

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

July 2010

City General Fund tax collections in July were \$146.7 million, an 8 percent increase over July 2009. It should be noted that collections for a single month can be a misleading indicator due to monthly variability in collections; full collections data for the first quarter of FY11 (July through September 2010) will provide a more reliable indicator of City tax revenue trends. Collections from the sales tax suggest a continuing recovery in retail sales in the city. Real estate transfer tax collections were particularly strong, increasing more than 80 percent over the level of July 2009. This continues the pattern of stronger transfer tax collections that began in November 2009. July wage tax collections, however, declined 4.6 percent from July 2009.

- Collections of the City portion of the wage, earnings, and net profits taxes were \$91.3 million in July, a decline of 4.6 percent compared to July 2009. The year-over-year decline is the largest percentage decline since February. This is a source of some concern, since overall wage tax collections exhibited a stabilizing trend in the second half of FY10, with positive growth in collections of 1.0 percent in the third quarter and 2.0 percent in the fourth quarter. Additional collections data for the remaining two months of the first quarter of FY11 will be needed to assess whether the trend toward stabilization of the wage tax base that was evident in FY10 is continuing into the current fiscal year. The FY11-FY15 Five-Year Plan projects FY11 wage tax revenues of \$1,143.5 million, and is based upon the assumption that the tax base will grow 1.9 percent in FY11.
- Sales tax collections in July were \$21.4 million, a 114.5 percent increase over the July 2009 level. This level of collections suggests that the trend toward stabilization in the sales tax base is continuing. The July collection level indicates that the tax base grew approximately 7 percent over the prior year, an improvement from the average decline of 3.6 percent in the fourth quarter of FY10, and even larger declines of 8 percent or more in the first three quarters of FY10. The Five-Year Plan projects sales tax revenue of \$241.8 million in FY11, an increase of \$36.5 million over the FY10 estimate. This estimated increase reflects growth in the tax base of approximately 2 percent combined with the impact of a full year of collections at the higher tax rate of 2 percent which became effective in October 2009.

- Real estate transfer tax (RETT) collections were \$19.9 million in July, an 82.8 percent increase over the July 2009 level. This continues the trend of year-over-year increases in monthly collection levels which began in November 2009. The substantial increase in RETT collections in recent months appears to represent a combination of a stabilizing real estate market and the impact of the federal first-time home buyer tax credit which expired in April. It remains to be seen whether the expiration of the federal tax credit will result in a slow-down in real estate activity and RETT collections. The Five-Year Plan estimate for FY11 RETT revenue is \$121.2 million.
- Parking tax collections in July were \$5.8 million, a 12.1 percent decline compared to June 2009. The FY11 estimate in the Five-Year Plan is \$72.5 million.
- July amusement tax collections were \$1.2 million, a 46.1 percent increase over the July 2009 level. The FY11 estimate for this tax in the Five-Year Plan is \$21.1 million.

General Fund Tax Collections through July 2010 (\$ in Millions)

Tax	Monthly Collections Through July			Fiscal Year Total Revenues (Budget Basis)	
	FY11 (Preliminary)	FY10	Percent Change	FY10 Current Estimate	FY11 Current Estimate
Wage, Earnings, and Net Profits ¹	\$91.3	\$95.8	-4.6%	\$1,136.2	\$1,143.5
Real Estate ²	4.1	6.0	-30.8%	398.9	491.4
Business Privilege	2.4	5.0	-51.7%	358.2	350.7
Sales ³	21.4	10.0	114.5%	205.3	241.8
Real Estate Transfer	19.9	10.9	82.8%	114.7	121.2
Parking	5.8	6.6	-12.1%	70.7	72.5
Amusement	1.2	0.9	46.1%	20.9	21.1
Other	0.4	0.7	-45.4%	3.1	4.1
Tax Amnesty Program	0.0	0.0	--	27.0	0.0
Total Taxes	146.7	135.8	8.0%	2,335.1	2,446.3

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City Department of Revenue, available at http://www.phila.gov/revenue/City_Monthly_Revenue.html, and preliminary revenue reports for June and July 2010. Fiscal Year total estimated revenues from the FY11-FY15 *Five-Year Financial Plan* approved by PICA on August 10, 2010.

Notes:

¹ Excludes the portion of these taxes dedicated to PICA.

² The rate of the City portion of the real estate tax will increase from 3.305 percent in 2010 to 4.123 percent in 2011. The combined City and School District real estate tax rate will increase from 8.264 percent to 9.082 percent.

³ The City Sales Tax rate increased from 1 percent to 2 percent effective October 8, 2009.