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Monthly City of Philadelphia Tax Revenue Update

June 2012

City General Fund tax collections in June were \$147.9 million, bringing the FY12 total to \$2,555.3 million, an increase of 2.5 percent compared to FY11. Total cash collections through June for all major taxes except the parking tax are at or above the current FY12 projection. Actual FY12 revenues reported in City financial publications, however, could be somewhat higher or lower than cash collections depending on the net impact of end-of-year accruals for each tax. Nonetheless, cash collection results through June, presented in this report, suggest that the City is on pace to meet its current estimate of overall FY12 General Fund tax revenue, which is \$2,521.6 million.

The table below presents estimated quarterly tax base growth for four major General Fund taxes. Each tax showed positive growth in the fourth quarter of FY12. The wage and earnings tax base posted an unusually strong result in the fourth quarter, increasing 8.6 percent from FY11, compared to a decline of 3.3 percent in the third quarter. (The relatively strong fourth quarter and weak third quarter growth rates appear to be due at least in part to the timing of receipts, as opposed to economic factors.) The real estate transfer tax base increased 5.9 percent in the fourth quarter, the second consecutive quarter of growth following five quarters of decline. The sales and parking tax bases also increased in the fourth quarter.

**Major General Fund Tax Revenue Sources:
Estimated Year-over-Year Percentage Growth in Tax Base by Quarter¹**

Tax	FY11				FY12			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Wage and Earnings ²	2.8	3.7	4.1	2.0	0.7	2.1	(3.3)	8.6
Real Estate Transfer	31.5	(12.3)	(7.2)	(15.5)	(10.2)	(4.4)	24.3	5.9
Sales	3.2	2.9	5.5	5.1	(6.0)	3.3	5.4	1.5
Parking	(0.4)	1.6	3.0	(0.4)	3.2	(2.6)	4.1	3.8

Notes:

¹ Tax base is calculated as tax revenues divided by the tax rate in effect in each period. Negative amounts are shown in parentheses.

² Includes City and PICA portion.

- Wage and earnings tax revenue (including both the City and PICA portions of the tax) was \$120.7 million in June, an increase of \$5.2 million (4.5 percent) from June 2011. Total collections from July to June of FY12 are \$1,527.8 million, an increase of \$28.2 million (1.9 percent) from FY11. The current FY12 estimate is \$1,516.7 million, an increase of 2.4 percent from the FY11 actual.
- Real estate tax collections were \$8.7 million in June, bringing the FY12 total to \$502.0 million, an increase of 4.4 percent over FY11. The current projection for FY12 is \$491.5 million, an increase of 1.8 percent over the FY11 actual.
- Business income and receipts tax (BIRT) collections were \$5.9 million in June, bringing the FY12 total to \$395.8 million, an increase of 1.8 percent from FY11. The current projection for FY12 is \$386.4 million, an increase of 2.5 percent from the FY11 actual.
- Net profits tax collections were \$1.9 million in June, bringing the FY12 total to \$20.6 million, a decrease of 3.3 percent compared to FY11. The current projection for FY12 is \$19.7 million, a decline of 3.0 percent from the FY11 actual.
- June sales tax collections were \$21.0 million, bringing the FY12 total to \$250.2 million, an increase of 0.9 percent from FY11. The current FY12 estimate is \$250.2 million, an increase of 2.3 percent from the FY11 actual.
- Real estate transfer tax (RETT) collections were \$10.5 million in June, a decline of \$2.1 million (16.9 percent) from June 2011. Total FY12 collections are \$118.9 million, an increase of 1.4 percent compared to FY11. While collections in July 2011 were \$9.7 million below the FY11 level, collections in the following eleven months were relatively strong, increasing 11.7 percent over the same period in FY11. The current projection for FY12 is \$115.9 million, a decline of 0.7 percent from the FY11 actual.
- June parking tax collections were \$6.4 million, bringing the FY12 total to \$72.7 million, a 2.1 percent increase compared to FY11. The current estimate for FY12 is \$74.3 million, an increase of 3.8 percent from the FY11 actual.
- Amusement tax collections in June were \$0.9 million, bringing the FY12 total to \$21.7 million, a 0.4 percent decline compared to FY11. The current FY12 estimate is \$19.6 million, a decline of 5.5 percent from the FY11 actual.

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

Tax	Monthly Total through June ¹			Fiscal Year Total (Budget Basis)	
	FY11	FY12 (Preliminary)	Percent Change	FY11 Actual	FY12 Current Estimate
Wage and Earnings²	\$1,499.6	\$1,527.8	1.9%	\$1,481.6	\$1,516.7
<i>Wage</i>	1,483.5	1,509.4	1.7%	--	--
<i>Earnings</i>	16.1	18.4	14.4%	--	--
Net Profits²	21.3	20.6	-3.3%	20.3	19.7
Real Estate	480.8	502.0	4.4%	482.7	491.5
Business Income and Receipts	388.8	395.8	1.8%	376.9	386.4
Sales	247.9	250.2	0.9%	244.6	250.2
Real Estate Transfer	117.3	118.9	1.4%	116.6	115.9
Parking	71.2	72.7	2.1%	71.6	74.3
Amusement	21.7	21.7	-0.4%	20.8	19.6
Other	2.3	3.2	36.5%	2.7	3.4
Total	2,851.0	2,912.8	2.2%	2,817.8	2,877.6
<i>PICA Taxes</i>	358.7	357.5	-0.3%	358.7	355.9
<i>City General Fund Taxes</i>	2,492.3	2,555.3	2.5%	2,459.1	2,521.6

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 June 2012. FY11 actual and FY12 current estimate from *Mayor's Operating Budget in Brief for Fiscal Year 2013*, City of Philadelphia.

Notes:

¹ For purposes of General Fund financial reporting, the City generally accrues all real estate and sales tax payments, and certain other taxes, if they are received within 60 days of the end of the fiscal year. Accordingly, actual FY12 General Fund tax revenues reported in the City's Comprehensive Annual Financial Report (CAFR) and other financial publications will differ from the amounts reported here on the basis of the City's monthly cash collection reports.

² Includes portion dedicated to PICA.