

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

January 2012

City General Fund tax collections in January were \$200.8 million, bringing the total for the first seven months of FY12 to \$1,078.5 million, an increase of 0.1 percent compared to the same period in FY11. January wage and earnings tax collections were \$10.0 million below January 2011, although approximately \$8.5 million of this decline reflects a delay in receiving payments due at the end of January from employers who remit the wage tax on a quarterly basis. While collections data for a single month can be misleading, due to administrative and timing issues that affect reported revenues, the decline in wage tax collections in January is a source of some concern. To meet the current FY12 projection for the wage tax, growth in collections through the remaining five months of the fiscal year will have to improve. Sales and real estate transfer tax collections were relatively strong in January, but collections for both these taxes will have to remain strong through the remainder of the fiscal year to meet current FY12 estimates.

- Wage and earnings tax revenue (including both the City and PICA portions of the tax) was \$145.5 million in January, bringing the total for the first seven months of FY12 to \$885.3 million, an increase of less than 0.1 percent from the \$885.0 million collected during the same period in FY11. January collections declined \$10.0 million compared to January 2011. Approximately \$8.5 million of the decline is due to delayed receipt of payments due January 31 from employers who remit the wage tax on a quarterly basis (including small businesses and State and federal agencies). After adjusting for the \$8.5 million in delayed receipts, revenues through the first seven months of FY12 increased 1.0 percent over the prior year. Collection growth will have to increase through the remaining five months of the fiscal year to achieve the current FY12 projection of \$1,520.5 million, which reflects projected annual tax base growth of 2.4 percent.
- January sales tax collections were \$20.3 million, bringing the total for the first seven months of FY12 to \$143.2 million, a 0.8 percent decline from the FY11 level.¹ Collections in January increased 4.3 percent over January 2011, the third consecutive month of increases compared to the prior year, following declines from July through October. The current 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.

estimate of \$248.6 million is based on projected tax base growth of 1.6 percent for the year. To meet this estimate, retail sales trends will have to remain relatively strong during the remainder of the fiscal year.

- Real estate transfer tax (RETT) collections were \$9.4 million in January, bringing the total for the first seven months of FY12 to \$70.9 million, a \$3.5 million (4.7 percent) decline compared to FY11. The overall decline in collections for the first seven months of FY12 primarily reflects weak collections in July, which were \$9.7 million below the prior year. From August through January, collections have increased 11.5 percent compared to the same period in FY11. The current projection for FY12 is \$120.9 million, based on projected tax base growth of 3.6 percent for the year. To meet this estimate will require that collections remain relatively strong through the remainder of the fiscal year.
- Parking tax collections in January were \$5.4 million, bringing the total for the first seven months of FY12 to \$41.7 million, a 0.1 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.
- Amusement tax collections in January were \$0.8 million, bringing the total for the first seven months of FY12 to \$9.0 million, a 15.8 percent decline compared to FY11. The current FY12 estimate is \$19.6 million, a decline of 5.5 percent from the FY11 unaudited actual.

City of Philadelphia Tax Revenues through January 2012 (\$ in Millions)

Tax	Monthly Total through January			Fiscal Year Total (Budget Basis)	
	FY11	FY12 (Preliminary)	Percent Change	FY11 Unaudited Actual	FY12 Current Estimate
Wage and Earnings¹	\$885.0	\$885.3	0.0%	\$1,481.6	\$1,520.5
<i>Wage</i>	879.4	878.7	-0.1%	--	--
<i>Earnings</i>	5.6	6.6	17.4%	--	--
Net Profits¹	5.3	4.5	-14.6%	20.3	20.8
Real Estate²	70.1	85.5	22.0%	482.7	486.7
Business Privilege	51.3	38.4	-25.2%	376.9	369.3
Sales	144.4	143.2	-0.8%	244.6	248.6
Real Estate Transfer	74.4	70.9	-4.7%	116.6	120.9
Parking	41.7	41.7	0.1%	71.6	74.3
Amusement	10.7	9.0	-15.8%	20.8	19.6
Other	2.0	1.5	-23.8%	2.7	4.1
Total	1,284.8	1,280.0	-0.4%	2,817.8	2,864.8
<i>PICA Taxes</i>	206.9	201.6	-2.6%	358.7	357.1
<i>City General Fund Taxes</i>	1,077.9	1,078.5	0.1%	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 January 2012. 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.