



October 16, 2015

## **City of Philadelphia Tax Revenue Update for September 2015**

*September wage and earnings and real estate transfer tax collections continue to outperform the projected growth rate.*

General Fund tax collections totaled \$168.0 million in September, according to the City's preliminary revenue report, an increase of \$6.5 million (4.0 percent) from the previous year. Revenues for most taxes were strong and showed year-over-year growth at or above the FY16 projected growth rates, with the exception of the real estate and sales taxes; however this could change during the remainder of the fiscal year.

The wage and earnings and real estate transfer (RETT) taxes in particular performed well. RETT revenues through the first three months of FY16 increased 26.8 percent over the previous year, while wage and earnings revenues increased 6.6 percent.

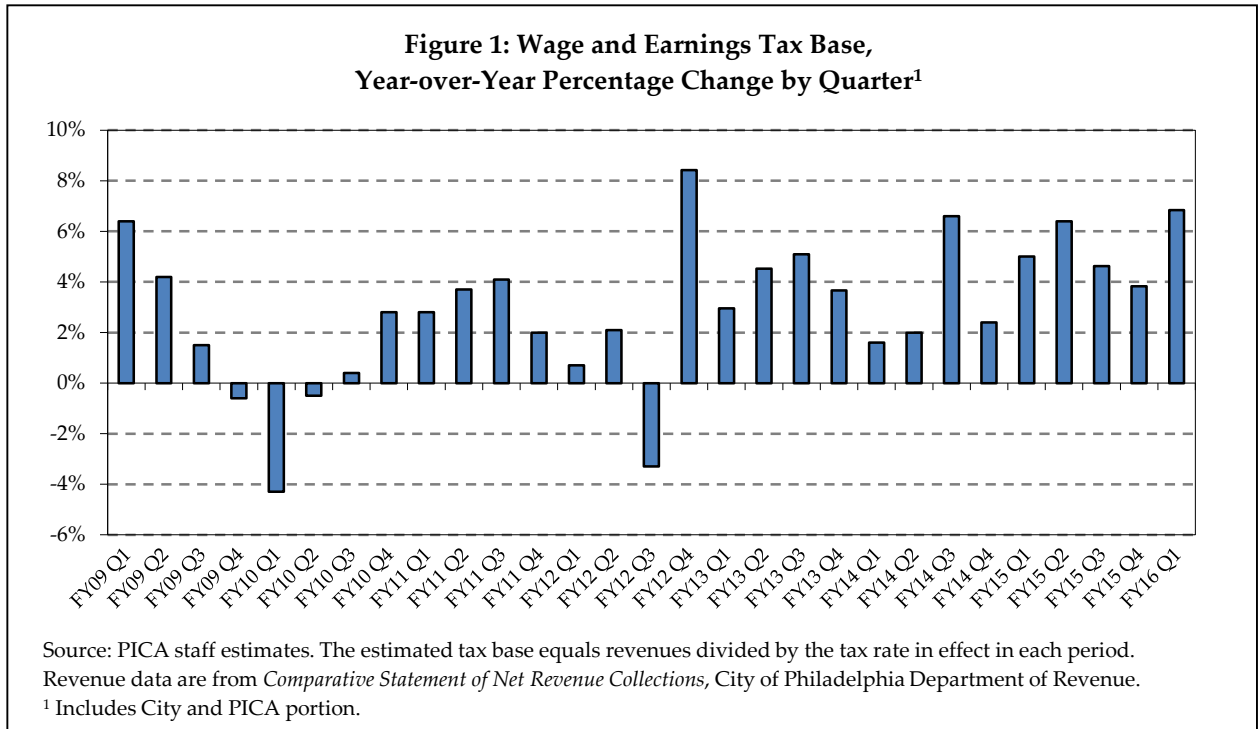
Compared to September 2014, revenues for the following taxes increased: wage and earnings (\$8.8 million), sales (\$0.9 million), real estate (\$0.8 million), parking (\$0.7 million), and business income and receipts (\$0.5 million). These increases were offset by declines in the RETT (\$1.3 million), net profits (\$1.3 million), and amusement (\$0.6 million) taxes. The increase in parking tax revenues through September partly reflects the increase in the tax rate from 20.0 percent to 22.5 percent effective July 1, 2015. Sales tax collections for the first quarter of FY16 declined 3.0 percent from the previous year, primarily reflecting the allocation of \$120 million of the local sales tax to the School District of Philadelphia (SDP) beginning in FY15.<sup>1</sup>

The current estimate for FY16 General Fund tax revenue is \$2,912.3 million, an increase of 4.7 percent from the current FY15 estimate.

