



March 31, 2014

## City of Philadelphia Tax Revenue Update for February 2014

City General Fund tax collections totaled \$440.6 million in February, according to the City's preliminary revenue report, a decline of \$11.3 million (2.5 percent) from February 2013. Collections through the first eight months of FY14 totaled \$1,628.3 million, an increase of \$21.9 million (1.4 percent) as compared to the same period in FY13. The growth through February represents increases in wage, earnings and net profits (\$26.4 million), business income and receipts (\$10.1 million), real estate transfer (\$7.9 million), and sales taxes (\$6.1 million), offset by a decline in real estate taxes of \$32.6 million.

The decline in real estate taxes received to date may be due in part to timing; most collections of this tax occur from January to March, with monthly amounts varying significantly from year to year. However, actual FY14 real estate tax revenue will be impacted by a number of factors, including the outcome of appeals, the timing of appeal processing, and the impact of gentrification relief programs and enforcement initiatives.

Overall FY14 General Fund tax revenue is currently projected at \$2,779.7 million, a \$17.2 million (0.6 percent) increase from the adopted budget, and a 1.7 percent increase from FY13 actual revenue. Year-to-date growth rates for the wage and earnings, sales, real estate transfer, and parking taxes are at or above the growth currently projected for the full year. Business income and receipts tax revenue growth to date is well above FY14 projected growth, while net profits tax collections to date are below the FY14 projection. However, collections for these taxes through eight months are not indicative of likely results for the full year due to the concentration of collections in March, April, and May.

Trends in individual taxes are described below.<sup>1</sup>

- Wage and earnings tax collections (including the City and PICA portion) totaled \$127.3 million in February, an increase of \$8.3 million (7.0 percent) from February 2013.

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<sup>1</sup> Real estate taxes are collected primarily from January through March, while business income and receipts and net profits taxes are collected primarily from March through May. For these taxes, the overall strength of collections cannot be assessed until after these periods are complete. Accordingly, collection trends for these taxes are not discussed in detail, although the amounts collected are shown in Table 1.

Collections through February increased 2.9 percent over FY13. The current FY14 estimate is \$1,612.9 million, a 1.7 percent increase from FY13.<sup>2</sup>

- February sales tax collections were \$26.7 million, an increase of \$1.8 million (7.1 percent) compared to the same month in FY13. Collections through the first eight months of FY14 increased 3.5 percent over the same period last year. The current FY14 estimate is \$265.9 million, an increase of 3.2 percent from FY13.
- Real estate transfer tax collections were \$9.8 million in February, an increase of \$1.0 million (10.9 percent) compared to February 2013. Collections through February increased 8.6 percent compared to FY13. The current FY14 projection is \$160.5 million, an 8.5 percent increase from FY13.
- Parking tax collections were \$6.0 million in February, an increase of \$0.4 million (7.4 percent) from the same month last year. Collections through the first eight months of the fiscal year increased 2.5 percent compared to the same period in FY13. The current FY14 projection is \$75.0 million, a 2.4 percent increase from FY13.

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<sup>2</sup> Monthly collections for all taxes can fluctuate due to random factors, so that revenue for any given month or quarter is not always indicative of the likely overall trend for the fiscal year. The wage tax in particular is susceptible to random influences, mostly relating to the timing of receipts. For this reason, monthly and quarterly revenue collection figures in this report should be interpreted cautiously.

**Table 1: City of Philadelphia General Fund Tax Revenues:  
FY14 versus FY13 (\$ in Millions)**

Tax	Monthly Total through February			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY13	FY14 <sup>1</sup>	Percent Change	FY13 Actual	FY14 Current Estimate	Percent Change	
<b>Wage and Earnings<sup>2</sup></b>	\$1,051.5	\$1,082.0	2.9%	\$1,586.2	\$1,612.9	1.7%	1.2%
<i>Wage</i>	1,045.3	1,076.3	3.0%				
<i>Earnings</i>	6.2	5.7	-7.8%				
<b>Net Profits<sup>2</sup></b>	4.3	4.3	-0.9%	30.9	33.3	7.6%	(8.6%)
<b>Real Estate</b>	413.8	381.2	-7.9%	540.5	533.2	-1.4%	(6.5%)
<b>Business Income and Receipts</b>	54.4	64.5	18.6%	450.9	461.3	2.3%	16.3%
<b>Sales</b>	172.7	178.8	3.5%	257.5	265.9	3.2%	0.3%
<b>Real Estate Transfer</b>	91.6	99.5	8.6%	148.0	160.5	8.5%	0.1%
<b>Parking</b>	48.2	49.4	2.5%	73.3	75.0	2.4%	0.2%
<b>Amusement</b>	9.5	12.3	29.5%	19.1	20.5	7.3%	22.2%
<b>Other</b>	2.6	2.5	-0.6%	3.5	3.4	-1.3%	0.7%
<b>Total</b>	1,848.6	1,874.6	1.4%	3,109.9	3,166.0	1.8%	(0.4%)
<i>PICA</i>	242.2	246.3	1.7%	376.5	386.3	2.6%	(0.9%)
<i>City</i>	1,606.4	1,628.3	1.4%	2,733.5	2,779.7	1.7%	(0.3%)

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City Department of Revenue, available at <http://www.phila.gov/Revenue/aboutus/Pages/ReportsandPublications.aspx>, and preliminary report for February 2014. FY13 actual from *Supplemental Report of Revenues and Obligations*. Current estimate for FY14 from *Five-Year Financial and Strategic Plan for Fiscal Years 2015-2019*, issued March 6, 2014.

Notes:

<sup>1</sup> Amounts are preliminary.

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

<b>Table 2: City of Philadelphia General Fund Tax Revenues FY14 Adopted Budget versus Current Estimate (\$ in Millions)</b>				
Tax	Adopted Budget	Current Estimate	Current Estimate Above/(Below) Adopted Budget	
			Amount	Percent
<b>Wage and Earnings<sup>1</sup></b>	\$1,656.6	\$1,612.9	(\$43.6)	(2.6%)
<b>Net Profits<sup>1</sup></b>	21.4	33.3	12.0	56.0%
<b>Real Estate</b>	536.6	533.2	(3.4)	(0.6%)
<b>Business Income and Receipts</b>	410.0	461.3	51.3	12.5%
<b>Sales</b>	272.6	265.9	(6.7)	(2.4%)
<b>Real Estate Transfer</b>	157.6	160.5	2.9	1.8%
<b>Parking</b>	75.0	75.0	--	--
<b>Amusement</b>	20.5	20.5	--	--
<b>Other</b>	3.4	3.4	--	--
<b>Total</b>	3,153.6	3,166.0	12.4	0.4%
<i>PICA</i>	391.0	386.3	(4.7)	(1.2%)
<i>City</i>	2,762.6	2,779.7	17.2	0.6%

Source: Adopted budget amounts from *Mayor's Operating Budget in Brief for Fiscal Year 2014*.  
Current estimates from proposed *Five-Year Financial and Strategic Plan for Fiscal Years 2015-2019*,  
issued March 6, 2014.

Note:

<sup>1</sup> Includes portion dedicated to PICA.