

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

September 2011

City General Fund tax collections in September were \$139.7 million, bringing the total for the first three months of FY12 to \$445.5 million, a decline of 1.9 percent compared to the same period in FY11. However, the City’s 2010 tax amnesty program increased collections in the first quarter of FY11 by \$28.2 million (including \$5.0 million in wage and earnings tax, \$2.1 million in net profits tax, \$5.0 million in real estate tax, and \$14.6 million in business privilege tax). Excluding these additional tax amnesty revenues, tax revenue in the first quarter of FY12 increased 4.6 percent over the FY11 level.

Even after taking the tax amnesty program into account, however, the first quarter results for some of the City’s major taxes are weak in comparison to recent trends. Wage and earnings tax revenue increased 2.1 percent in the first quarter after adjusting for the impact of the amnesty program, a level generally below that of FY11. Sales tax collections declined 6.0 percent, the first quarterly decline since the fourth quarter of FY10. The first quarter results are also weak in comparison to the FY12-FY16 Five-Year Plan, which projects FY12 tax base growth of 3.4 percent for the wage and earnings tax and 3.5 percent for the sales tax.

**Major General Fund Tax Revenue Sources:
Estimated Year-over-Year Percentage Growth in Tax Base by Quarter¹**

Tax	FY10			FY11				FY12
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Wage and Earnings	(0.5)	0.4	2.8	2.8	3.7	4.1	2.0	0.7
Real Estate Transfer	19.2	7.1	40.2	31.5	(12.3)	(7.2)	(15.5)	(10.1)
Sales	(8.6)	(13.9)	(3.6)	3.2	2.9	5.5	5.1	(6.0)
Parking	6.9	(6.0)	6.3	(0.4)	1.6	3.0	(0.4)	3.2

Notes: Negative amounts are shown in parentheses. Wage and earnings tax figures include City and PICA portions of the taxes.

Figures are not adjusted for the impact of the 2010 tax amnesty program

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

- Wage and earnings tax revenue (including both the City and PICA portions of the tax) was \$110.4 million in September, bringing the total for the first three months of FY12 to \$365.1 million, an increase of 0.7 percent compared to the same period in FY11. This growth rate however, should be considered in relation to the high level of delinquent tax collections in the first quarter of FY10 due to the City's tax amnesty program. When the \$5.0 million in wage and earnings collections from July and August 2010 are excluded, wage and earnings taxes in the first quarter of FY12 increased 2.1 percent over the prior year. Still, this rate is lower than the current Five-Year Plan projection for FY12, which is 3.4 percent, and below the estimated 3.2 percent growth that occurred from FY10 to FY11. Another factor that could impact year-over-year comparisons is the implementation of monthly electronic payments for larger taxpayers over the past year, a processing change which influences the timing of tax receipts. The current estimate for FY12 is \$1,542.3 million.
- September sales tax collections were \$20.3 million, bringing the total for the first three months of FY12 to \$61.6 million, a 6.0 percent decline from the previous fiscal year.² Quarterly estimates of the sales tax base throughout FY11 showed increases over the prior year ranging from 2.9 to 5.5 percent, so the 6.0 percent decline in the first quarter of FY12 is an indication of a slowdown in the pace of retail activity in recent months. The current estimate for FY12 is \$256.5 million, based on projected tax base growth of 3.5 percent for the year.
- Real estate transfer tax (RETT) collections were \$11.9 million in September, bringing the total for the first three months of FY12 to \$36.0 million, a 10.1 percent decline compared to last fiscal year. This result, however, is positive when compared to the fourth quarter of FY11, when collections declined 15.5 percent compared to the prior year. Moreover, collections in the first quarter of FY11 were positively impacted by the federal first-time homebuyer tax credit, which increased real estate activity prior to its September 30, 2010 expiration. The current projection for FY12 is \$120.9 million, based on estimated tax base growth of 3.0 percent for the year.
- Parking tax collections in September were \$5.7 million, bringing the total for the first three months of FY12 to \$18.7 million, a 3.2 percent increase compared to FY11. The current estimate for FY12 is \$74.3 million, based on projected tax base growth of 2.5 percent.

² Year-over-year collections differ from end-of-year budget numbers due to the delays in the collection of the Sales Tax and end-of-year accrual adjustments. The figures here provide for the best activity comparison, which can be adjusted for the rate change, and allow the calculation of a growth rate in the underlying base.

- September amusement tax collections were \$0.7 million, bringing the total for the first three months of FY12 to \$5.2 million, an 8.1 percent decline compared to the previous year. The current FY12 estimate is \$21.6 million, based on estimated tax base growth of 2.5 percent.

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

Tax	Monthly Total through September			Fiscal Year Total (Budget Basis)	
	FY11	FY12 (Preliminary)	Percent Change	FY11 Current Estimate	FY12 Current Estimate
Wage and Earnings¹	\$362.6	\$365.1	0.7%	\$1,492.1	\$1,542.3
<i>Wage</i>	359.4	362.6	0.9%	--	--
<i>Earnings</i>	3.2	2.5	-19.6%	--	--
Net Profits¹	3.3	1.8	-47.2%	20.4	20.8
Real Estate²	16.2	20.5	26.8%	488.7	486.7
Business Privilege	26.9	17.0	-36.9%	370.8	369.3
Sales	65.6	61.6	-6.0%	247.5	256.5
Real Estate Transfer	40.0	36.0	-10.1%	117.3	120.9
Parking	18.2	18.7	3.2%	72.5	74.3
Amusement	5.7	5.2	-8.1%	21.1	21.6
Other	2.3	0.6	-74.2%	4.1	4.1
Total	540.8	526.5	-2.6%	2,834.5	2,896.5
<i>PICA Taxes</i>	86.6	81.0	-6.4%	345.5	357.1
<i>City General Fund Taxes</i>	454.2	445.5	-1.9%	2,489.0	2,539.5

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 September 2011. Fiscal year total FY11 and FY12 current estimate from *Five-Year Financial Plan for Fiscal Year 2012 to 2016*, approved by PICA on July 26, 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.