

Pennsylvania Intergovernmental Cooperation Authority

1500 Walnut Street, Suite 1600
Philadelphia, PA 19102
215-561-9160

Monthly City of Philadelphia Tax Revenue Update

July 2011

City General Fund tax collections in July were \$138.1 million, a decline of 5.9 percent compared to July 2010. With the exception of the parking tax, all General Fund taxes that are collected in significant amounts during the summer months – the wage and earnings, sales, and real estate transfer taxes – were below the level of July 2010, despite no change in their tax rates. These results, coupled with the slower rate of growth for the wage and sales tax bases in the fourth quarter of FY11, suggest the possibility of a general slowing in the rate of growth for the wage and sales tax bases.

It should be noted that collections for a single month can be a misleading indicator due to monthly variability in collections; full collections data for the first quarter of FY12 (July through September 2011) will provide a more reliable indicator of City tax revenue trends. July 2011 figures may also have been impacted by the Tax Amnesty program.

- Wage and earnings tax collections (including both the City and PICA portions of the tax) were \$115.3 million in July, a decline of 3.4 percent compared to FY11. Since the wage and earnings tax rates have not changed over the past year, this result also indicates the estimated change in the tax base. During FY11, the tax base increased at rates ranging from 2.1 to 4.1 percent in each quarter compared to the prior year. The decline in the first month of FY12 suggests the possibility that wage tax base growth could be slowing. A more definitive conclusion, however, will not be possible until after a full quarter of data is collected by the end of September. The current estimate for FY12 is \$1,542.3 million, based on projected tax base growth of 3.4 percent for the year.

- July sales tax collections were \$19.5 million, a 9.7 percent decline from FY11.¹ Since quarterly estimates of the sales tax base in FY11 showed increases over the prior year at rates ranging from 2.9 to 5.5 percent, the July collection level suggests that the pace of retail sales is slowing in FY12. However, as is the case with other tax collection data, a more definitive conclusion on trends cannot be drawn until the completion of the first quarter of FY12. The current estimate for FY12 is \$256.5 million, based on projected tax base growth of 3.5 percent for the year.
- Real estate transfer tax (RETT) collections were \$10.2 million in July, a 48.8 percent decline compared to FY11. A significant portion of the decline reflects the impact on July 2010 collections of the federal first-time homebuyer tax credit, which increased real estate activity in the months prior to its September 30, 2010 expiration. The decline in RETT revenue from July 2010 to 2011 also apparently reflects continued weak real estate market conditions. In the final three quarters of FY10, RETT collections in comparison to the prior fiscal year were lower by 7.2 to 15.5 percent, and July 2011 collections are 6.4 percent below the level of two years ago (July 2009). The current projection for FY12 is \$120.9 million, based on projected tax base growth of 3.0 percent for the year.
- Parking tax collections in July were \$7.0 million, a 22.1 percent increase compared to FY11. The current FY12 estimate is \$74.3 million, based on projected tax base growth of 2.5 percent for the year.
- July amusement tax collections were \$0.9 million, a 27.4 percent decline compared to FY11. The current FY12 estimate is \$21.6 million, based on estimated tax base growth of 2.5 percent in FY12.

¹ Year-over-year collections differ from end-of-year budget numbers due to the delays in the collection of the Sales Tax and end-of-year accrual adjustments. The figures here provide for the best activity comparison, which can be adjusted for the rate change, and allow the calculation of a growth rate in the underlying base.

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

Tax	Monthly Total through July			Fiscal Year Total (Budget Basis)	
	FY11	FY12 (Preliminary)	Percent Change	FY11 Current Estimate	FY12 Current Estimate
Wage and Earnings¹	\$119.3	\$115.3	-3.4%	\$1,492.1	\$1,542.3
<i>Wage</i>	118.2	114.4	-3.2%	--	--
<i>Earnings</i>	1.2	0.9	-23.1%	--	--
Net Profits¹	1.2	0.8	-32.7%	20.4	20.8
Real Estate²	4.1	7.3	77.3%	488.7	486.7
Business Privilege	2.4	3.6	47.5%	370.8	369.3
Sales	21.4	19.4	-9.7%	247.5	256.5
Real Estate Transfer	19.9	10.2	-48.8%	117.3	120.9
Parking	5.8	7.0	22.1%	72.5	74.3
Amusement	1.2	0.9	-27.4%	21.1	21.6
Other	0.4	0.3	-30.2	4.1	4.1
Total	175.9	164.9	-6.3%	2,834.5	2,896.5
<i>PICA Taxes</i>	29.2	26.8	-8.4%	345.5	357.1
<i>City General Fund Taxes</i>	146.7	138.1	-5.9%	2,489.0	2,539.5

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, and preliminary revenue report for July 2011. Fiscal year total FY11 and FY12 current estimate from *Five-Year Financial Plan for Fiscal Year 2012 to 2016*, approved by PICA on July 26, 2011.

Notes:

¹ Includes portion dedicated to PICA.

² 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.