

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

December 2011

City General Fund tax collections in December were \$141.2 million, bringing the total for the first six months of FY12 to \$877.7 million, a decrease of 0.5 percent compared to the same period in FY11. While growth rates in the second quarter were generally improved over the first quarter of FY12, still stronger growth will be necessary in the final six months of the fiscal year to meet current FY12 revenue estimates.

As shown in the table below, the wage and earnings tax base increased 2.1 percent in the second quarter of FY12, higher than the first quarter, but still below the current estimate of 2.4 percent growth for FY12 as a whole. The sales tax base increased 3.3 percent in the second quarter. However, because of the 6.0 percent tax base decline in the first quarter, retail sales will have to remain strong for the remainder of the fiscal year to meet the current FY12 estimate. The real estate transfer tax base declined 4.4 percent in the second quarter of FY12, compared to a decline of 10.2 percent in the first quarter.

Major General Fund Tax Revenue Sources:

Estimated Year-over-Year Percentage Growth in Tax Base by Quarter¹

Tax	FY10		FY11				FY12	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Wage and Earnings	0.4	2.8	2.8	3.7	4.1	2.0	0.7	2.1
Real Estate Transfer	7.1	40.2	31.5	(12.3)	(7.2)	(15.5)	(10.2)	(4.4)
Sales	(13.9)	(3.6)	3.2	2.9	5.5	5.1	(6.0)	3.3
Parking	(6.0)	6.3	(0.4)	1.6	3.0	(0.4)	3.2	(2.6)

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

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

- Wage and earnings tax revenue (including both the City and PICA portions of the tax) was \$116.1 million in December, bringing the total for the first six months of FY12 to \$739.7 million, an increase of 1.4 percent compared to the same period in FY11. Due to relatively weak first quarter collections, the City in the most recent *Quarterly City Managers Report* reduced the FY12 wage and earnings tax base growth estimate from 3.4 percent to 2.4 percent, resulting in a \$21.8 million decline in estimated FY12 revenues. The wage and earnings tax base grew 2.1 percent in the second quarter, an increase from the 0.7 percent growth of the first quarter, but below the current projected growth for the entire fiscal year. Tax base growth will have to increase through the remainder of the fiscal year to meet the current FY12 estimate of \$1,520.5 million.
- December sales tax collections were \$20.4 million, bringing the total for the first six months of FY12 to \$122.9 million, a 1.6 percent decline from the previous fiscal year.² The sales tax base increased 3.3 percent in the second quarter of FY12, compared to a 6.0 percent decline in the first quarter. As a result of weak first quarter collections, the City in the *Quarterly City Managers Report* for the first quarter revised the FY12 tax base growth estimate downward from 3.5 to 1.6 percent, resulting in a current FY12 estimate of \$248.6 million, a \$7.9 million reduction from the FY12-FY16 Plan estimate. However, to meet even this estimate, retail sales trends will have to remain strong during the remainder of the fiscal year.
- Real estate transfer tax (RETT) collections were \$8.7 million in December, bringing the total for the first six months of FY12 to \$61.5 million, a 7.9 percent decline compared to FY11. Collections in the second quarter of FY12 declined 4.4 percent compared to the prior year, an improvement compared to the 10.2 percent decline in the first quarter. The \$5.2 million decline in RETT collections to date primarily reflects weak collections in July, which were \$9.7 million below the prior year due to the impact of the federal first time homebuyer tax credit in 2010. The current estimate for FY12 assumes continued improvement in real estate market trends through the remainder of the fiscal year. The current projection for FY12 is \$120.9 million, based on estimated annual tax base growth of 3.6 percent.
- Parking tax collections in December were \$5.7 million, bringing the total for the first six months of FY12 to \$36.3 million, a 0.3 percent increase compared to FY11. The current estimate for FY12 is \$74.3 million, an increase of 3.8 percent from the FY11 unaudited actual.

² 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.

- Amusement tax collections in December were \$1.2 million, bringing the total for the first six months of FY12 to \$8.2 million, a 15.6 percent decline compared to FY11. The current FY12 estimate is \$19.6 million, a decline of 5.5 percent from the FY11 unaudited actual, and represents a \$2 million reduction from the FY12-FY16 Plan estimate.

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

Tax	Monthly Total through December			Fiscal Year Total (Budget Basis)	
	FY11	FY12 (Preliminary)	Percent Change	FY11 Unaudited Actual	FY12 Current Estimate
Wage and Earnings¹	\$729.5	\$739.7	1.4%	\$1,481.6	\$1,520.5
<i>Wage</i>	724.6	734.2	1.3%	--	--
<i>Earnings</i>	4.9	5.5	12.3%	--	--
Net Profits¹	4.9	3.5	-28.6%	20.3	20.8
Real Estate²	35.8	46.1	28.7%	482.7	486.7
Business Privilege	43.7	25.6	-41.5%	376.9	369.3
Sales	124.9	122.9	-1.6%	244.6	248.6
Real Estate Transfer	66.8	61.5	-7.9%	116.6	120.9
Parking	36.2	36.3	0.3%	71.6	74.3
Amusement	9.7	8.2	-15.6%	20.8	19.6
Other	1.8	1.3	-31.8%	2.7	4.1
Total	1,053.3	1,045.1	-0.8%	2,817.8	2,864.8
<i>PICA Taxes</i>	170.9	167.4	-2.1%	358.7	357.1
<i>City General Fund Taxes</i>	882.4	877.7	-0.5%	2,459.1	2,507.8

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 December 2011. FY11 unaudited actual and FY12 current estimate from *Quarterly City Managers Report* for the period ending September 30, 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.