



*City of Pittsburgh*

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*The Impact of  
the Earned Income Tax  
on Locational Decisions  
and  
The City of Pittsburgh*

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## EXECUTIVE SUMMARY

This study addressed issues related to the locational decisions of people moving to and within the Pittsburgh region. Additionally, one factor was studied in detail - local taxes.

Respondents were selected to be representative of three major groups:

- People who moved out of the City and into the surrounding region,
- People who moved into the City.
- People who moved to the region from outside of the region, but who chose not to locate in the City.

Respondents who moved either in or out of Pittsburgh tended to be fairly young, single, childless, live in relatively small households, have white collar jobs, and work in the City of Pittsburgh. These respondents also tended to be renters with relatively modest incomes. Respondents who moved to the region tended to be somewhat older, married, live in larger households, have white collar jobs, and work in Allegheny County, but outside of the City. More than half of this group were homeowners. All the groups of respondents tended to be white, male, and college graduates.

Major findings of the study are as follows:

- The survey results clearly indicated that high local taxes are driving residents out of the City of Pittsburgh, sixty-five percent of former City residents who were surveyed identified taxes as a factor in their decision to move.
- Once people had made the decision to move, proximity to work was the most influential factor in selecting the new location.
- Respondents were fairly well informed regarding the existence of the earned income tax and local rates.
- The next most widely recognized tax was the property tax. Just over half of those who moved to the region identified the property tax as a tax they paid. Fifty-eight percent of this group were homeowners.
- Respondents tended to be poorly informed about other taxes they might pay, the actual taxing authorities, and the activities which were supported by the tax revenues. Generally, those respondents who had moved to the City were the least knowledgeable.
- City residents who were surveyed, were far less likely than non-residents to indicate that the earned income tax was fair.
- Respondents were asked to assess alternatives to the earned income tax. An increased occupation tax was the first choice of the suburbanites while an earned income tax on suburbanites was the first choice of City residents.
- There was some support for the provision of reduced services and strong support for stricter enforcement of existing tax laws.

## I. INTRODUCTION

The City of Pittsburgh levies a 2.125% wage tax on its residents and the school district levies a 1.875% wage tax for a total of 4%, while the vast majority of surrounding municipalities levy only a one percent (combined school and municipal) wage tax on their residents. The difference in tax rates means that a household earning \$25,000 would pay an additional \$750.00 and a household earning \$40,000 would pay an additional \$1,200.00 annually for the privilege of living in the City.

It has generally been assumed that the City's relatively high earned income tax rate was causing City residents to relocate to suburban communities and also discouraging potential new residents from choosing to live in the City. However, no actual data were available to test these assumptions. Therefore, the City conducted a survey of City residents and non-residents to determine the factors affecting locational decisions. One factor was studied in detail--the impact of tax rates on locational decisions. This report presents the findings of this study. The report is organized as follows: Section II describes the survey methodology; Section III describes the study findings: factors affecting locational decisions, respondent knowledge of local taxes including types of tax, rates, taxing authorities, and uses of tax receipts; evaluation of alternative tax policies; and demographics. The final section of the report deals with the conclusions of the study.

## II. METHODOLOGY

### Sampling

The primary objective of this study was to clarify the factors affecting locational decisions of people moving to and from the Pittsburgh area. Information was required on the following three groups of people to study these decisions:

#### Phase I

- People who moved into the City;
- People who moved out of the City and into the surrounding region;

#### Phase II

- People who moved to the region from outside of the region, but who chose not to locate in the City.

### Phase I

In defining the first two groups, it was important to obtain a reliable and hopefully complete listing of individuals who had recently moved into or moved out of the City proper. The best available listing of this population was obtained from the Department of Finance of the City of Pittsburgh in the form of a list of individuals who had indicated that they were a part-year resident of the City in the 1984 tax year on their City Income Tax return.

The listing, produced in October, 1985, contained 3,485 names and addresses. The first task in converting this list into a sampling frame was to eliminate those individuals who had apparently moved out of the Pittsburgh region. Such individuals were assumed to have relocated for reasons beyond the scope of this study. The address supplied on the listing, which was taken to be the current address at the time of filing, was used in the classification of individuals into the study and non-study groups. Elimination of those individuals who had moved out of the region (approximately 700) left a universe of nearly 2,800 who either lived in the City or in the surrounding suburbs.

The next task was to find telephone numbers for as many of these individuals as possible. Only 1,575 were found, a disappointing but not totally unexpected result. At this point, keeping in mind that the target completed sample size for the two components of Phase I was between 400 and 500, the decision was made to enumerate the resulting frame. Table 2-1 summarizes the disposition of the 1,575 listings in the frame. After all interviewing was completed, 277 of the respondents were verified to have moved out of Pittsburgh and 135 were verified to have moved into Pittsburgh.

## Phase II

The second phase of this survey was designed to collect information from a group of people who had recently moved to the Pittsburgh area and had made the decision to locate in the suburbs. The research team decided to select this sample from municipalities in Allegheny County that had relatively high social and economic characteristics and relatively high new construction and turnover rates. These decisions were made to insure that potential respondents had sufficient income to have a variety of options open to them in making their locational decision. In addition, it was decided that the northern, eastern, western, and southern suburbs should be represented. Each area was sampled using a multistage sampling process. A census tract or tracts was first selected within a given municipality. Using Cole's directory and an appropriate selection interval, households with listed telephone numbers were randomly selected. A total sample of 893 households was required to complete 100 interviews (see Table 2-1 and Appendix B).

## Method

All interviews were conducted by telephone. The interviews were conducted on behalf of the Department of City Planning by the University Center for Social and Urban Research, University of Pittsburgh between January 23, 1986 and March 8, 1986. Interviews were conducted from 4:00-9:00 p.m. Monday through Friday and from 10:00 a.m. to 4:00 p.m. on Saturday. Up to six callbacks were made in an effort to reach as many households from the sampling list as possible.

In Phase I, 412 interviews were completed (135 who moved into the City and 277 who moved out of the City) for a 71% response rate. These interviews required an average of 15 minutes to complete. In Phase II, 100 interviews were completed with households who had moved into the region, but not into the City, for a 63% response rate. These interviews required an average of 10 minutes to complete.

For all interviews, the interviewer first verified that the household had moved either into or out of the City or moved to the region within the last two years. Interviews were conducted with the largest income earner in the household. This selection was made in an effort to interview the member of the household who was most likely to be well informed regarding tax-related issues. Appendix B summarizes characteristics associated with the sampling procedure.



Table 2-1

Survey Statistics

	<u>Phase I</u>	<u>Phase II</u>
Frame Size	1575	893
Non-Eligible Households	948	732
- not crossing geographical boundaries (never moved, stayed in city/region)	607	447
- duplicates	27	
- targeted member of household moved out of state	31	
- no answer/busy	142	106
- non-working number	108	159
- retired	19	6
- non-residential	14	9
- changed to unpublished number		5
Eligible Households	627	161
- complete	412	100
- incomplete	18	1
- refusal	163	57
- unable to secure interview	34	3
Response Rate	71%	63%