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Monthly City of Philadelphia Tax Revenue Update

April 2011

City General Fund tax collections in April were \$329.9 million, bringing the total for the first ten months of fiscal year 2011 (FY11) to \$2,109.5 million, an increase of \$173.7 million or 9.0 percent over the same period in fiscal year 2010. Of this increase, \$90.4 million (52 percent) represents increased real estate tax revenue, which reflects an increase in the City real estate tax rate from 3.305 percent in 2010 to 4.123 percent in 2011. Thirty-six percent of the increase from FY10 to FY11 represents increased sales tax revenue due to an increase in the City sales tax rate from 1 to 2 percent, as well as modest growth in the sales tax base. The increase in collections through the first ten months of FY11 also reflects growth in wage, earnings, and net profits tax revenue.

- Wage and earnings tax collections (including both the City and PICA portions of the tax) were \$119.6 million in April, bringing the total for the first ten months of FY11 to \$1,254.4 million, an increase of 2.8 percent over the same period in FY10. The wage and earnings tax base increased an estimated 4.1 percent in the third quarter, slightly above the estimated 3.7 percent growth in the second quarter. This represents the fifth consecutive quarter of growth following three quarters of decline. The current estimate for FY11 is \$1,492.1 million, based on projected tax base growth of 3.0 percent.
- Real estate tax collections in April were \$14.3 million, bringing the total for the first ten months of the fiscal year to \$476.6 million, a 23.4 percent increase compared to FY10. The rate of the City portion of the real estate tax increased from 3.305 percent in 2010 to 4.123 percent in 2011, a tax rate increase of 24.8 percent. (The combined tax rate for the City and School District portion of the tax increased 9.9 percent from 2010 to 2011.) The current projection for FY11 is \$488.7 million, an increase of 21.5 percent over FY10.
- Business privilege tax (BPT) collections in April were \$175.3 million, bringing the total for the first ten months of the fiscal year to \$275.8 million, a decrease of 3.8 percent compared to the same period in FY10. The decline compared to FY10 is in large part due to an expedited rate of processing tax returns in FY10 in preparation for the Amnesty program. Through the first 18 working days of April, 24,590 BPT returns were processed, a decline of 25.5 percent compared to last year (though slightly ahead of FY09). Average revenue per return, however, was \$6,231, an increase of 21.4 percent over FY10. The processing of

returns due on April 15 should be substantially complete by the end of May, so it will be possible then to draw a more definitive conclusion about whether collections are likely to meet the current estimate of \$360.8 million for FY11.

- April sales tax collections were \$19.7 million, bringing the total for the first ten months of FY11 to \$204.8 million, a 43.4 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 sales tax base has also grown throughout FY11, with an estimated growth rate of 5.5 percent in the third quarter compared to the previous year. The current estimate for FY11 is \$247.5 million, an increase of \$40.4 million over FY10. This increase reflects estimated tax base growth of 3.2 percent in FY11, along with the impact of a full year of collections at the higher tax rate.
- Real estate transfer tax (RETT) collections were \$7.5 million in April, bringing the total for the first ten months of FY11 to \$95.8 million, a 1.9 percent increase over the same period in FY10. RETT growth in FY11 is primarily due to significant growth in the first quarter, when collections increased 31.5 percent over the first quarter of FY10. This growth apparently reflected the impact of the federal first-time homebuyer tax credit. Collections in the second quarter declined 12.3 percent compared to the previous year, and third quarter collections declined 7.2 percent. April collections were 23.9 percent below April 2010. The current projection for FY11 is \$119.8 million. Without substantial improvement in the pace of collections in the final two months of the fiscal year, the City is unlikely to meet this projection.
- Parking tax collections in April were \$6.3 million, bringing the total for the first ten months of the fiscal year to \$57.8 million, a 0.6 percent increase compared to FY10. The current FY11 estimate is \$72.5 million.
- April amusement tax collections were \$7.2 million, bringing the total for the first ten months of FY11 to \$19.9 million, a 1.7 percent increase compared to FY10. The current FY11 estimate is \$21.1 million.

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

Tax	Monthly Total through April			Fiscal Year Total (Budget Basis)	
	FY10	FY11 (Preliminary)	Percent Change	FY10 Actual	FY11 Current Estimate
Wage and Earnings¹	\$1,219.9	\$1,254.4	2.8%	1,450.3	1,492.1
Wage	1,208.9	1,243.2	2.8%	--	--
Earnings	11.0	11.2	1.7%	--	--
Net Profits¹	13.9	19.6	41.7%	21.7	20.4
Real Estate²	386.2	476.6	23.4%	402.2	488.7
Business Privilege	286.7	275.8	-3.8%	364.7	360.8
Sales³	142.8	204.8	43.4%	207.1	247.5
Real Estate Transfer	94.0	95.8	1.9%	119.2	119.8
Parking	57.4	57.8	0.6%	70.5	72.5
Amusement	19.6	19.9	1.7%	21.9	21.1
Other	3.3	3.6	7.1%	2.4	4.1
Total	2,223.9	2,408.2	8.3%	2,659.9	2,827.0
PICA Taxes	288.1	298.7	3.7%	343.3	345.5
City General Fund Taxes	1,935.8	2,109.5	9.0%	2,316.6	2,481.5

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 report for April 2011. Fiscal year total FY10 actual and FY11 current estimate from *Mayor's Operating Budget in Brief for Fiscal Year 2012 as Proposed to the Council*, March 2011.

Notes:

¹ Includes portion dedicated to PICA.

² The rate of the City portion of the real estate tax increased from 3.305 percent in 2010 to 4.123 percent in 2011. The combined City and School District real estate tax rate increased 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, and was first reflected in December 2009 collections.