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Monthly City of Philadelphia Tax Revenue Update

October 2011

City General Fund tax collections in October were \$152.7 million, bringing the total for the first four months of FY12 to \$598.2 million, an increase of 0.9 percent compared to the same period in FY11. Compared to recent months, October collections appear to be relatively strong for the wage and earnings, and real estate transfer taxes. However, the growth in wage tax collections may be misleading due to a quirk in the calendar. Real estate transfer tax collections in October were 18.5 percent higher than in October 2010. Sales tax collections showed improvement, declining just 0.3 percent in October compared to October 2010, following a more substantial 6.0 percent decline in aggregate in the first quarter of FY11 as compared to FY10.

While FY12 revenues to date for these taxes remain below the FY12-FY16 Five-Year Financial Plan projection, the relative improvement in October collections compared to the first quarter of FY12 is a positive sign. It should be noted, however, that collections for a single month can be a misleading indicator due to monthly variability in collections.

- Wage and earnings tax revenue (including both the City and PICA portions of the tax) was \$132.3 million in October, bringing the total for the first four months of FY12 to \$497.4 million, an increase of 3.1 percent compared to the same period in FY11. While October collections were 10.3 percent above the same month in 2010, the results may be misleading. In 2010, October 31 fell on a Sunday, so quarterly filers had until November 1 to file their taxes, and the City received over \$9 million that day alone. As a result, the comparisons between October 2010 and October 2011 collections may not be valid. A combined October/November year-over-year comparison will provide a better indicator as to the year-to-date strength of FY12 Wage Tax collections. The current estimate for FY12 is \$1,542.3 million, based on projected annual growth of 3.4 percent in the tax base.
- October sales tax collections were \$19.4 million, bringing the total for the first four months of FY12 to \$81.0 million, a 4.7 percent decline from the previous fiscal year.¹ The sales tax

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.

base declined an estimated 6.0 percent in the first quarter of FY12 as compared to the first quarter of FY11. However, October 2011 collections, which were only 0.3 percent below the October 2010 level, suggest a degree of improvement in retail sales trends. 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 \$9.3 million in October, bringing the total for the first four months of FY12 to \$45.3 million, a 5.4 percent decline compared to FY11. October collections were 18.5 percent higher than in October of last year, the third consecutive month in which collections exceeded the same month in 2010, following five consecutive monthly declines from March through July. Declines in this period reflected the unusual strength of RETT collections during spring and summer of 2010 that resulted from the temporary incentive created by federal first-time homebuyer tax credit. From August through October, monthly RETT revenue increased compared to the 2010 level, as the impact of the tax credit on 2010 collections diminished after July.² The current projection for FY12 is \$120.9 million, based on estimated tax base growth of 3.0 percent for the year.
- Parking tax collections in October were \$5.9 million, bringing the total for the first four months of FY12 to \$24.6 million, a 1.5 percent increase compared to FY11. The current estimate for FY12 is \$74.3 million, based on projected tax base growth of 2.5 percent.
- Amusement tax collections in October were \$0.6 million, bringing the total for the first four months of FY12 to \$5.8 million, a 10.8 percent decline compared to FY11. The current FY12 estimate is \$21.6 million, based on estimated tax base growth of 2.5 percent.

² The same pattern is evident in residential sales figures. In the third quarter of 2011, monthly residential real estate sales transactions in the city increased compared to 2010, after declining throughout the first two quarters of the year. See Office of the City Controller, City of Philadelphia, *Economic Report*, September 2011, p. 3.

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

Tax	Monthly Total through October			Fiscal Year Total (Budget Basis)	
	FY11	FY12 (Preliminary)	Percent Change	FY11 Current Estimate	FY12 Current Estimate
Wage and Earnings¹	\$482.6	\$497.4	3.1%	\$1,492.1	\$1,542.3
<i>Wage</i>	478.7	493.7	3.1%	--	--
<i>Earnings</i>	3.9	3.8	-2.4%	--	--
Net Profits¹	4.2	2.6	-38.4%	20.4	20.8
Real Estate²	20.2	26.0	28.9%	488.7	486.7
Business Privilege	35.3	26.5	-25.0%	370.8	369.3
Sales	85.0	81.0	-4.7%	247.5	256.5
Real Estate Transfer	47.9	45.3	-5.4%	117.3	120.9
Parking	24.3	24.6	1.5%	72.5	74.3
Amusement	6.5	5.8	-10.8%	21.1	21.6
Other	1.5	0.8	-48.4%	4.1	4.1
Total	707.5	710.0	0.4%	2,834.5	2,896.5
<i>PICA Taxes</i>	114.5	111.9	-2.3%	345.5	357.1
<i>City General Fund Taxes</i>	592.9	598.2	0.9%	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 October 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.