



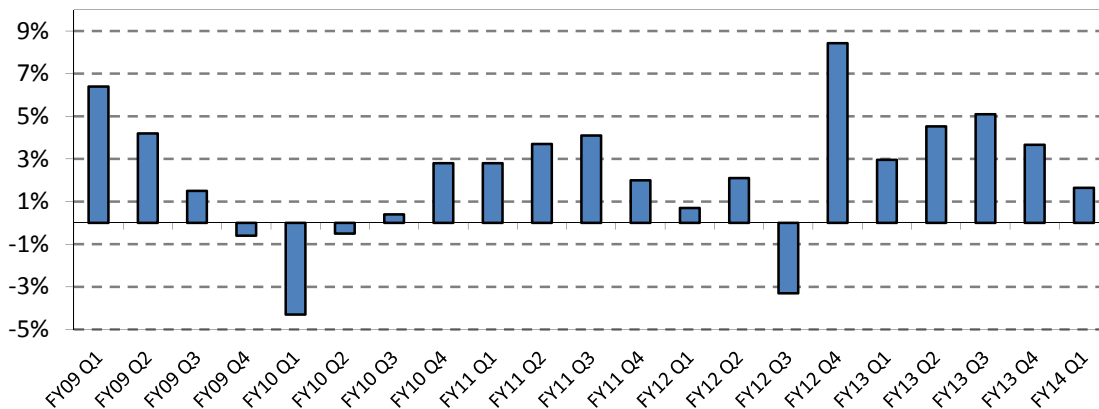
October 31, 2013

City of Philadelphia Tax Revenue Update for September 2013

City General Fund tax collections were \$162.0 million in September, according to the City’s preliminary monthly revenue report. This is an increase of \$13.9 million (9.4 percent) from September 2012. Real estate transfer tax collections were relatively strong in September, increasing 45.3 percent compared to September 2012. September wage and earnings and sales tax collections increased 1.8 percent and 3.8 percent, respectively, from September 2012.

General Fund tax collections through the first quarter of FY14 totaled \$481.9 million, an increase of \$31.4 million (7.0 percent) over the same period in FY13. The growth through September largely represents growth in real estate transfer (\$9.2 million), business income and receipts (\$11.8 million), and wage and earnings (\$5.8 million) tax revenues. The current estimate for FY14 General Fund tax revenue is \$2,760.8 million, an increase of 0.9 percent from the current estimate for FY13.

Figure 1: Wage and Earnings Tax Base, Year-over-Year Percentage Change by Quarter¹



Note: Figures are PICA staff estimates based on monthly cash collections and past tax rates. The estimated tax base equals revenues divided by the tax rate in effect in each period. Revenue data are from *Comparative Statement of Net Revenue Collections*, City of Philadelphia Department of Revenue.

¹ Includes City and PICA portion.

Figure 1 presents estimated quarterly growth of the base of the wage and earnings tax. The figures represent annual growth rates in cash collections, adjusted for any changes in tax rates. The most recent change in tax rate occurred July 1, 2013, when the resident tax rate declined from 3.928 to 3.924 percent, and the non-resident rate from 3.4985 to 3.495 percent. This tax base has generally shown modest growth since the fourth quarter of FY10. Growth in the first quarter of FY14 was 1.6 percent.

