



October 16, 2014

City of Philadelphia Tax Revenue Update for August 2014

*August General Fund tax collections totaled \$156.6 million,
an increase of 4 percent from August 2013*

General Fund tax collections totaled \$156.6 million in August, according to the City's preliminary revenue report, an increase of \$6.1 million (4.0 percent) from August 2013. Increases in wage and earnings (\$6.4 million), real estate transfer (\$3.9 million), net profits (\$0.6 million), real estate (\$0.4 million) and parking (\$0.1 million) taxes were offset by declines in business income and receipts (\$3.5 million), sales (\$1.4 million), and amusement (\$0.4 million) taxes compared to August 2013.

The current estimate for FY15 General Fund tax collections, contained in the Revised FY15-FY19 *Five-Year Financial Plan* approved by PICA on October 14, is \$2,767.4 million, a decline of \$34.0 million (1.2 percent) from FY14. The overall decline reflects a \$110.4 million (41.9 percent) reduction in estimated sales tax revenue due to the dedication of \$120 million in sales tax revenue to the School District of Philadelphia (SDP) beginning in FY15. This revenue shift is partially offset by projected tax base growth of 3.7 percent in FY15. In addition, business income and receipts tax (BIRT) revenue is projected to decline \$5.1 million in FY15. This reduction reflects an estimated reduction of \$21 million due to tax reform, including exemption of the first \$100,000 in receipts from the BIRT gross receipts tax and single sales factor apportionment for the BIRT net income tax. The revenue loss due to these reforms is projected to be partially offset by tax base growth of 3.0 percent in FY15.

As shown in Table 2, in the Revised FY15-FY19 *Five-Year Financial Plan*, estimated FY15 General Fund tax revenues increased \$19.2 million from the adopted budget estimate. Significant changes included increases in the wage and earnings tax (\$11.8 million) and real estate transfer tax (\$7.7 million). These increases reflect upward revisions in FY14 estimates, and the application of previously assumed growth rates to the higher FY14 base.¹

¹ In the Revised Plan, the estimated FY15 City wage and earnings tax increased \$15.5 million from the adopted budget, while the estimated PICA wage and earnings tax declined \$3.7 million due to a revised allocation of revenue between the City and PICA. The combined City and PICA tax estimate increased \$11.8 million from the adopted budget.

**Table 1: City of Philadelphia General Fund Tax Revenues:
FY15 versus FY14 (\$ in Millions)**

Tax	Monthly Total through August			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY14	FY15 ¹	Percent Change	FY14 Current Estimate	FY15 Current Estimate	Percent Change	
Wage and Earnings²	\$259.9	\$276.9	6.5%	\$1,637.3	\$1,695.5	3.6%	3.0%
<i>Wage</i>	258.2	275.6	6.7%				
<i>Earnings</i>	1.7	1.3	-20.6%				
Net Profits²	0.9	(1.4)	-251.5%	30.7	31.9	3.7%	(255.2%)
Real Estate	15.6	16.1	3.4%	530.2	547.4	3.3%	0.1%
Business Income and Receipts	10.6	6.0	-43.8%	458.3	453.2	-1.1%	(42.7%)
Sales	45.2	44.6	-1.4%	263.1	152.7	-41.9%	40.5%
Real Estate Transfer	28.2	32.8	16.1%	167.5	184.3	10.0%	6.1%
Parking	12.2	12.4	2.1%	75.0	76.9	2.5%	(0.4%)
Amusement	5.8	5.2	-10.0%	20.0	20.4	2.0%	(12.0%)
Other	0.5	0.5	6.5%	3.4	3.5	0.9%	5.6%
Total	378.9	393.1	3.7%	3,185.5	3,165.7	-0.6%	4.4%
<i>PICA</i>	59.0	61.2	3.8%	384.1	398.3	3.7%	
<i>City</i>	319.9	331.9	3.7%	2,801.4	2,767.4	-1.2%	4.9%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City of Philadelphia, Department of Revenue. Current estimate for FY14 and FY15 from Revised *Five-Year Financial Plan* for Fiscal Year 2015 through 2019, September 24 Revision, approved by PICA on October 14, 2014.

Notes:

¹ Amounts are preliminary. Collections to date are not necessarily indicative of likely trends for the entire fiscal year.

² Includes portion dedicated to PICA.

Table 2: City of Philadelphia Tax Revenues FY15 Adopted Budget versus Current Estimate (\$ in Millions)				
Tax	Adopted Budget	Current Estimate	Current Estimate Above/(Below) Adopted Budget	
			Amount	Percent
Wage and Earnings¹	\$1,683.7	\$1,695.5	\$11.8	0.7%
Net Profits¹	35.2	31.9	(3.3)	-9.4%
Real Estate	547.4	547.4	--	--
Business Income and Receipts	453.2	453.2	--	--
Sales	154.6	152.7	(1.9)	-1.2%
Real Estate Transfer	176.6	184.3	7.7	4.4%
Parking	76.9	76.9	--	--
Amusement	20.9	20.4	(0.5)	-2.4%
Other	3.5	3.5	--	--
Total	3,152.0	3,165.7	13.8	0.4%
<i>PICA</i>	403.7	398.3	(5.4)	-1.3%
<i>City</i>	2,748.2	2,767.4	19.2	0.7%

Source: Adopted budget amounts from *Mayor's Operating Budget in Brief for Fiscal Year 2015*.
Current estimate from Revised *Five-Year Financial Plan* for Fiscal Years 2015 through 2019,
September 24 Revision, approved by PICA on October 14, 2014

Note:

¹ Includes portion dedicated to PICA.