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Monthly City of Philadelphia Tax Revenue Update

Through March 2009

Fiscal year 2009 tax collections through March reflect continued weakness in the tax bases for three major City of Philadelphia taxes: the Wage Tax, Sales Tax, and Realty Transfer Tax. The end of the third quarter provides a good opportunity to assess the revenue collection trends for the City. Most ominous is that the Wage Tax, the City's largest revenue source, continued to weaken with a negative year-over-year growth rate in the third quarter.

	Growth Q1	Growth Q2	Growth Q3
Wage Tax ¹	5.5%	2.5%	-0.7%
Realty Transfer Tax	-24.0%	-43.1%	-41.2%
Sales Tax	2.1%	-5.8%	-5.3%
Parking Tax ¹	-5.4%	-4.3%	5.4%
Amusement Tax	-3.7%	54.6%	20.4%

1 Growth rate adjusted for tax rate change

- March collections of the City portion of the Wage, Earnings, and Net Profits taxes (collectively referred to below as the “wage tax”) imply that the wage tax base declined approximately 5.6 percent from March of 2008 (after accounting for tax rate changes). Compared to 5.5 percent growth in the first quarter of FY09, and 2.5 percent growth in the second quarter, the third quarter result indicates continuing deterioration in the wage tax base. For FY09, the City currently projects an overall 4.9 percent decline in wage tax collections from the FY08 level (not adjusting for gaming revenues). Year-to-date collections are in line with the City’s current projection for FY09, however accelerated declines in collections are possible.

- Sales Tax collections in March were down 10.0 percent from the prior year. FY09 year-to-date collections are down 3.0 percent, reflecting a generally slowing rate of growth in retail sales. Collections in the third quarter were down 5.3 percent, compared to a 2.1 percent increase in the first quarter and a 5.8 percent decline in the second quarter. Year-to-date collections are in line with the City's current projection for FY09 of \$128 million.
- Realty Transfer Tax collections in March showed some improvement relative to prior months but continue to be well below FY08 levels. March collections were down by 27.2 percent from the prior year, with year to date collections down by 34.7 percent. The City's Five Year Plan projection for FY09 is \$110.6 million, a significant downward revision from the \$128.6 million projected in the Quarterly City Managers Report released in February. The new projection indicates a decline of 39.9 percent in FY09 from the prior year, which is in line with current trends.
- Real Estate tax collections through March are up 2.1 percent over the same period in FY08. The City is on track to meet its projection of \$412.8 million in revenue in FY09, which is an increase of 2.5 percent over the prior year.
- Parking Tax revenues in March were up 25.4 percent over the prior year. This reflects an increase in the tax rate from 15 percent in FY08 to 20 percent in FY09 (a 33.3 percent increase), offset by an estimated decline in the tax base of 6.0 percent. Overall collections through March increased 31.1 percent over the prior fiscal year, and the City is on track to meet its forecast for FY09, which suggests that collections will increase 24.4 percent.
- Business Privilege Tax (BPT) collections year-to-date are \$88.2 million, an increase of 33.7 percent over revenues received during the same period in FY08. However, because the bulk of BPT revenues are collected in April and May, it is still too early to assess whether the City is likely to meet its FY09 projection. The current projection is \$365.7 million, a decline of 8.3 percent from the FY08 level, reflecting the slowing national economy and the sensitivity of this tax to the business cycle.

Tax	FY09 through March (Preliminary)	FY08 through March	FY08 Total Collections	FY10- FY14 Five-Year Financial Plan Projection for FY09	Previous FY09 Projection ¹
Wage, Earnings, and Net Profits ²	866,481,641	904,536,002	1,197,324,211	1,139,107,000 ³	1,139,196,000
Real Estate	370,965,390	363,352,574	402,789,223	412,780,000	412,026,000
Business Privilege	88,221,577	65,970,546	398,827,591	365,724,000	365,575,000
Realty Transfer	91,317,297	139,828,256	184,048,097	110,600,000	128,600,000
Sales	99,415,161	102,498,272	137,275,154	128,000,000	125,000,000
Parking ⁴	49,515,218	37,757,033	55,458,920	69,000,000	69,000,000

1 From Quarterly City Managers Report dated February 17, 2009.

2 Excludes the portion of these taxes dedicated to PICA.

3 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 effective July 1, 2008 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 of wage tax and state gaming revenue projected for FY09 is now \$1,225,672,000.

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