

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

December 2010

City General Fund tax collections in December were \$147.4 million, bringing the total collections for the first six months of the fiscal year to \$882.4 million, an increase of 11.3 percent over the same period in FY10. More than half (64 percent) of that growth is the result of the increase in the Sales Tax rate, which was first reflected in collections in December, 2009.

Estimated quarterly tax base trends through the first quarter of FY11 are shown in the table below. The figures are adjusted to account for the impact of tax rate changes. In general, the estimates suggest continued stabilization of the Philadelphia economy in the second quarter of FY11. The decline in growth in the real estate transfer tax base likely reflects the impact of the expiration of the federal first-time homebuyer tax credit, which increased collections substantially in the fourth quarter of FY10 and the first quarter of FY11.

**Major General Fund Tax Revenue Sources:  
Year-over-Year Percentage Growth in Tax Base by Quarter**

Tax	FY09		FY10				FY11	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Wage and Earnings	1.5	(0.6)	(4.3)	(0.5)	0.4	2.8	2.8	3.7
Real Estate Transfer	(41.2)	(47.2)	(31.0)	19.2	7.1	40.2	31.5	(12.3)
Sales	(5.3)	(7.1)	(8.5)	(8.6)	(13.9)	(3.6)	3.2	2.9
Parking	5.4	(23.5)	9.4	6.6	(6.3)	5.3	(1.0)	0.9
Amusement	20.4	17.5	6.6	(14.5)	(0.9)	4.1	1.2	(26.9)

Note: Negative amounts are shown in parentheses. Growth rates adjusted for tax rate changes. Wage and earnings tax figures include City and PICA portions of the taxes.

- Wage and earnings tax collections (including both the City and PICA portions of the tax) were \$116.8 million in December, bringing the total for the first six months of FY11 to \$729.5 million, an increase of 3.2 percent over the same period in FY10. December collections exceeded the prior year level by \$7.2 million, the fifth consecutive month of growth over the prior year. Revenue collections in the second quarter suggest the tax base grew 3.7 percent over the prior year, continuing the modest growth in the tax base that has occurred since the third quarter of FY10. The current estimate for FY11 is \$1,490.3 million, based on projected tax base growth of 1.93 percent.

- December sales tax collections were \$18.6 million, bringing the total for the first six months of FY11 to \$124.9 million, an 85.5 percent increase over the same period in FY10. Collections for the second quarter of FY11 indicate that the sales tax base increased 2.9 percent over the same period in FY10. This level of growth suggests a continuation of modest growth in the sales tax base, which grew an estimated 3.2 percent 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 \$9.6 million in December, bringing the total for the first six months of FY11 to \$66.8 million, a 9.5 percent increase over the same period in FY10. Revenues from September through December 2010 were \$5.9 million below the level of the same period in FY10. However, revenues for July and August 2010 were \$11.7 million above the same period in FY10, apparently reflecting revenues received from transactions that occurred prior to the September 30, 2010 (settlement date) expiration of the federal first-time homebuyer tax credit. With the expiration of the credit, there has been some reduction in the pace of activity which is reflected in RETT revenue. The current estimate for FY11 RETT revenue is \$121.2 million, a 1.7 percent increase over the FY10 unaudited actual. This estimate assumes relative stability in RETT collections over the final six months of the fiscal year.
- Parking tax collections in December were \$5.9 million, bringing the total for the first six months of the fiscal year to \$35.4 million, a 0.1 percent decrease compared to the previous fiscal year. The current FY11 estimate for this tax is \$72.5 million.
- December amusement tax collections were \$1.3 million, bringing the total for the first six months of FY11 to \$9.7 million, a 12.7 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 December 2010 (\$ in Millions)**

Tax	Monthly Total through December			Fiscal Year Total (Budget Basis)	
	FY10	FY11 (Preliminary)	Percent Change	FY10 Unaudited Actual	FY11 Current Estimate
<b>Wage and Earnings<sup>1</sup></b>	\$706.9	\$729.5	3.2%	1,450.3	1,490.3
<i>Wage</i>	703.0	724.6	3.1%	--	--
<i>Earnings</i>	3.8	4.9	27.8%	--	--
<b>Net Profits<sup>1</sup></b>	2.8	4.9	76.3%	21.7	20.1
<b>Real Estate<sup>2</sup></b>	38.7	35.8	-7.4%	402.2	491.4
<b>Business Privilege</b>	31.5	43.7	38.5%	364.7	350.7
<b>Sales<sup>3</sup></b>	67.3	124.9	85.5%	207.1	243.8
<b>Real Estate Transfer</b>	61.0	66.8	9.5%	119.2	121.2
<b>Parking</b>	35.4	35.4	-0.1%	70.5	72.5
<b>Amusement</b>	11.1	9.7	-12.7%	21.9	21.1
<b>Other</b>	2.2	2.6	16.6%	2.4	4.1
<b>Total</b>	957.0	1,053.3	10.1%	2,659.9	2,815.2
<i>PICA Taxes</i>	163.9	170.9	4.3%	343.3	361.9
<i>City General Fund Taxes</i>	793.1	882.4	11.3%	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](http://www.phila.gov/revenue/City_Monthly_Revenue.html), and preliminary revenue report for December 2010. Fiscal Year total FY10 unaudited actual and FY11 current estimate from Quarterly City Managers Report dated November 15, 2010.

Notes:

<sup>1</sup> Includes portion dedicated to PICA.

<sup>2</sup> 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.

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