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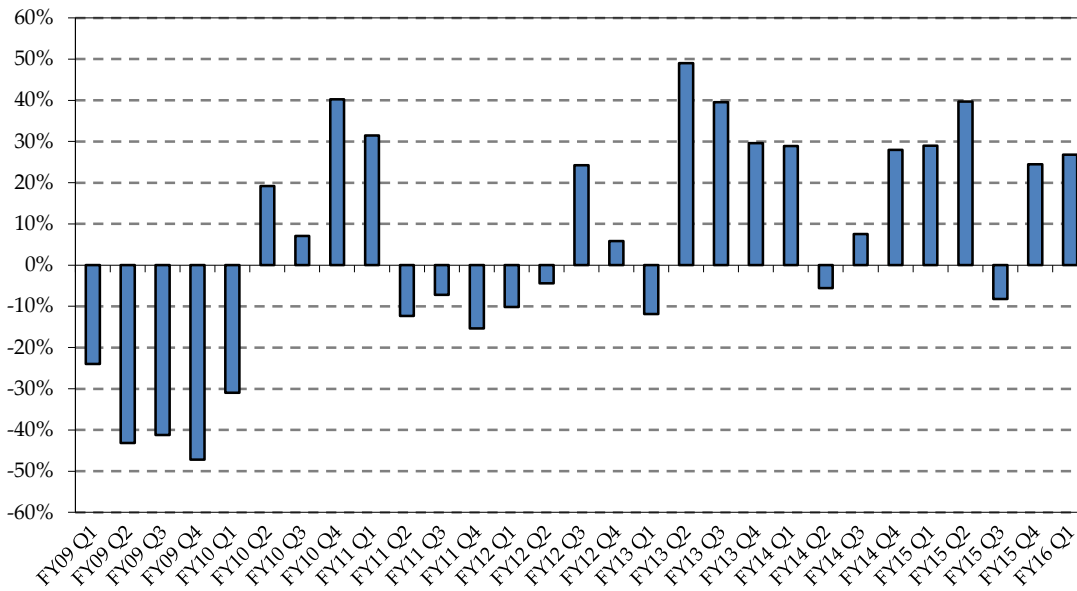
<sup>1</sup> The 3.0 percent decline reflects a \$7.3 million decline in City sales tax revenue between July 2014 and July 2015 due to the annual allocation of \$120 million in sales tax proceeds to the School District of Philadelphia. This allocation became effective July 1, 2014 and first impacted City revenues in September 2014. The result has been a temporary decline in year-over-year growth rates in sales tax collections. In the future, year-over-year comparisons should be less impacted as City-School District revenue sharing is fully implemented.

As shown in Figure 1, the wage and earnings tax base increased by an estimated 6.8 percent in the first quarter of FY16. Quarterly growth rates have generally been positive since the fourth quarter of FY10. Since the first quarter of FY13, quarterly growth rates have ranged from 1.6 to 6.8 percent, with the most recent quarter being the highest.



As shown in Figure 2, the real estate transfer tax base increased an estimated 26.8 percent in the first quarter of FY16. This tax base has exhibited strong growth over the past three years, increasing an estimated 23.5 percent in FY13, 14.3 percent in FY14, and 21.0 percent in FY15, reflecting trends in residential and commercial real estate values and the level of real estate activity.

**Figure 2: Real Estate Transfer Tax Base:  
Year-over-Year Percentage Change by Quarter**



Source: PICA staff estimates. 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.

**Table 1: City of Philadelphia Tax Revenues:  
FY16 versus FY15 (\$ in Millions)**

Tax	Monthly Total through September			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY15	FY16 <sup>1</sup>	Percent Change	FY15 Current Estimate	FY16 Current Estimate	Percent Change	
<b>Wage and Earnings<sup>2</sup></b>	\$400.4	\$426.8	6.6%	\$1,713.2	\$1,776.4	3.7%	2.9%
<i>Wage</i>	398.6	424.8	6.6%				
<i>Earnings</i>	1.8	1.9	4.8%				
<b>Net Profits<sup>2</sup></b>	0.5	1.8	281.1%	32.5	31.7	-2.4%	283.5%
<b>Real Estate</b>	23.9	26.0	8.7%	527.9	581.1	10.1%	-1.3%
<b>Business Income and Receipts</b>	23.6	27.3	15.7%	466.3	453.9	-2.7%	18.3%
<b>Sales</b>	55.4	53.7	-3.0%	143.8	149.4	3.9%	-6.9%
<b>Real Estate Transfer</b>	52.7	66.9	26.8%	201.7	221.9	10.0%	16.8%
<b>Parking</b>	19.2	22.8	18.7%	76.9	88.6	15.3%	3.4%
<b>Amusement</b>	6.9	7.0	2.2%	18.9	19.2	1.6%	0.6%
<b>Data Warehouse Collections</b>	0	0	--	0	5.7	--	--
<b>Other</b>	0.7	0.8	13.4%	3.5	3.5	0.9%	12.5%
<b>Total</b>	583.3	633.1	8.5%	3,184.7	3,331.3	4.6%	3.9%
<i>PICA</i>	90.0	98.6	9.6%	402.8	419.0	4.0%	5.6%
<i>City</i>	493.3	534.5	8.3%	2,781.9	2,912.3	4.7%	3.7%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City of Philadelphia, Department of Revenue and preliminary revenue report for September. FY15 and FY16 current estimate from the *Mayor's Operating Budget in Brief for Fiscal Year 2016 as Approved by the Council, June 2015*.

Notes:

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

<sup>2</sup> Includes portion dedicated to PICA.