



April 19, 2016

City of Philadelphia Tax Revenue Update for March 2016

Wage and earnings and real estate transfer tax collections continue to perform above projected growth rates

Total FY16 City General Fund tax revenue increased 5.8 percent through March, as compared to the same period in FY15.

According to the City's preliminary revenue report, FY16 General Fund tax collections through March totaled \$2.06 billion, an increase of 5.8 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).

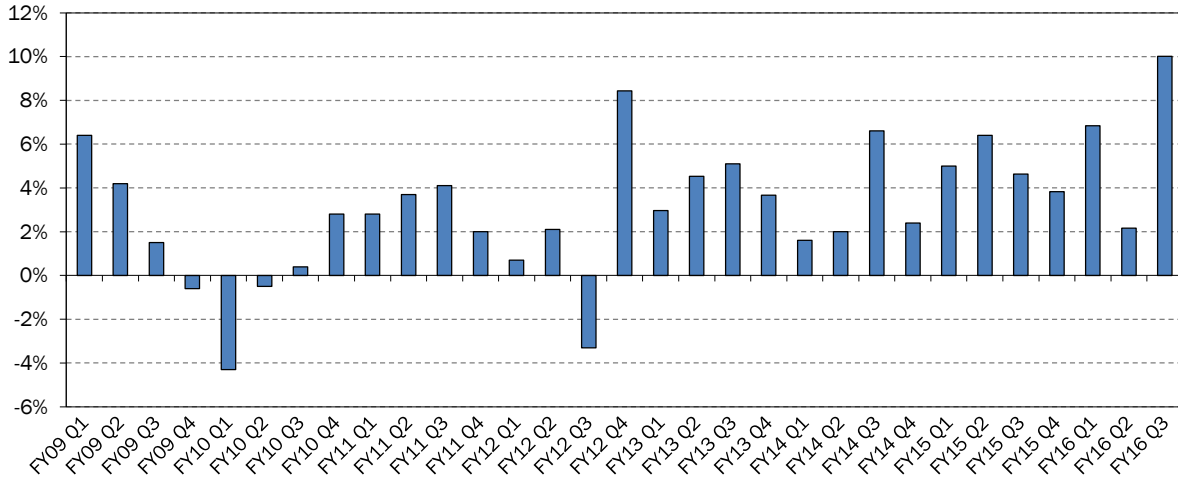
Year-to-date growth rates for wage and earnings, net profits, business income and receipts (BIRT), real estate transfer, and parking taxes are above current FY16 growth rate projections. Real estate tax collections through March declined 7.4 percent, while the City is currently projecting growth of 8.4 percent in FY16. Sales tax collections through March increased 1.7 percent compared to FY15, below the currently projected growth rate of 14.3 percent.

Wage and earnings and real estate transfer tax collections continue to exhibit strong growth. Wage and earnings collections through March, including the portion dedicated to PICA, increased 6.2 percent. The City currently projects a 4.0 percent increase in FY16. The real estate transfer tax increased 28.9 percent through March, higher than the currently projected FY16 growth of 16.8 percent.

The City's current FY16 tax revenue estimates are contained in the proposed *Mayor's Operating Budget in Brief for Fiscal Year 2017*. (See Table 2 below). According to these estimates, FY16 General Fund tax revenue is projected at \$2.933 billion, an increase of \$20.2 million from the adopted FY16 budget. Combined City and PICA tax revenue is projected at \$3.364 billion, an increase of \$32.9 million from budget.

As shown in Figure 1, the wage and earnings tax base increased by an estimated 10.0 percent in the third quarter of FY16. This is the highest quarterly increase since at least FY09.

