

TOPIC:

Creation of a 1% Regional Sales Tax for the Lehigh Valley
(Presented April 2008)

POLICY:

Please choose one:

- A.** The Lehigh Valley Builders Association opposes the creation of a local sales tax.

- B.** The Lehigh Valley Builders Association supports the concept of tax-base sharing amongst local municipalities and the creation of a local sales tax to generate revenue.

BACKGROUND:

In 2007, the Lehigh Valley Partnership asked the Pennsylvania Economy League (PEL) to assess policy options that would assist the region in improving its economic competitiveness and quality of life. Of particular concern to the group were strategies that will help improve the quality of governance, aid the region's fiscally strapped urban cores, and minimize intra-regional competition between governments.

Consequently, PEL recommended the creation of a Lehigh Valley Regional Asset District (RAD) that would be a special purpose, area wide unit of local government established specifically to support, finance, and coordinate the operation and development of regional assets. These regional assets, initially determined to be public health and a bi-county crime center, will be financed through the levy and collection of an additional one percent sales tax in Lehigh County and in Northampton County. While the RAD would have no direct taxation powers, it will have the authority to receive and disburse the proceeds from the one percent sales tax.

The objectives of the RAD are:

- To stabilize the funding for identified regional assets: public health and the bi-county crime center;
- To provide additional fiscal relief through revenue sharing to the municipalities in the RAD; and
- To further establish a precedent for regional cooperation and municipal shared services.

The beneficiaries of the RAD are:

- Citizens and taxpayers of all the municipalities in the RAD, and
- The visitors, businesses, and other users of the services provided through the RAD.

Based on the preliminary 2005 estimated one percent sales tax collection of approximately \$48 million in the two county area, PEL estimated that the receipts from this tax would be allocated as follows: \$21 million to fund municipal property tax relief, \$6 million to the Regional Asset District; \$21 million each to revenue sharing to the municipalities in the two counties. Of the \$6 million allocated to the RAD, \$2 million would be earmarked for public health services, \$4 million would be earmarked for the bi-county crime center.

#