



December 29, 2014

City of Philadelphia Tax Revenue Update for October 2014

Revenue growth through October for major taxes collected continuously through the fiscal year – notably, the wage and earnings tax and real estate transfer tax – is consistent with currently projected levels for Fiscal Year 2015

General Fund tax collections totaled \$170.8 million in October, according to the City's preliminary revenue report, a decrease of \$10.1 million (5.6 percent) from the previous year. Increases in wage and earnings (\$9.0 million), real estate transfer (\$1.1 million), real estate (\$0.9 million), and parking (\$0.1 million) tax receipts were offset by declines in sales (\$10.7 million), business income and receipts (\$10.0 million), amusement (\$0.2 million), and net profits (\$0.1 million) taxes. The decline in sales tax reflected the allocation of a portion of the local sales tax to the School District of Philadelphia (SDP) effective July 1, 2014.

Fiscal Year 2015 year-to-date General Fund tax collections totaled \$664.2 million, an increase of 0.2 percent compared to last year. FY15 year to date growth for three major taxes that are collected continuously through the year – wage and earnings, real estate transfer, and parking – are above the currently projected rate for the full year. Year-to-date growth rates for the business income and receipt tax (BIRT) and net profits tax are below projected FY15 growth; however, because collections of these taxes occur primarily in the spring, collections through October do not indicate likely performance for the entire year. Year-to-date sales tax collections are 25.0 percent below the FY14 level, reflecting the allocation of revenue to SDP, which first affected cash receipts in September.

The current estimate for FY15 General Fund tax collections is \$2,767.4 million, a decline of \$28.5 million (1.0 percent) from FY14 unaudited actual revenue. The decline reflects a projected \$110.3 million (41.9 percent) reduction in sales tax revenue due to the shift of a portion of the tax to SDP. This impact of the shift is partially offset by projected tax base growth of 3.7 percent in FY15. Another factor contributing to the decline in General Fund tax revenue in FY15 is a projected \$8.5 million decline in BIRT receipts. This decline 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. This revenue loss is projected to be partially offset by tax base growth of 3.0 percent.

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

Tax	Monthly Total through October			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY14	FY15 ¹	Percent Change	FY14 Unaudited Actual	FY15 Current Estimate	Percent Change	
Wage and Earnings²	\$531.1	\$558.6	5.2%	\$1,634.7	\$1,695.5	3.7%	1.4%
<i>Wage</i>	528.1	555.7	5.2%				
<i>Earnings</i>	3.0	2.8	-5.1%				
Net Profits²	2.9	1.2	-58.5%	27.6	31.9	15.6%	-74.0%
Real Estate	29.6	31.7	7.1%	526.4	547.4	4.0%	3.1%
Business Income and Receipts	46.5	30.8	-33.9%	461.7	453.2	-1.8%	-32.1%
Sales	87.8	65.9	-25.0%	263.1	152.7	-41.9%	16.9%
Real Estate Transfer	53.1	66.0	24.3%	168.1	184.3	9.7%	14.7%
Parking	24.7	25.5	3.6%	75.2	76.9	2.3%	1.3%
Amusement	7.6	7.7	1.1%	20.0	20.4	2.0%	-0.8%
Other	1.1	1.0	-9.4%	3.7	3.5	-6.5%	-2.9%
Total	784.4	788.3	0.5%	3,180.4	3,165.7	-0.5%	1.0%
<i>PICA</i>	121.6	124.1	2.1%	384.5	398.3	3.6%	-1.5%
<i>City</i>	662.8	664.2	0.2%	2,795.9	2,767.4	-1.0%	1.2%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City of Philadelphia, Department of Revenue. FY14 unaudited actual and FY15 current estimate from *Quarterly City Managers Report* for the period ending September 30, 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 *Quarterly City Managers Report* for the period ending September 30, 2014.

Note:

¹ Includes portion dedicated to PICA.