

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

January 2011

City General Fund tax collections in January were \$195.5 million, bringing the total for the first seven months of fiscal year 2011 (FY11) to \$1,077.9 million, an increase of 11.3 percent over the same period in fiscal year 2010. More than half (54 percent) of that growth is the result of the increase in the sales tax rate, which was first reflected in collections in December 2009.

While it should be noted that monthly tax revenue data can be a misleading indicator due to significant monthly variability, the tax base trends observed in the first and second quarter of FY11 appear to be continuing in the third quarter.<sup>1</sup> January revenues indicate continuing modest growth in the City's wage and sales tax bases and decline in the real estate transfer tax (RETT) base. The RETT decline, which began in the second quarter of FY11, apparently reflects at least in part the September 2010 expiration of the federal first-time homebuyer tax credit, which had contributed to large revenue increases in the fourth quarter of FY10 and first quarter of FY11.

- Wage and earnings tax collections (including both the City and PICA portions of the tax) were \$155.6 million in January, bringing the total for the first seven months of FY11 to \$885.0 million, an increase of 4.9 percent over the same period in FY10. December collections exceeded the prior year level by \$19.1 million, the sixth consecutive month of growth over the prior year. The current estimate for FY11 is \$1,490.3 million, based on projected tax base growth of 1.93 percent.
- January sales tax collections were \$19.5 million, bringing the total for the first seven months of FY11 to \$144.4 million, a 68.8 percent increase over the same period in FY10. This increase is primarily due to the increase in the City sales tax rate from 1 to 2 percent effective in October 2009. The current estimate for FY11 sales tax revenue is \$243.8 million, an increase of \$36.7 million over the FY10 unaudited actual. This increase reflects estimated tax base growth of 1.5 percent in FY11, along with the impact of a full year of collections at the higher tax rate of 2 percent.

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<sup>1</sup> The tax base is estimated as revenue divided by the tax rate in effect in each time period.

- Real estate transfer tax (RETT) collections were \$7.6 million in January, bringing the total for the first seven months of FY11 to \$74.4 million, a 6.4 percent increase over the same period in FY10. RETT revenue from September 2010 through January 2011 was generally below the prior year level, with overall revenues in this period \$7.3 million (14.8 percent) below the FY10 amount. This reduction, however, is offset by July and August 2010 revenues that were \$11.7 million (56.9 percent) above the prior fiscal year, which was apparently due in part to the impact of the federal first-time homebuyer tax credit. To be eligible for the credit, settlement needed to occur prior to September 30, 2010. The current estimate for FY11 is \$121.2 million, a 1.7 percent increase over the FY10 unaudited actual. This estimate assumes relative stability in RETT collections over the final five months of the fiscal year.
- Parking tax collections in January were \$5.4 million, bringing the total for the first seven months of the fiscal year to \$40.8 million, a 0.1 percent decrease compared to FY10. The current FY11 estimate is \$72.5 million.
- January amusement tax collections were \$0.9 million, bringing the total for the first seven months of FY11 to \$10.7 million, an 11.8 percent decline compared to FY10. A portion of the decline is due to the fewer number of Phillies home playoff games in FY11. The current FY11 estimate is \$21.1 million.

**City of Philadelphia Tax Revenues through January 2011 (\$ in Millions)**

Tax	Monthly Total through January			Fiscal Year Total (Budget Basis)	
	FY10	FY11 (Preliminary)	Percent Change	FY10 Unaudited Actual	FY11 Current Estimate
<b>Wage and Earnings<sup>1</sup></b>	\$843.4	\$885.0	4.9%	1,450.3	1,490.3
<i>Wage</i>	838.8	879.4	4.8%	--	--
<i>Earnings</i>	4.6	5.6	22.8%	--	--
<b>Net Profits<sup>1</sup></b>	3.8	5.3	40.0%	21.7	20.1
<b>Real Estate<sup>2</sup></b>	67.8	70.1	3.4%	402.2	491.4
<b>Business Privilege</b>	38.3	51.3	33.9%	364.7	350.7
<b>Sales<sup>3</sup></b>	85.5	144.4	68.8%	207.1	243.8
<b>Real Estate Transfer</b>	69.9	74.4	6.4%	119.2	121.2
<b>Parking</b>	40.8	40.8	-0.1%	70.5	72.5
<b>Amusement</b>	12.1	10.7	-11.8%	21.9	21.1
<b>Other</b>	2.5	2.9	15.6%	2.4	4.1
<b>Total</b>	<b>1,164.1</b>	<b>1,284.8</b>	<b>10.4%</b>	<b>2,659.9</b>	<b>2,815.2</b>
<i>PICA Taxes</i>	196.0	206.9	5.5%	343.3	361.9
<i>City General Fund Taxes</i>	968.1	1,077.9	11.3%	2,316.6	2,453.3

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](http://www.phila.gov/revenue/City_Monthly_Revenue.html), and preliminary revenue report for January 2011. Fiscal Year total FY10 unaudited actual and FY11 current estimate from Quarterly City Managers Report dated November 15, 2010.

Notes:

<sup>1</sup> Includes portion dedicated to PICA.

<sup>2</sup> 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.

<sup>3</sup> The City Sales Tax rate increased from 1 percent to 2 percent effective October 8, 2009, and was first reflected in December 2009 collections.