

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

September 2010

City General Fund tax collections in September were \$127.9 million, bringing the total collections for the first three months of the fiscal year to \$454.2 million, an increase of 14.0 percent over the same period in FY10. Collections of the City portion of the wage, earnings, and net profits taxes in September were \$78.4 million, bringing the total for the first quarter of FY11 to \$279.4 million, an increase of 2.8 percent over the first quarter of FY10. Sales tax collections in September were \$20.7 million, bringing the quarterly total to \$65.6 million, a 106 percent increase over the first quarter of FY10. This increase reflects the impact of the increase in the City sales tax rate from 1 to 2 percent, effective in October 2009. Real estate transfer tax collections in September were \$7.6 million, a 22 percent decline from September 2009. However, because of the strong performance in July and August, likely due in large part to the federal first-time homebuyer credit and a single large sale, overall transfer tax collections for the first quarter of FY11 were \$40.0 million, a 31.5 percent increase over the first quarter of FY10.

Estimated quarterly tax base trends through the first quarter of FY11 are shown in the table below. The figures are adjusted to account for the impact of tax rate changes and the estimated impact of the tax amnesty program on wage, earnings, and net profits tax collections. In general, the estimates suggest continued stabilization of the Philadelphia economy in the first quarter of FY11, although the pace of growth of all tax bases except the sales tax base declined somewhat compared to the fourth quarter of FY10.

**Major General Fund Tax Revenue Sources:
Year-over-Year Percentage Growth in Tax Base by Quarter**

Tax	FY09			FY10				FY11
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Wage, Earnings, and Net Profits	2.5	(0.8)	(2.2)	(4.6)	(1.1)	1.0	1.9	1.1
Real Estate Transfer	(43.1)	(41.2)	(47.2)	(31.0)	19.2	7.1	40.0	31.5
Sales	(5.8)	(5.3)	(7.1)	(8.5)	(8.6)	(13.9)	(3.6)	3.2
Parking	(4.3)	5.4	(23.5)	9.4	6.6	(6.3)	5.1	(1.0)
Amusement	54.6	20.4	17.5	6.6	(14.5)	(0.9)	3.7	1.2

Note: Negative amounts are shown in parentheses. Growth rates adjusted for tax rate changes. Growth rates for the wage, earnings, and net profits tax in FY10 Q4 and FY11 Q1 are adjusted for the estimated impact of the tax amnesty program.

- Collections of the City portion of the wage, earnings, and net profits taxes were \$78.4 million in September, bringing the total for the first three months of FY11 to \$279.4 million, an increase of 2.8 percent compared to the prior year. However, from May through August, the City's tax amnesty program resulted in \$13.5 million in wage, earnings, and net profits tax receipts. Some portion of these collections should be excluded for comparative purposes since they represent a one-time acceleration in delinquent collections. The \$13.5 million in amnesty program collections from May through August 2010 is \$9.4 million higher than total delinquent (or prior year) collections during the same period in 2009. After removing this \$9.4 million Amnesty program impact from the calculation, the wage tax base grew 1.9 percent in the fourth quarter of FY10 and 1.1 percent in the first quarter of FY11. The FY11-FY15 Five-Year Plan projects FY11 wage tax revenues of \$1,143.5 million, based on projected FY11 wage tax base growth of 1.9 percent.
- September sales tax collections were \$20.7 million, bringing the total for the first three months of FY11 to \$65.6 million, a 106.4 percent increase over prior year. Collections for the first quarter of FY11 suggest a 3.2 percent growth in the tax base compared to the first quarter of FY10 (taking into account the increase in the tax rate from 1 to 2 percent effective in October 2009). This is the first positive growth in the tax base since the first quarter of FY09, and is consistent with the trend toward stabilization in retail sales over the past six months. 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.
- Real estate transfer tax (RETT) collections were \$7.6 million in September, bringing the total for the first three months of FY11 to \$40.0 million, a 31.5 percent increase over the level of collections in the first three months of FY10. However, September collections were 22 percent lower than the September 2009 level. This is the first monthly decline compared to the prior year since October 2009, and indicates a slowing of the pace of real estate activity. The Five-Year Plan estimate for FY11 RETT revenue is \$121.2 million, a 5.6 percent increase over the FY10 estimate.
- Parking tax collections in September were \$5.7 million, bring the total for the first three months of the fiscal year to \$17.8 million, a 1.0 percent decline compared to the previous fiscal year. The FY11 estimate for this tax in the Five-Year Plan is \$72.5 million.

- September amusement tax collections were \$0.8 million, bringing the total for the first three months of FY11 to \$5.7 million, a 1.2 percent increase over the previous year. The FY11 estimate for this tax in the Five-Year Plan is \$21.1 million.

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

Tax	Monthly Collections Through September			Fiscal Year Total Revenues (Budget Basis)	
	FY11 (Preliminary)	FY10	Percent Change	FY10 Current Estimate	FY11 Current Estimate
Wage, Earnings, and Net Profits ¹	\$279.4	\$271.7	2.8%	\$1,136.2	\$1,143.5
Real Estate ²	16.2	18.0	-10.1%	398.9	491.4
Business Privilege	26.9	21.7	23.8%	358.2	350.7
Sales ³	65.6	31.8	106.4%	205.3	241.8
Real Estate Transfer	40.0	30.4	31.5%	114.7	121.2
Parking	17.8	18.0	-1.0%	70.7	72.5
Amusement	5.7	5.6	1.2%	20.9	21.1
Other	2.7	1.3	110.4%	3.1	4.1
Tax Amnesty Program	--	--	--	27.0	0.0
Total Taxes	454.2	398.5	14.0%	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 September 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.