

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

October 2010

City General Fund tax collections in October were \$138.7 million, bringing the total collections for the first four months of the fiscal year to \$592.9 million, an increase of 12.9 percent over the same period in FY10. October tax collections generally indicate a stabilizing Philadelphia economy, with estimated wage and sales tax bases increasing somewhat compared to last year, though it should be noted that collections for a single month can be a misleading indicator due to monthly variability in collections. Wage tax collections increased 2.9 percent over October 2009, consistent with the trend of modest growth in the wage tax base since the third quarter of FY10. Sales tax collections, after adjusting for the increase in the tax rate from 1 to 2 percent over the past year, indicated 3.2 percent growth in the sales tax base since October 2009. However, real estate transfer tax collections in October declined 11.6 percent from last year, in contrast to the growth in collections over the previous four completed fiscal quarters. Collections of other major General Fund taxes for the first four months of FY11 are generally on or close to pace with last year's level.

- Collections of the City portion of the wage, earnings, and net profits taxes were \$92.9 million in October, bringing the total for the first four months of FY11 to \$372.2 million, an increase of 2.8 percent compared to the prior year. After taking into account the decrease in the wage tax rate, the October collections level indicates nominal wage tax base growth of 3.0 percent over the past year. Estimated growth in the wage tax base has ranged from 1.0 to 1.9 percent over the last three completed fiscal quarters. 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.
- October sales tax collections were \$19.4 million, bringing the total for the first four months of FY11 to \$85.0 million, a 106.4 percent increase over prior year. Taking into account the increase in the tax rate from 1 to 2 percent effective in October 2009, the collections for October 2010 indicate 3.2 percent growth in the tax base compared to the prior year, which is consistent with the estimated tax base growth for the first quarter of FY11. These figures suggest stabilizing retail sales in the city during FY11, following seven consecutive quarters of decline. 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 \$7.9 million in October, bringing the total for the first four months of FY11 to \$47.9 million, a 21.7 percent increase over the level of collections in the first four months of FY10. However, October collections were 11.6 percent lower than the October 2009 level, the second consecutive monthly decline compared to the prior year. The declines in September and October followed 10 consecutive months of increases compared to the same month in the prior year. These recent declines indicate a slowing pace of real estate activity which likely reflects the impact of the expiration of the federal first-time homebuyer tax credit. The Five-Year Plan estimate for FY11 RETT revenue is \$121.2 million, a 5.6 percent increase over the FY10 estimate. This estimate assumes a recovery in the pace of real estate sales over the final eight months of the fiscal year.
- Parking tax collections in October were \$6.0 million, bring the total for the first four months of the fiscal year to \$23.8 million, a 0.1 percent increase compared to the previous fiscal year. The FY11 estimate for this tax in the Five-Year Plan is \$72.5 million.
- October amusement tax collections were \$0.8 million, bringing the total for the first four months of FY11 to \$6.5 million, a 5.4 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 October 2010 (\$ in Millions)

Tax	Monthly Collections Through October			Fiscal Year Total Revenues (Budget Basis)	
	FY11 (Preliminary)	FY10	Percent Change	FY10 Current Estimate	FY11 Current Estimate
Wage, Earnings, and Net Profits ¹	\$372.2	\$361.9	2.8%	\$1,136.2	\$1,143.5
Real Estate ²	20.2	21.2	-5.0%	398.9	491.4
Business Privilege	35.3	30.2	16.7%	358.2	350.7
Sales ³	85.0	41.2	106.4%	205.3	241.8
Real Estate Transfer	47.9	39.3	21.7%	114.7	121.2
Parking	23.8	23.7	0.1%	70.7	72.5
Amusement	6.5	6.2	5.4%	20.9	21.1
Other	2.1	1.6	31.9%	3.1	4.1
Tax Amnesty Program	--	--	--	27.0	0.0
Total Taxes	592.9	525.4	12.9%	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 October 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.