

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

October 2009

City General Fund tax collections through the first four months of fiscal year 2010 were \$31.2 million (5.6 percent) below collections for the same period in FY09. However, October collections were relatively strong in comparison to recent months, with overall tax collections \$0.6 million higher than in October 2008, primarily due to strong performance from the Wage Tax, (\$4.4 million above last fiscal year), which was offset by declines in most of the other tax sources. The Wage Tax exhibited the first positive year-over-year collection trend since February, though results for a single month can be a misleading indicator due to monthly variability in collections. While the Realty Transfer Tax was down year-over-year, this decline was the smallest in well over a year, suggesting that the residential housing market may be beginning to stabilize.

- Collections of the City portion of the Wage, Earnings, and Net Profits taxes in October were \$90.2 million, an increase of \$4.3 million (5.1 percent) over the October 2008 collection level. October was the first month since February in which Wage Tax collections registered a year-over-year increase. After adjusting for the impact of tax rate reduction, October collections were 6.4 percent above last year's level. Reflecting the deteriorating local labor market, the Wage Tax base has weakened continually over the past five fiscal quarters – with an estimated tax base decline in nominal terms of 4.6 percent in the first quarter of FY10 compared to the first quarter of FY09. While collections for a single month can be a misleading indicator due to monthly variability in collections, the October collections level suggests that the rate of decline in the tax base may be leveling off. Collections over the remainder of the second quarter should allow a more definitive conclusion.
- Realty Transfer Tax (RTT) collections continue to decline, but less rapidly than in FY09. RTT collections in October were \$8.9 million, bringing the total for the first four months of FY10 to \$39.3 million, a decline of 27.2 percent over the same period in FY09. This compares to year-over-year declines ranging from 41 to 47 percent in the final three quarters of FY09. The current Five-Year Plan projects that the trend in RTT revenue will be improved in FY10, with total FY10 RTT revenue projected at \$94.7 million, a decline of 14.3 percent from FY09.

- Sales Tax collections in October were \$9.4 million. Total collections for the first four months of FY10 are \$41.2 million, a decline of 8.6 percent from the same period in FY09. The FY10-FY14 Five-Year Plan projection for Sales Tax revenue in FY10 is \$215.3 million, a 68.2 percent increase over FY09. The FY10 Sales Tax projection has been revised downward by \$19.4 million to reflect a two-month delay in implementation of the planned increase in the City Sales Tax rate from 1 to 2 percent. Act 44, the State law authorizing the increase in the City Sales Tax rate, became law on September 18, and the new tax rate was implemented on October 8. Because the State collects the City and State Sales Tax from retailers and remits the City's portion of the tax to the City in one payment each month, the higher City tax rate should not impact City revenues until November or December.
- Real Estate Tax (RET) collections in October were \$3.9 million, bringing the year-to-date total to \$21.9 million, a 21.0 percent decline from the same period in FY09. Monthly collections for this tax are highly variable during months other than March and April when most RET revenue is received, so year to date collections are not indicative of likely collections for the full fiscal year. The Revised FY10-14 Five-Year Financial Plan projects \$412.7 million in RET revenue in FY10, an increase of 2.0 percent over FY09. This projected increase primarily reflects projected growth in delinquent collections.
- Business Privilege Tax (BPT) collections were \$8.5 million in October, bringing the year-to-date total to \$30.2 million, an increase of 19.4 percent over the first four months of FY10. However, monthly BPT collections are highly variable during months other than April and May, when most revenue from this tax is collected. Therefore, as in the case of the Real Estate Tax, collections through October give little indication of likely results for FY10. The Revised Five-Year Financial Plan projects FY10 BPT revenues of \$356.7 million, a decline of 2.5 percent from FY09.
- Parking Tax collections were \$5.8 million in October, bringing the fiscal year-to-date total to \$23.7 million, an increase of 8.1 percent over the same period in FY09. The FY10-FY14 Five-Year Plan projects FY10 Parking Tax revenue of \$70.7 million, an increase of 2.5 percent from FY09.
- October Amusement Tax collections were \$0.6 million. FY10 year-to-date collections are \$6.2 million, a decrease of 12.8 percent over the first four months of fiscal year 2009. The Five-Year Plan projects FY10 Amusement Tax collections of \$20.9 million, an increase of 13.4 percent from FY09.

## Fiscal Year 2010 General Fund Tax Collections through October 2009

Dollars in Millions

Tax	FY10 through October (Preliminary)	FY09 through October	Percent Change through October	Revised FY10-FY14 Five-Year Plan Projection for FY10 <sup>1</sup>	Percent Change from FY09 Actual to FY10 Projection
Wage, Earnings, and Net Profits <sup>2</sup>	\$362.0	\$374.1	-3.3%	\$1,172.4	2.9%
Real Estate	21.9	27.8	-21.0%	412.7	2.0%
Business Privilege	30.2	25.3	19.4%	356.7	-2.5%
Sales <sup>3</sup>	41.2	45.0	-8.6%	215.3	68.2%
Realty Transfer	39.3	54.1	-27.2%	94.7	-14.3%
Parking	23.7	21.9	8.1%	70.7	2.5%
Amusement	6.2	7.1	-12.8%	20.9	13.4%
Other	1.1	1.5	-25.2%	3.0	4.8%
Total Taxes <sup>4</sup>	525.7	556.9	-5.6%	2,346.5	4.8%

### Notes:

<sup>1</sup> Projections from the Revised FY10-FY14 Five-Year Financial Plan approved by PICA on September 11, 2009.

<sup>2</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>3</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>4</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 1.0 percent from FY09 to FY10.