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Monthly City of Philadelphia Tax Revenue Update

Through October 2008

Summary and Highlights

The ongoing troubles in the national economy have exacerbated some of the downward trends in City revenues, particularly in relation to the Real Estate Transfer Tax. The Wage Tax will need to be watched closely to see if end of month adjustments will make-up for the slow-down in October.

- Wage, Net Profit and Earnings tax year-to-date collections are now lower than the prior year, but when accounting for the Gaming revenue from the State are only slightly below Five-Year Plan (FYP) projections. It is possible that end of month payments were late, however, the growth rate was down in September and October and must be watched closely to see if this trend continues.
- Realty Transfer Tax (RTT) collections were down dramatically in October achieving the lowest monthly total in over two years. If collections continue at this level, the year-end total will fall below FYP projections.
- The increase in Parking Tax collections is no longer keeping pace with the increase in the tax rate. The additional funds resulting from the Parking Tax rate increase are dedicated to street repairs, Fairmount Park, and tree planting.
- City Sales Tax, which had been up 2.1% through August, was up in October resulting in a net growth rate of 4% for the first third of the year. Given sales tax collection shortfalls at the state level, these must be watched closely to see if revenues experience a drop-off.
- Amusement Tax collections remained slow, with collections down 7% through October. November numbers could show growth reflecting the success of the Phillies.

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- Although Business Privilege Taxes are not collected until the late spring, FY08 collections were down \$38 million from original projections; given the state of the national economy it is unlikely that FY09 collections will even reach FY08 levels.
- Although Real Estate Taxes are not collected until the spring, and tax bills have not yet been issued, FY08 collections were \$9.9 million better than original projections.

Data – Key Taxes

Notes: FY08 total collections and FY09 year-to-date collections are unadjusted, preliminary numbers. FY08 Total Collections numbers do not include end-of-year adjustments and are likely to change. Year-to-date Business Privilege and Real Estate tax results are not listed below as the majority of those revenues are collected in the spring.

	FY08 Through October	FY09 Through October	FY08 Total Collections	FY09 Five-Year Plan Projection
Net Wage, Earnings, and Net Profit Tax	387,789,524	374,161,648	1,197,324,000	1,156,566,000 ¹
Realty Transfer Tax	76,208,019	54,062,688	186,107,218	186,850,000
City Sales Tax	43,254,190	45,026,283	137,144,000	139,283,000
Parking Tax	17,206,992	21,940,883	55,419,000	68,450,000 ²
Amusement Tax	7,664,771	7,124,823	17,983,000	17,287,000

1 Projected FY09 Wage Tax Revenues reflect a reduction in Wage Tax rates from 4.219% to 3.98% for residents and from 3.724% to 3.54% for non-residents. The projection does not include the anticipated \$86.6 million from state gaming revenues which enabled a portion of the rate reductions. The combined total wage tax revenue projected for FY09 is \$1,243,166,000.

2 Projected FY09 Parking Tax Revenues reflect an increase in the tax rate from 15% to 20%.