

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

Through January 2009

**Summary and Highlights**

January tax receipts generally followed the trends of the first half of the year with the Wage Tax continuing to fall off slowly while the Real Estate Transfer Tax remained down.

- January Wage Tax collections reflected their largest drop year-over-year (adjusted for the rate change) falling off nearly 6%. Wage, Net Profit and Earnings tax year-to-date collections are below last year's number but when accounting for the Gaming revenue from the State the figures, remain on pace with the most recent Five-Year Plan (FYP) projections. However, the two month trend of negative growth rates needs to be watched closely as ongoing turmoil in the national economy continues to put pressure on employment in the region.
- Realty Transfer Tax (RTT) collections continued their downturn in January, with a 46% negative growth rate, roughly equal to the 2<sup>nd</sup> quarter performance. Collections are roughly in line with the revised projections.
- Parking Tax collections showed a surprising increase in January, up almost 70% over prior year collections. This increase brings collection estimates back on pace with FYP projections and is almost keeping pace with the increase in the tax rate. February collections should indicate whether these levels are illusory or real. 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 4% through October, was down over 11% in November and over 15% in December, resulting in a year-to-date net growth rate of negative 1%. This downward trend indicates that collections are likely to fall below Plan projections. Given sales tax collection shortfalls at the state level, it is likely that this trend will continue for at least the third quarter of the fiscal year.

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- Amusement Tax collections were down in January, but remain up over 18% year-to-date. These numbers will need to be watched closely over the next few months to see if the collection levels continue to fall.
- Although Business Privilege Taxes (BPT) 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. The January revised estimates assume that BPT collections will be down over \$70 million from original projections.
- Although Real Estate Taxes are not collected until the spring, FY08 collections were \$9.9 million better than original projections. However, new assessments resulted in a growth rate of just .25 percent; projections released in January account for this growth rate.

**Data – Key Taxes**

Notes: FY09 year-to-date collections are unadjusted, preliminary numbers. 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 January	FY09 Through January	FY08 Total Collections	FY09 Five-Year Plan Projection – Rebalancing Plan	Revised January 2009 projections
Net Wage, Earnings, and Net Profit Tax	699,545,565	670,675,682	1,197,324,000	1,139,196,000 <sup>1</sup>	1,139,196,000 <sup>1</sup>
Realty Transfer Tax	78,611,560	68,890,396	186,107,218	155,000,000	128,600,000
City Sales Tax	78,741,504	77,720,391	137,144,000	133,000,000	125,000,000
Parking Tax	29,827,270	39,548,593	55,419,000	69,000,000 <sup>2</sup>	69,000,000 <sup>2</sup>
Amusement Tax	10,483,366	12,402,445	17,983,000	18,433,000	18,433,000

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 from State Gaming Revenues, and a further City reduction on January 1, 2009, to 3.93% for residents and 3.5% 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 now \$1,225,796,000.

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