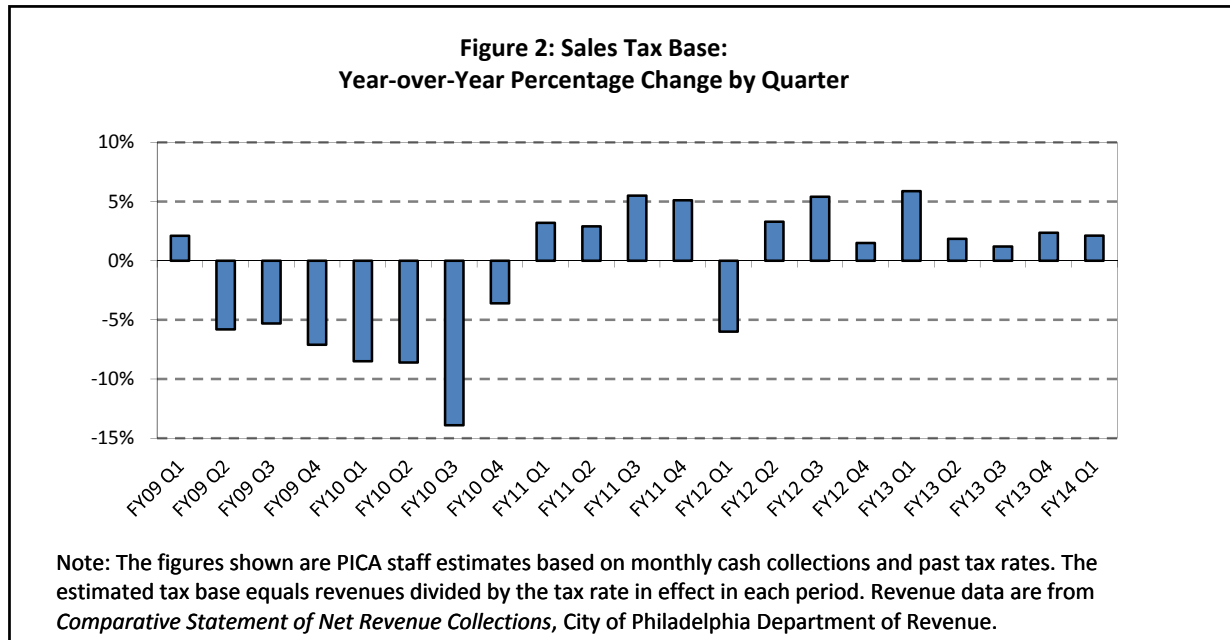
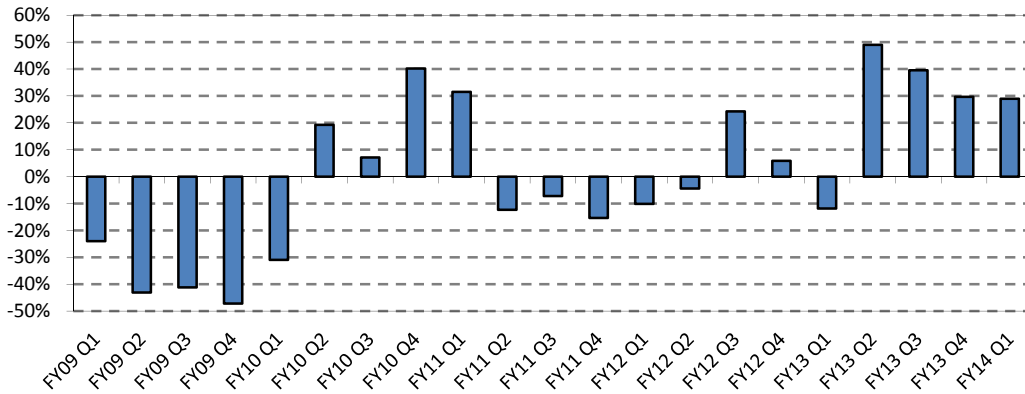


Figure 2 presents estimated quarterly growth rates for the sales tax base. This figure represents changes in quarterly cash collections, adjusted for the change in tax rate from 1 to 2 percent effective in October 2009. Following significant declines during FY09 and FY10, the tax base has generally shown modest growth since the fourth quarter of FY10. The tax base grew 2.1 percent in the first quarter of FY14.

Figure 3 presents estimated quarterly growth rates for the real estate transfer tax base. After declining dramatically throughout FY09 and the first quarter of FY10, the tax base recovered somewhat in the final three quarters of FY10 and the first quarter of FY11. The tax base was fairly stable through the remainder of FY11 and FY12. Significant gains have been observed in each quarter since the second quarter of FY13. In the first quarter of FY14, the tax base increased 28.9 percent.

