

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

April 2010

City General Fund tax collections in April were \$359.9 million, an increase of 11.2 percent compared to the April 2009 level. Collections for the major taxes which are collected continuously throughout the fiscal year – the Wage Tax, Real Estate Transfer Tax, Sales Tax, Parking Tax, and Amusement Tax – all showed increases compared to April of last year. There are two specific areas of uncertainty - the impact of the ongoing economic recovery on retail sales on Philadelphia will determine whether the City can meet its current projections for FY10 Sales Tax revenue; and, the effect of the City's tax amnesty program on collections of delinquent Real Estate Tax and Business Privilege Tax revenue. Overall, FY10 General Fund tax collections through April were \$1,935.4 million, 1.5 percent higher than collections received during the same period in FY09.

- Collections of the City portion of the Wage, Earnings, and Net Profits taxes were \$96.4 million in April, an increase of 7.3 percent from the April 2009 collection level. This result is consistent with the overall trend toward a stabilizing Wage Tax base over the course of FY10, though one month collections can be a misleading indicator due to monthly variability in collections. The tax base in the first and second quarters of FY10 declined 4.6 percent and 1.1 percent, respectively, from the level of the prior year, before increasing by 2.0 percent in the third quarter. Overall Wage Tax collections for the first ten months of FY10 are \$945.7 million, a decrease of 1.1 percent over the same period in FY09. The Proposed FY11-FY15 Five-Year Plan ("FY11-FY15 Plan") projects Wage Tax collections of \$1,131.4 million in FY10, an increase of 0.2 percent over FY09. To meet this projection will require that Wage Tax collections in May and June average approximately \$90 million per month.
- Real Estate Tax (RET) collections in April were \$11.7 million, bringing the FY10 total to date to \$386.2 million, a 1.2 percent decline compared to the same period in FY09. The FY11-FY15 Plan projects \$413.4 million in RET revenue in FY10, an increase of 3.3 percent over the FY09 actual. To meet this projection will require collections to average approximately \$10 million per month from May through August, a 58 percent increase over collections during the same period in 2009; the impact of the Tax Amnesty program will be key to meeting this figure.

- Business Privilege Tax (BPT) revenues were \$210.9 million in April, a 13.4 percent increase compared to April of last year. FY10 total BPT collections through April are \$286.7 million, an increase of 4.6 percent compared to the same period last year. The strong April collections suggest that the City is on track to meet its projection for FY10 revenue from this tax. However, the relatively high collections in April may be due in part to comparatively rapid processing of tax returns. The overall number of returns processed by the Revenue Department in April was 37,444, a 22.9 percent increase compared to April 2009. This could mean a reduced pace of collections through the remainder of the fiscal year. Final results for FY10 will depend in part on the response to the City's tax amnesty program. The FY11-FY15 Plan estimates FY10 BPT revenue at \$376.6 million, a decline of 2.4 percent from FY09.
- Sales Tax collections in April were \$18.3 million. Collections through the first ten months of FY10 are \$142.8 million, a 30.9 percent increase over the same period in FY09. The relatively strong April collection level (compared to \$16.6 million in March) suggests that the Philadelphia-based retail sales trend is beginning to move in a more positive direction, following significant declines through the first three quarters of FY10. The FY11-FY15 Plan estimate for Sales Tax revenue for FY10 is \$199.8 million. To meet this projection will require collections to average nearly \$20 million per month from May through August (due to the two-month accrual of Sales Tax revenues under the City's accounting policies).
- Real Estate Transfer Tax (RETT) collections were \$9.9 million in April, the largest monthly total since December, and a 32.3 percent increase over April 2009. Total collections for the first ten months of FY10 were \$94.0 million, a decline of 4.8 percent over the same period in FY09. The April numbers may have been impacted by the expiration of the Federal tax credit for first time homebuyers which could result in lower RETT collection numbers for the rest of the fiscal year. The FY11-FY15 Plan projects FY10 RETT revenue at \$118.7 million, an increase of 3.1 percent over the FY09 actual.
- Parking Tax collections in April were \$6.3 million, bringing the total for the first ten months of FY10 to \$57.4 million, an increase of 5.6 percent over the same period in FY09. The FY11-FY15 Plan projects FY10 Parking Tax revenue of \$70.7 million, an increase of 0.5 percent from FY09 actual collections.
- April Amusement Tax collections, which since FY07 has accounted for approximately one-quarter of annual revenue from this tax, were \$6.0 million. FY10 collections through April are \$19.6 million, a 0.1 percent increase over collections in the first ten months of FY09. The FY11-FY15 Plan projects FY10 Amusement Tax collections of \$20.9 million, a decrease of 2.3 percent from the FY09 actual amount.

Fiscal Year 2010 General Fund Tax Collections through April 2010

Dollars in Millions

Tax	FY10 through April (Preliminary)	FY09 through April	Percent Change through April	FY09 Actual	Current Estimate FY10 ¹	FY10-FY14 Five Year Plan Projection for FY10 ²
Wage, Earnings, and Net Profits ³	\$945.7	\$956.3	-1.1%	\$1,129.2	\$1,131.4	\$1,172.4
Real Estate	386.2	390.9	-1.2%	400.1	413.4	412.7
Business Privilege	286.7	274.1	4.6%	386.0	376.6	356.7
Sales ⁴	142.8	109.1	30.9%	128.2	199.8	215.3
Real Estate Transfer	94.0	98.8	-4.8%	115.1	118.7	94.7
Parking	57.4	54.4	5.6%	70.4	70.7	70.7
Amusement	19.6	19.6	0.1%	21.4	20.9	20.9
Other	2.9	3.1	-7.9%	2.4	3.1	3.0
Total Taxes ⁵	1,935.4	1,906.2	1.5%	2,252.8	2,334.6	2,346.5

Notes:

¹ From the Proposed FY11-FY15 Five-Year Financial Plan presented to City Council on March 4, 2010.

² From the Revised FY10-FY14 Five-Year Financial Plan approved by PICA on September 11, 2009.

³ Excludes the portion of these taxes dedicated to PICA. Figures are not adjusted to reflect the decrease in Wage Tax rate from 3.98% for residents and 3.5392% for non-residents in July 2008, to 3.9296% for residents and 3.4997% for non-residents in July 2009. These reductions are made possible by State gaming revenues of \$86.3 million in FY10.

⁴ The Five-Year Plan Sales Tax projection for FY10 assumed an increase in the City Sales Tax rate from 1% to 2% effective October 1, 2009. The rate increase actually became effective on October 8.

⁵ The total taxes growth projection includes the increase in Sales Tax revenue due to the rate increase. Total tax revenue, excluding the Sales Tax, is projected to increase by only 0.5 percent from FY09 to FY10 in the proposed FY11-FY15 Five-Year Plan.