

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

Through May 2009

City of Philadelphia General Fund tax collections through May 2009 indicate that the City is on track to meet most of its projections for fiscal year 2009 (FY09). Nonetheless, year to date collections indicate a decline in some of the City's major tax bases from the prior fiscal year. Adjusting for changes in tax rates, FY09 collections through May suggest reductions of approximately 38.4 percent in the Realty Transfer Tax base, 3.5 percent in the Parking Tax base, 3.3 percent in the Sales Tax base, and 0.4 percent in the Real Estate Tax base. While the Wage Tax base in aggregate through May increased approximately 1.2 percent compared to FY08, the trend has been continually weaker when viewed on a quarterly basis.

- May collections of the City portion of the Wage, Earnings, and Net Profits taxes (collectively referred to below as the "Wage Tax") were \$100.3 million. After adjusting for the tax rate change over the past year (from 4.219 percent to 3.93 percent for residents and from 3.7242 percent to 3.5 percent for non-residents), May collections suggest an approximate 0.3 percent decline in the tax base, an improvement over April's estimated 7.0 percent decline. However, viewed on a quarterly basis, the overall trend in Wage Tax base growth continues to be downward: the tax base increased 5.5 percent and 2.5 percent in the first and second quarters of FY09, respectively, and declined 0.8 percent in the third quarter. The average tax base decline of 3.6 percent in April and May represents a continuation of the overall downward trend as the fiscal year has progressed. Total FY09 collections through May are \$1,056.6 million.
- Real Estate Tax collections through May are \$397.1 million, a 0.4 percent decrease over the same period in FY08. The City is behind pace for meeting its projection of \$412.8 million in FY09, an increase of 2.5 percent. A relatively high delinquency rate in FY09 is driving the relatively weak performance of this tax. This likely is due in part to the impact of the recession on taxpayers' ability to pay.
- Business Privilege Tax (BPT) collections through May are \$364.2 million, a decline of 4.9 percent over the same period in FY08. The City's FY09 projection of \$365.7 million represents an 8.3 percent decline from the prior fiscal year. The City appears likely to meet its FY09 projection for BPT revenue.

- Sales Tax collections in May were \$11.3 million, a decline of 3.1 percent from May 2008. This is a relatively strong performance compared to the previous three months, when collections were down by 7 to 10 percent compared to the prior year. Fiscal year-to-date collections are down 3.3 percent. The \$128 million projection for FY09 represents a 6.8 percent decline from the prior year, and is consistent with current trends.
- Realty Transfer Tax (RTT) collections in May were \$7.5 million, a decline of 48.9 percent from May 2008. This is an improvement over the 58.4 percent decline in April. Overall collections through May are \$106.3 million, a decline of 38.4 percent from the same period in FY08. The City's projection for FY09 is \$110.6 million, a 39.9 percent decline from the FY08 actual, and is consistent with current trends.
- May Parking Tax collections were \$7.1 million, an increase of 7.3 percent from the prior year. Fiscal year-to-date collections are \$61.5 million, an increase of 28.7 percent over the same period in FY08. This increase reflects the impact of a 33 percent increase in the tax rate, offset by an estimated 3 percent decline in the tax base. The City is on track to meet its forecast for FY09 of \$69 million, which represents a 24.4 percent increase over FY08.
- Amusement Tax collections in May were \$1.3 million, bringing the year-to-date total to \$20.9 million, an increase of 20.5 percent over the same period in FY08. Collections for this tax have already exceeded the City's FY09 projection of \$18.4 million.

Major Tax Collections through May 2009

Dollars in Millions

Tax	FY09 through May (Preliminary)	FY08 Through May	FY08 Total Collections	FY10- FY14 Five-Year Financial Plan Projection for FY09
Wage, Earnings, and Net Profits ¹	\$1,056.6	\$1,115.6	\$1,197.3	\$1,139.1 ²
Real Estate	397.1	398.6	402.8	412.8
Business Privilege	364.2	383.1	398.8	365.7
Sales	120.4	124.5	137.3	128.0
Realty Transfer	106.3	172.5	184.1	110.6
Parking ³	61.5	47.8	55.5	69.0
Amusement	20.9	17.3	18.0	18.4

¹ Excludes the portion of these taxes dedicated to PICA.

² 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 3.5392% 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 \$86.6 million received by the City in FY09 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 \$1,225.7 million.

³ Projected FY09 Parking Tax revenues reflect an increase in the tax rate from 15% to 20%.