**Figure 1: Wage and Earnings Tax Base,
Year-over-Year Percentage Change by Quarter¹**

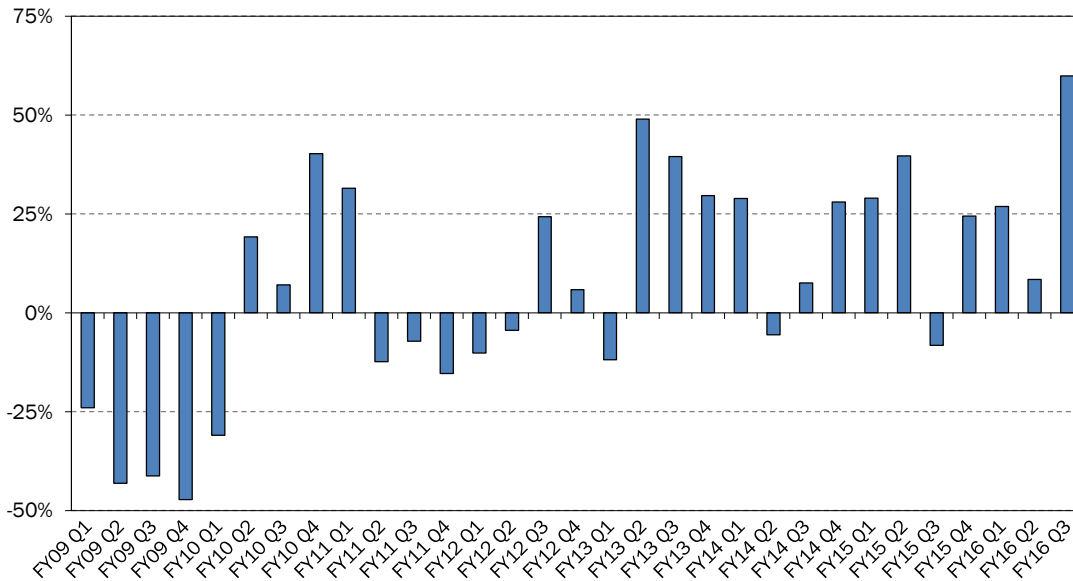


Source: PICA staff estimates. The estimated tax base equals revenues divided by the tax rate in effect in each period. Revenue data are from *Comparative Statement of Net Revenue Collections*, City of Philadelphia Department of Revenue.

¹ Includes City and PICA portion.

As shown in Figure 2, the real estate transfer tax base increased an estimated 59.9 percent in the third 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. The current projection for real estate transfer tax revenue in FY16 is \$237.5 million, surpassing the all-time peak of \$236.4 million in FY06.

**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 General Fund Tax Revenues:
FY16 versus FY15 (\$ in Millions)**

Tax	Monthly Total through March			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	
Total	\$2,239.8	\$2,352.3	5.0%	\$3,185.5	\$3,364.2	5.6%	(0.6%)
City	1,948.2	2,060.8	5.8%	2,777.0	2,932.5	5.6%	0.2%
PICA	291.5	291.4	0.0%	408.5	431.7	5.7%	(5.7%)
Wage and Earnings²	1,280.5	1,359.5	6.2%	1,716.6	1,786.1	4.0%	2.1%
Wage	1,273.1	1,349.8	6.0%				
Earnings	7.4	9.7	31.2%				
Net Profits²	7.7	9.9	28.1%	38.8	37.8	(2.7%)	30.8%
Real Estate	489.6	453.3	(7.4%)	536.4	581.4	8.4%	(15.8%)
Business Income and Receipts	127.5	141.5	11.0%	438.2	435.2	(0.7%)	11.7%
Sales	121.4	123.5	1.7%	149.5	170.8	14.3%	(12.6%)
Real Estate Transfer	139.8	180.2	28.9%	203.4	237.5	16.8%	12.1%
Parking	57.2	67.6	18.3%	79.7	91.9	15.3%	3.0%
Amusement	13.3	13.8	3.1%	19.0	19.6	3.2%	(0.1%)
Other	2.7	2.9	6.7%	3.8	3.8	0.9%	5.8%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City of Philadelphia, Department of Revenue and preliminary revenue report for March. 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 Includes portion dedicated to PICA.

Table 2: City of Philadelphia General Fund 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%
<i>City</i>	2,912.3	2,932.5	20.2	0.7%
<i>PICA</i>	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.