60,000	\$360	\$300	\$660	\$30	\$25	\$55
\$120,000	\$720	\$600	\$1,320	\$60	\$50	\$110

SUMMARY

CURRENT LAW	HOME RULE CHARTER
<p>City Property Tax: 30 mills limit plus 5 more mills with court approval Current City millage rate is 12.64*</p> <p><i>*does not include school district and county property taxes.</i></p>	<p>City is not subject to limits on the tax rate percentage or dollar limit.</p> <p>Exemptions remain available and may not be reduced.</p> <p>City budget will have controls on the amount of total tax revenue that can increase each year – not more than 6%.</p> <p>The proposed charter grants significant citizen involvement and overview of Mayor and City Council actions especially in the finance area.</p> <ul style="list-style-type: none"> The public will receive more than double the time allowed now to review and comment on the City’s annual budget and tax rates. The charter requires development of a multi-year City capital program with a process that provides for public debate before decisions are made. Currently, unless bond or other financing is required, public input is not required for large capital spending. Every three months, the charter requires the Mayor to report to the Council and public on the progress and performance of the budget at a public meeting. The Controller, a separately elected and independent official, has budget review authority before budget adoption.
<p>Earned Income Tax: Rates capped by state law.</p> <p>Current City rate is 1.1% total: <i>City gets 0.6% and local school districts gets 0.5%</i></p> <p>Exemptions: those age 16 and under do not pay earned income tax, City authorized to exempt earnings up to \$12,000</p>	
<p>Real Estate Transfer Tax: Rates capped by state law. 1% local realty transfer (half goes to school district)</p>	
<p>Local Service Tax: Current rate: \$52 a year (\$5 goes to school district)</p> <p>Exemptions: Earners making less than \$12,000 can get a refund on the Local Service Tax, earners with two jobs may only be taxed on one.</p>	

Additional reading:

[Home Rule Study Commission - Projections Indicate Growing City Deficit if No Action Taken | City of Lancaster, PA \(cityoflancasterpa.gov\)](https://www.cityoflancasterpa.gov/wp-content/uploads/2023/02/PEL-2022-PML-Report-1.pdf)

<https://www.cityoflancasterpa.gov/wp-content/uploads/2023/02/PEL-2022-PML-Report-1.pdf>

https://lancasteronline.com/news/local/heres-what-700-tax-exempt-properties-mean-for-lancaster-city-in-a-time-of-financial/article_5b17f01a-3b06-11ef-9a04-939400cebffd.html

[City Council hears first estimates of taxes with and without home rule - One United Lancaster](#)