

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

February 2010

City General Fund tax collections in February were \$369.7 million, an increase of 6.1 percent compared to the February 2009 level. Collections for the first eight months of FY10 were \$1,337.3 million, 1.3 percent below revenues received during the same period in FY09. The increase in overall February tax revenues reflected increases in revenues from the Real Estate and Sales Tax, offset by declines in other taxes. It should be noted that collections for a single month can be a misleading indicator due to monthly variability in collections and certain collections may have been impacted by the significant snow and related closures. Full collections data for the third quarter of FY10 (January through March) will provide a more reliable indicator of City tax revenue trends.

- Collections of the City portion of the Wage, Earnings, and Net Profits taxes were \$98.3 million in February, a decline of 6.5 percent from the February 2009 collection level. This decline is a relatively weak result compared to recent months: the Wage Tax base declined at an annual rate of approximately 4.6 percent in the first quarter, and 1.1 percent in the second quarter, of FY10. The relatively weak performance of the tax in February raises some concern about the ability of the City to meet its FY10 projections. Collections for the first eight months of FY10 are \$749.5 million, a decrease of 3.4 percent over the same period in FY09. The Proposed FY11-FY15 Five-Year Plan (“FY11-FY15 Plan”) projects collections of \$1,131.4 million in FY10, an increase of 0.2 percent over FY09.
- Real Estate Transfer Tax (RETT) collections were \$5.4 million in February, a slight (0.1 percent) increase over the same month last year. This was the fourth consecutive month in which RETT revenues exceeded the prior year’s level for the same month, indicating stabilization in the real estate market in the city. Total collections for the first eight months of FY10 were \$75.3 million, a decline of 10.3 percent over the same period in FY09. The FY11-FY15 Plan projects FY10 RETT revenue at \$118.7 million, an increase of 3.1 percent over the FY09 actual. The FY11-FY15 Plan projection anticipates a continuation of the trend toward real estate market stabilization for the remainder of FY10.

- Sales Tax collections in February were \$22.3 million, an increase of 84.4 percent compared to February 2009. This increase reflects the increased City Sales Tax rate, which became effective on October 8, 2009, offsetting a lower tax base. (The Sales Tax base declined by more than 8 percent from the prior year during the first two quarters of FY10.) Collections through the first eight months of FY10 are \$107.8 million, a 20.0 percent increase over the same period in FY09. February's collection level is the highest of any month since October when the higher tax rate was implemented. The ability of the City to meet its FY10-FY14 Plan projection for FY10 will depend on the health of the retail sector as well as the impact of the higher tax rate on retail sales activity in the city. The FY11-FY15 Plan estimate for Sales Tax revenue for FY10 is \$199.8 million.
- Real Estate Tax (RET) collections in February were \$235.2 million, bringing the total through the first eight months of the fiscal year to \$303.0 million, a 4.6 percent increase compared to the same period in FY09. However, a significant amount of revenue will be collected in March, so the likelihood of the City's meeting its FY10 Real Estate Tax revenue projection cannot be assessed until next month. Also, the recent decision to freeze reassessments for two years, and uncertainty about the final 2010 assessments for more than 18,000 properties that were already reassessed by the Board of Revision of Taxes, adds additional concerns for RET revenues. The FY11-FY15 Plan projects \$413.4 million in RET revenue in FY10, an increase of 3.3 percent over the FY09 actual. This projected increase primarily reflects projected growth in delinquent collections.
- Business Privilege Tax (BPT) revenues were \$2.6 million in February. The FY10 total through February is \$40.9 million, a decline of 26.4 percent compared to the same period in FY09. However, because most BPT revenue is collected in April and May, collections to date are not indicative of likely results for the full fiscal year. The FY11-FY15 Plan estimates FY10 BPT revenue at \$376.6 million, a decline of 2.4 percent from FY09.
- Parking Tax collections in February were \$4.7 million, bringing the total for the first eight months of FY10 to \$45.5 million, an increase of 2.8 percent over the same period in FY09. The FY11-FY15 Plan projects FY10 Parking Tax revenue of \$70.7 million, an increase of 0.5 percent from FY09 actual collections.
- February Amusement Tax collections were \$0.9 million. FY10 collections through February are \$13.0 million, a decrease of 2.0 percent compared to collections in the first eight months of FY09. The FY11-FY15 Plan projects FY10 Amusement Tax collections of \$20.9 million, a decrease of 2.3 percent from the FY09 actual amount.

## Fiscal Year 2010 General Fund Tax Collections through February 2010

Dollars in Millions

Tax	FY10 through February (Preliminary)	FY09 through February	Percent Change through February	FY09 Actual	Current Estimate FY10 <sup>1</sup>	FY10-FY14 Five Year Plan Projection for FY10 <sup>2</sup>
Wage, Earnings, and Net Profits <sup>3</sup>	\$749.5	\$775.9	-3.4%	\$1,129.2	\$1,131.4	\$1,172.4
Real Estate <sup>4</sup>	303.0	289.8	4.6%	400.1	413.4	412.7
Business Privilege	40.9	55.6	-26.4%	386.0	376.6	356.7
Sales <sup>5</sup>	107.8	89.8	20.0%	128.2	199.8	215.3
Real Estate Transfer	75.3	84.0	-10.3%	115.1	118.7	94.7
Parking	45.5	44.3	2.8%	70.4	70.7	70.7
Amusement	13.0	13.3	-2.0%	21.4	20.9	20.9
Other <sup>4</sup>	2.3	2.6	-10.8%	2.4	3.1	3.0
Total Taxes <sup>6</sup>	1,337.3	1,355.2	-1.3%	2,252.8	2,334.6	2,346.5

### Notes:

<sup>1</sup> From the Proposed FY11-FY15 Five-Year Financial Plan presented to City Council on March 4, 2010.

<sup>2</sup> From the Revised FY10-FY14 Five-Year Financial Plan approved by PICA on September 11, 2009.

<sup>3</sup> Excludes the portion of these taxes dedicated to PICA. Figures are not adjusted to reflect the decrease in Wage Tax rate from 3.98% for residents and 3.5392% for non-residents in July 2008, to 3.9296% for residents and 3.4997% for non-residents in July 2009. These reductions are made possible by State gaming revenues of \$86.3 million in FY10.

<sup>4</sup> Figures are adjusted to include in City Real Estate Taxes \$102.7 million that was reported in the preliminary February revenue report as "other" tax revenue.

<sup>5</sup> The Five-Year Plan Sales Tax projection for FY10 assumed an increase in the City Sales Tax rate from 1% to 2% effective October 1, 2009. The rate increase actually became effective on October 8.

<sup>6</sup> The total taxes growth projection includes the increase in Sales Tax revenue due to the rate increase. Total tax revenue, excluding the Sales Tax, is projected to increase by only 0.5 percent from FY09 to FY10 in the proposed FY11-FY15 Five-Year Plan.