

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

November 2010

City General Fund tax collections in November were \$142.1 million, bringing the total collections for the first five months of the fiscal year to \$735.0 million, an increase of 13.0 percent over the same period in FY10. Sixty-four percent of that growth is the result of the increase in the Sales Tax rate, which was first reflected in collections in December, 2009.

November tax collections generally indicate a stabilizing Philadelphia economy, with estimated wage and realty transfer tax bases increasing somewhat compared to last year, though it should be noted that collections for a single month can be a misleading indicator due to monthly variability in revenues.

November wage and earnings tax collections indicate 2.3 percent growth in the tax base over last year, consistent with the trend of modest growth since the third quarter of FY10. Real estate transfer tax collections grew 2.3 percent in November, the first positive monthly growth since August. November sales tax collections suggest that retail sales in the city declined approximately 0.3 percent from the prior year, a modest drop compared to the 3 to 14 percent quarterly declines that occurred during FY09 and FY10. Collections of other major General Fund taxes for the first five months of FY11 are generally on or close to pace with last year's level.

- Wage and earnings tax collections (including both the City and PICA portions of the tax) were \$130.1 million in November, bringing the total for the first five months of FY11 to \$612.7 million, an increase of 2.6 percent over the same period in FY10. November collections exceeded the prior year level by \$2.9 million, the fourth consecutive month of growth over the prior year. Taking into account recent tax rate decreases, November revenues also suggest continuing modest growth in the wage and earnings tax base, which includes earned income of city residents and non-resident income earned within the city. The tax base grew an estimated 1.6 percent in the first quarter of FY11. The current estimate for FY11 is \$1,490.3 million, based on projected tax base growth of 1.93 percent.

- November sales tax collections were \$21.3 million, bringing the total for the first five months of FY11 to \$106.3 million, a 105.0 percent increase over the same period in FY10. November collections suggest a 0.3 percent decline in the tax base compared to the same month in the prior year. However, combined collections for October and November 2010 indicate 1.4 percent growth in the tax base over the prior year, which is consistent with the overall trend toward stabilization in retail sales. The sales tax base grew an estimated 3.2 percent growth in the first quarter of FY11, following declines ranging from 3.6 percent to 13.9 percent during the previous seven quarters. The current estimate for FY11 sales tax revenue is \$243.8 million, an increase of \$36.7 million over the FY10 unaudited actual. This increase reflects estimated tax base growth of 1.5 percent in FY11, along with the impact of a full year of collections at the higher tax rate of 2 percent.
- Real estate transfer tax (RETT) collections were \$9.3 million in November, bringing the total for the first five months of FY11 to \$57.2 million, an 18.1 percent increase over the same period in FY10. For the first time since August, monthly collections in November exceeded the level of the same month in the prior year, with RETT revenue \$0.2 million or 2.3 percent above November 2009. This compares to declines of \$2.2 million in September and \$1.0 million in October. The current estimate for FY11 RETT revenue is \$121.2 million, a 1.7 percent increase over the FY10 unaudited actual. This estimate assumes continued stabilization in RETT collections over the final seven months of the fiscal year.
- Parking tax collections in November were \$5.8 million, bringing the total for the first five months of the fiscal year to \$29.6 million, a 0.8 percent decrease compared to the previous fiscal year. The current FY11 estimate for this tax is \$72.5 million.
- November amusement tax collections were \$1.8 million, bringing the total for the first five months of FY11 to \$8.4 million, an 8.8 percent decline compared to the previous year. A portion of the decline is due to the fewer number of Phillies home playoff games in FY11. The current FY11 estimate for this tax is \$21.1 million.

City of Philadelphia Tax Revenues through November 2010 (\$ in Millions)

Tax	Monthly Total through November			Fiscal Year Total (Budget Basis)	
	FY10	FY11 (Preliminary)	Percent Change	FY10 Unaudited Actual	FY11 Current Estimate
Wage and Earnings¹	\$597.2	\$612.7	2.6%	1,450.3	1,490.3
<i>Wage</i>	593.7	608.1	2.4%	--	--
<i>Earnings</i>	3.5	4.6	29.7%	--	--
Net Profits¹	2.2	4.3	96.8%	21.7	20.1
Real Estate²	25.7	24.3	-5.3%	402.2	491.4
Business Privilege	22.7	34.5	51.9%	364.7	350.7
Sales³	51.8	106.3	105.0%	207.1	243.8
Real Estate Transfer	48.4	57.2	18.1%	119.2	121.2
Parking	29.8	29.6	-0.8%	70.5	72.5
Amusement	9.2	8.4	-8.8%	21.9	21.1
Other	1.9	2.1	13.9%	2.4	4.1
Total	788.9	879.3	11.5%	2,659.9	2,815.2
<i>PICA Taxes</i>	138.5	144.3	4.2%	343.3	361.9
<i>City General Fund Taxes</i>	650.4	735.0	13.0%	2,316.6	2,453.3

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City Department of Revenue, available at http://www.phila.gov/revenue/City_Monthly_Revenue.html, and preliminary revenue reports for June and November 2010. Fiscal Year total FY10 unaudited actual and FY11 current estimate from Quarterly City Managers Report dated November 15, 2010.

Notes:

¹ Includes portion dedicated to PICA.

² The rate of the City portion of the real estate tax will increase from 3.305 percent in 2010 to 4.123 percent in 2011. The combined City and School District real estate tax rate will increase from 8.264 percent to 9.082 percent.

³ The City Sales Tax rate increased from 1 percent to 2 percent effective October 8, 2009, and was first reflected in December 2009 collections.