**Figure 3: Real Estate Transfer Tax Base:
Year-over-Year Percentage Change by Quarter**



Note: The figures shown are PICA staff estimates based on monthly cash collections and past tax rates. The estimated tax base equals revenues divided by the tax rate in effect in each period. Revenue data are from *Comparative Statement of Net Revenue Collections*, City of Philadelphia Department of Revenue.

Trends in individual taxes are described below.¹

- Wage and earnings tax collections (including the City and PICA portion) totaled \$121.8 million in September, an increase of \$2.2 million (1.8 percent) from September 2012. Collections through the first quarter of FY14 increased 1.5 percent over FY13. The current FY14 estimate is \$1,656.6 million, a 3.7 percent increase from FY13.²
- Sales tax collections in September were \$21.4 million, an increase of 3.8 percent compared to the same month in FY13. Collections through the first quarter increased 2.1 percent over the first quarter of FY13. The current FY14 estimate is \$270.8 million, an increase of 5.1 percent from FY13.
- Real estate transfer tax collections were \$12.7 million in September, an increase of 45.3 percent from September 2012. Collections through the first quarter increased 28.9

¹ Real estate taxes are collected primarily in the period from January through March, while business income and receipts and net profits taxes are collected primarily from March through May. For these taxes, the overall strength of collections cannot be assessed until after these periods are complete. Accordingly, collection trends for these taxes are not discussed in detail, although the amounts collected are shown in Table 1.

² Monthly collections for all taxes can fluctuate due to random factors, so that revenue for any given month or quarter is not always indicative of the likely overall trend for the fiscal year. The wage tax in particular is susceptible to random influences, mostly relating to the timing of receipts. For this reason, monthly and quarterly revenue collection figures in this report should be interpreted cautiously.

percent from last year. The current FY14 projection is \$157.6 million, a 7.4 percent increase from FY13.

- Parking tax collections were \$6.3 million in September, a 2.8 percent decline from the same month last year. The current FY14 projection is \$75.0 million, a 2.5 percent increase from FY13.

Table 1: City of Philadelphia General Fund Tax Revenues: FY14 versus FY13 (\$ in Millions)							
Tax	Monthly Total through September			Fiscal Year Total (Budget Basis)			Percent Change through September Above/(Below) Fiscal Year Percent Change
	FY13	FY14¹	Percent Change	FY13 Current Estimate	FY14 Current Estimate	Percent Change	
Wage and Earnings²	\$375.9	\$381.7	1.5%	\$1,598.1	\$1,656.6	3.7%	(2.1%)
<i>Wage</i>	373.8	379.6	1.6%				
<i>Earnings</i>	2.1	2.1	-0.6%				
Net Profits²	1.4	2.0	42.3%	23.8	21.4	-10.4%	52.7%
Real Estate	20.8	22.7	9.0%	540.1	536.6	-0.7%	9.7%
Business Income and Receipts	17.6	29.4	67.2%	453.0	410.0	-9.5%	76.7%
Sales	65.2	66.6	2.1%	257.6	270.8	5.1%	(3.0%)
Real Estate Transfer	31.7	40.9	28.9%	146.8	157.6	7.4%	21.6%
Parking	18.3	18.5	0.7%	73.2	75.0	2.5%	(1.8%)
Amusement	5.4	6.6	21.2%	18.6	20.5	10.2%	11.0%
Other	0.7	0.7	1.1%	3.4	3.4	0.9%	0.2%
Total	537.1	569.0	5.9%	3,114.5	3,151.8	1.2%	4.7%
<i>PICA</i>	86.5	87.1	0.7%	377.7	391.0	3.5%	(2.9%)
<i>City</i>	450.5	481.9	7.0%	2,736.8	2,760.8	0.9%	6.1%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City Department of Revenue, available at <http://www.phila.gov/Revenue/aboutus/Pages/ReportsandPublications.aspx>. FY13 and FY14 current estimate from *Mayor's Operating Budget in Brief for Fiscal Year 2014 as Approved by Council*, June 2013, and *FY14-FY18 Five-Year Financial Plan*, as amended September 10, 2013.

Notes:

¹ Amounts are preliminary.

² Includes portion dedicated to PICA.