

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

Through November 2008

**Summary and Highlights**

Despite the ongoing troubles in the national economy, Wage Tax revenues remain strong. Real Estate Transfer Tax revenues continue to fall at an alarming rate, while gains in Amusement Tax collections reflected the Phillies championship run.

- The strong November Wage Tax collections reversed the downward trend of the previous two months. Wage, Net Profit and Earnings tax year-to-date collections have almost equaled last year's number despite the lower tax rate. When accounting for the Gaming revenue from the State the figures are ahead of the Five-Year Plan (FYP) projections. However, the ongoing turmoil in the national economy continues to put pressure on employment in the region.
- Realty Transfer Tax (RTT) collections continued their dramatic downturn in November, achieving the lowest monthly total in over five years. If collections continue at this level, the year-end total will fall below FYP projections.
- Parking Tax collections improved in November; although the growth rate continues to exceed projections, the increase in collections is not keeping pace with the increase in the tax rate. The additional funds resulting from the Parking Tax rate increase are dedicated to street repairs, Fairmount Park, and tree planting.
- City Sales Tax, which had been up 4% through October, was down over 11% in November, resulting in a year-to-date net growth rate of about 1%, and slightly better than the Rebalancing Plan projections. Given sales tax collection shortfalls at the state level, these must be watched closely to see if this is the beginning of a downturn.
- Amusement Tax collections jumped significantly in November, more than doubling November 07, resulting in a year-to-date net growth rate of over 12%, and putting collections ahead of Plan projections. These numbers reflected the success of the Phillies and need to be watched closely over the next few months to see what growth level can be sustained.

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- Although Business Privilege Taxes (BPT) are not collected until the late spring, FY08 collections were down \$38 million from original projections; given the state of the national economy it is unlikely that FY09 collections will even reach FY08 levels. The Rebalancing Plan assumes that BPT collections will be down over \$51 million from original projections.
- Although Real Estate Taxes are not collected until the spring, and tax bills have not yet been issued, FY08 collections were \$9.9 million better than original projections. The Rebalancing Plan assumes that collections will be up about \$5 million from original projections.

**Data – Key Taxes**

Notes: FY08 total collections and FY09 year-to-date collections are unadjusted, preliminary numbers. FY08 Total Collections numbers do not include end-of-year adjustments and are likely to change. Year-to-date Business Privilege and Real Estate tax results are not listed below as the majority of those revenues are collected in the spring. Please note that although PICA has not yet completed its review of the proposed Rebalancing Plan, the Projection estimates below are the numbers in that Plan.

	FY08 Through November	FY09 Through November	FY08 Total Collections	FY09 Five-Year Plan Projection – Rebalancing Plan
Net Wage, Earnings, and Net Profit Tax	491,381,208	481,269,430	1,197,324,000	1,139,196,000 <sup>1</sup>
Realty Transfer Tax	88,627,247	60,004,805	186,107,218	155,000,000
City Sales Tax	56,164,132	56,721,449	137,144,000	133,000,000
Parking Tax	21,710,729	28,307,044	55,419,000	69,000,000 <sup>2</sup>
Amusement Tax	8,944,560	10,091,742	17,983,000	18,433,000

1 Projected FY09 Wage Tax Revenues reflect a reduction in Wage Tax rates from 4.219% to 3.98% for residents and from 3.724% to 3.54% for non-residents from State Gaming Revenues, and a further City reduction on January 1, 2009, to 3.93% for residents and 3.5% for non-residents. The projection does not include the anticipated \$86.6 million from state gaming revenues which enabled a portion of the rate reductions. The combined total wage tax revenue projected for FY09 is now \$1,225,796,000.

2 Projected FY09 Parking Tax Revenues reflect an increase in the tax rate from 15% to 20%.