



March 14, 2016

City of Philadelphia Tax Revenue Update for February 2016

Through February, City General Fund tax revenue increased 3.9 percent compared to the same period in FY15. Wage, sales, and real estate transfer taxes continue to perform well, and for these taxes the City has revised its FY16 projections upward. Projected FY16 business income and receipts tax revenue has been reduced due to lower-than-expected FY15 revenue, the result of the first year of tax reform implementation.

According to the City's preliminary revenue report for February, General Fund tax collections totaled \$1.687 billion through the first eight months of FY16, an increase of 3.9 percent from the same period in FY15. The current estimate for FY16 General Fund tax revenue is \$2.933 billion, an increase of 5.6 percent from FY15. (See Table 1 below.)

Year-to-date growth rates for wage and earnings, net profits, business income and receipts (BIRT), real estate transfer, and parking taxes are above current FY16 growth rate projections. Real estate tax collections through February declined 8.4 percent, primarily due to delayed classification of payments received from mortgage companies. Typically, there is some delay in allocating these payments between the City and School District. Sales tax collections through February increased 3.0 percent compared to FY15, below the currently projected growth rate of 14.3 percent. Sales tax revenue growth is projected to increase during the remaining months of the fiscal year.

Wage and earnings and real estate transfer tax collections continue to show strength. Wage and earnings collections through February, including the portion dedicated to PICA, increased 5.1 percent; the City currently projects a 4.0 percent increase in FY16. The real estate transfer tax increased 23.9 percent through February, compared to the currently projected FY16 growth of 16.8 percent.

FY16 General Fund tax revenue is projected at \$2.933 billion, an increase of \$20.2 million from the adopted budget. (See Table 2 below.) Combined City and PICA tax revenue is projected at \$3.364 billion, an increase of \$32.9 million from budget. This increase reflects higher projected revenue from the following taxes: sales (\$21.5 million), real estate transfer (\$15.7 million), wage and earnings (\$9.7 million), net profits (\$6.1 million), and parking (\$3.3 million).

The increases are offset by a decline of \$18.7 million in projected BIRT revenue. The reduction in projected FY16 BIRT collections reflects lower than expected FY15 collections, due to the impact of tax reform. Under legislation enacted in 2011 (Bill 110554), beginning in tax year 2014, taxable receipts under BIRT exclude the first \$50,000 in receipts. The exclusion increases to \$75,000 in tax year 2015 and \$100,000 in tax year 2016. The legislation resulted in higher-than-expected refunds to BIRT taxpayers for tax year 2014, which reduced actual FY15 revenue.

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

Tax	Monthly Total through February			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY15	FY16 ¹	Percent Change	FY15 Actual	FY16 Current Estimate	Percent Change	
Total²	\$1,878.8	\$1,966.5	4.7%	\$3,185.5	\$3,364.2	5.6%	(0.9%)
<i>City²</i>	1,623.3	1,686.8	3.9%	2,777.0	2,932.5	5.6%	(1.7%)
<i>PICA</i>	255.5	279.7	9.5%	408.5	431.7	5.7%	3.8%
Wage and Earnings³	1,129.4	1,187.5	5.1%	1,716.6	1,786.1	4.0%	1.1%
<i>Wage</i>	1,123.5	1,181.0	5.1%				
<i>Earnings</i>	5.9	6.5	10.2%				
Net Profits³	5.0	6.7	34.3%	38.8	37.8	(2.7%)	37.1%
Real Estate	372.5	341.2	(8.4%)	536.4	581.4	8.4%	(16.8%)
Business Income and Receipts	67.5	83.5	23.7%	438.2	435.2	(0.7%)	24.3%
Sales	110.6	114.0	3.0%	149.5	170.8	14.3%	(11.3%)
Real Estate Transfer	127.9	158.4	23.9%	203.4	237.5	16.8%	7.1%
Parking	51.0	60.2	18.0%	79.7	91.9	15.3%	2.7%
Amusement	12.3	12.4	0.6%	19.0	19.6	3.2%	(2.6%)
Other	2.5	2.7	6.5%	3.8	3.8	0.9%	5.6%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City of Philadelphia, Department of Revenue and preliminary revenue report for February. FY15 actual and FY16 current estimate from *Mayor's Operating Budget in Brief for Fiscal Year 2017 as Proposed to the Council - March 2016*.

Notes:

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

² Excludes \$180.7 million in February 2016 revenue reported under Miscellaneous Taxes in the preliminary revenue report. These amounts are primarily real estate tax payments from mortgage companies which have not yet been allocated between the City and School District.

³ Includes portion dedicated to PICA.

Table 2: City of Philadelphia Tax Revenues FY16 Adopted Budget versus Current Estimate (\$ in Millions)				
Tax	Adopted Budget	Current Estimate	Current Estimate Above/(Below) Adopted Budget	
			Amount	Percent
Total	\$3,331.3	\$3,364.2	\$32.9	1.0%
City	2,912.3	2,932.5	20.2	0.7%
PICA	419.0	431.7	12.7	3.0%
Wage and Earnings¹	1,776.4	1,786.1	9.7	0.5%
Net Profits¹	31.7	37.8	6.1	19.1%
Real Estate	581.1	581.4	0.3	0.1%
Business Income and Receipts	453.9	435.2	(18.7)	(4.1%)
Sales	149.4	170.8	21.5	14.4%
Real Estate Transfer	221.9	237.5	15.7	7.1%
Parking	88.6	91.9	3.3	3.7%
Amusement	19.2	19.6	0.4	2.3%
Other	9.2	3.8	(5.4)	(58.4%)

Source: Adopted budget amounts from *Mayor's Operating Budget in Brief for Fiscal Year 2016 as Approved by the Council - June 2015*. Current estimate from *Mayor's Operating Budget in Brief for Fiscal Year 2017 as Proposed to the Council - March 2016*.

Note:

¹ Includes portion dedicated to PICA.