

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

March 2011

City General Fund tax collections in March were \$301.0 million, bringing the total for the first nine months of fiscal year 2011 (FY11) to \$1,779.6 million, an increase of \$203.0 million or 12.9 percent over the same period in fiscal year 2010. Of this increase, \$87.8 million (43 percent) represents increased real estate tax revenue, which reflects an increase in the City real estate tax rate from 3.305 percent in 2010 to 4.123 percent in 2011. Thirty percent of the increase from FY10 to FY11 represents increased sales tax revenue due to an increase in the City sales tax rate from 1 to 2 percent, as well as modest growth in the sales tax base. The increase in collections through the first nine months of FY11 also reflects growth in the wage and business privilege tax base.

The table below shows estimated quarterly tax base growth rates for five major General Fund taxes through the third quarter of FY11. <sup>1</sup> The estimates indicate continued stabilization or growth in each tax base. For all five taxes, the third quarter trend represents an improvement over the second quarter. The 4.1 percent growth in the wage and earnings tax base in the third quarter is noteworthy, as it indicates continued stabilization of the city labor market.

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

Tax	FY09	FY10				FY11		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Wage and Earnings	(0.6)	(4.3)	(0.5)	0.4	2.8	2.8	3.7	4.1
Real Estate Transfer	(47.2)	(31.0)	19.2	7.1	40.2	31.5	(12.3)	(7.2)
Sales	(7.1)	(8.5)	(8.6)	(13.9)	(3.6)	3.2	2.9	5.5
Parking	(23.5)	9.4	6.6	(6.3)	5.3	(1.0)	0.9	2.6
Amusement	17.5	6.6	(14.5)	(0.9)	4.1	1.2	(26.9)	22.3

Note: Negative amounts are shown in parentheses. Wage and earnings tax figures include City and PICA portions of the taxes.

<sup>1</sup> The tax base is estimated as revenue divided by the tax rate in effect in each time period.

- Wage and earnings tax collections (including both the City and PICA portions of the tax) were \$134.2 million in March, bringing the total for the first nine months of FY11 to \$1,134.8 million, an increase of 3.5 percent over the same period in FY10. The wage and earnings tax base increased an estimated 4.1 percent in the third quarter, slightly above the estimated 3.7 percent growth in the second quarter. This represents the fifth consecutive quarter of growth following three quarters of decline. The current estimate for FY11 is \$1,492.1 million, based on projected tax base growth of 3.0 percent.
- Real estate tax collections in March were \$122.6 million, bringing the total for the first nine months of the fiscal year to \$462.3 million, a 23.4 percent increase compared to FY10. The rate of the City portion of the real estate tax increased from 3.305 percent in 2010 to 4.123 percent in 2011, a tax rate increase of 24.8 percent. (The combined tax rate for the City and School District portion of the tax increased 9.9 percent from 2010 to 2011.) The current projection for FY11 is \$488.7 million, an increase of 21.5 percent over FY10.
- March sales tax collections were \$18.0 million, bringing the total for the first nine months of FY11 to \$185.1 million, a 48.7 percent increase over the same period in FY10. This increase is primarily due to the increase in the City sales tax rate from 1 to 2 percent effective in October 2009. The sales tax base has also grown throughout FY11, with an estimated growth rate of 5.5 percent in the third quarter compared to the previous year. The current estimate for FY11 is \$247.5 million, an increase of \$40.4 million over FY10. This increase reflects estimated tax base growth of 3.2 percent in FY11, along with the impact of a full year of collections at the higher tax rate.
- Real estate transfer tax (RETT) collections were \$8.1 million in March, bringing the total for the first nine months of FY11 to \$88.3 million, a 4.9 percent increase over the same period in FY10. RETT growth in FY11 is primarily due to significant growth in the first quarter, when collections increased 31.5 percent over the first quarter of FY10. This growth apparently reflected the impact of the federal first-time homebuyer tax credit. Collections in the second quarter declined 12.3 percent compared to the previous year, and third quarter collections declined 7.2 percent. The current projection for FY11 is \$119.8 million, which assumes continued stabilization of collections in the remaining three months of the fiscal year.
- Parking tax collections in March were \$5.6 million, bringing the total for the first nine months of the fiscal year to \$51.5 million, a 0.7 percent increase compared to FY10. The current FY11 estimate is \$72.5 million.

- March amusement tax collections were \$0.9 million, bringing the total for the first nine months of FY11 to \$12.7 million, a 6.3 percent decline compared to FY10. A portion of the decline is due to the fewer number of Phillies home playoff games in FY11. The current FY11 estimate is \$21.1 million.

**City of Philadelphia Tax Revenues through March 2011 (\$ in Millions)**

Tax	Monthly Total through March			Fiscal Year Total (Budget Basis)	
	FY10	FY11 (Preliminary)	Percent Change	FY10 Actual	FY11 Current Estimate
<b>Wage and Earnings<sup>1</sup></b>	\$1,096.5	\$1,134.8	3.5%	1,450.3	1,492.1
Wage	1,089.7	1,127.0	3.4%	--	--
Earnings	6.9	7.8	12.9%	--	--
<b>Net Profits<sup>1</sup></b>	6.3	6.9	9.2%	21.7	20.4
<b>Real Estate<sup>2</sup></b>	374.5	462.3	23.4%	402.2	488.7
<b>Business Privilege</b>	75.8	100.5	32.5%	364.7	360.8
<b>Sales<sup>3</sup></b>	124.5	185.1	48.7%	207.1	247.5
<b>Real Estate Transfer</b>	84.1	88.3	4.9%	119.2	119.8
<b>Parking</b>	51.1	51.5	0.7%	70.5	72.5
<b>Amusement</b>	13.6	12.7	-6.3%	21.9	21.1
<b>Other</b>	6.4	3.3	-48.5%	2.4	4.1
<b>Total</b>	1,832.8	2,045.3	11.6%	2,659.9	2,827.0
PICA Taxes	256.2	265.7	3.7%	343.3	345.5
City General Fund Taxes	1,576.6	1,779.6	12.9%	2,316.6	2,481.5

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 March 2011. Fiscal Year total FY10 actual and FY11 current estimate from *Mayor's Operating Budget in Brief for Fiscal Year 2012 as Proposed to the Council*, March 2011.

Notes:

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

<sup>2</sup> The rate of the City portion of the real estate tax increased from 3.305 percent in 2010 to 4.123 percent in 2011. The combined City and School District real estate tax rate increased 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.