



July 12, 2013

City of Philadelphia Tax Revenue Update for June 2013

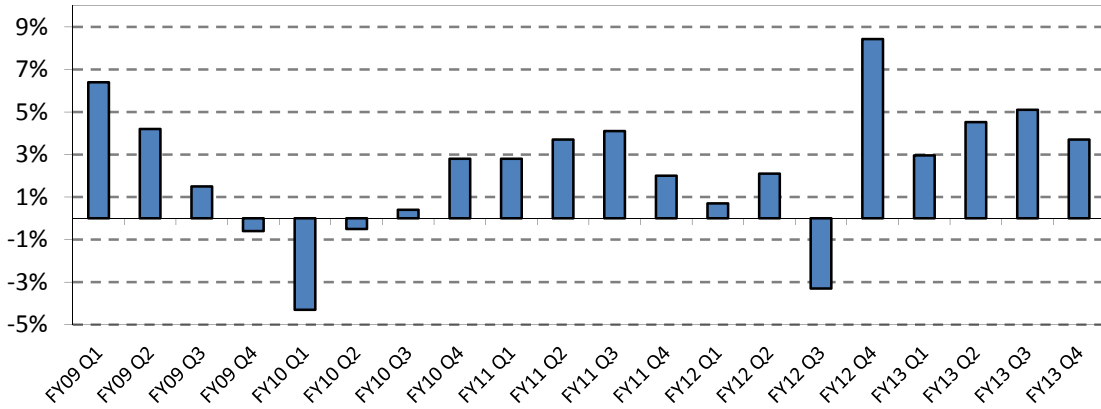
City General Fund tax collections were \$154.8 million in June, according to the City's preliminary revenue report. In fiscal year 2013 (FY13), overall cash collections of General Fund taxes totaled \$2,747.8 million, 8.0 percent higher than FY12. The current estimate for FY13 General Fund tax revenue in the revised *Five-Year Financial Plan* is \$2,712.5 million, an increase of \$142.1 million (5.5 percent) from FY12, and \$98.1 million (3.8 percent) compared to the adopted budget. The most significant increases between the adopted budget and current estimate are business income and receipts (\$40.0 million), wage and earnings (\$33.2 million), real estate (\$20.2 million), and real estate transfer (\$18.8 million) taxes.

Even with recent increases in projected revenues, growth in cash collections through June for all major City taxes except the parking and amusement taxes is at or above the projected rate for the full fiscal year. Actual FY13 revenue recognized in the City's financial reports will depend on end-of-year accounting adjustments. These adjustments can be significant, particularly for self-assessed taxes such as the business income and receipts, wage and earnings, and net profits taxes.¹ Actual tax revenues will be published in the City's *Comprehensive Annual Financial Report* for FY13, which should be released early next year.

Figure 1 presents estimated quarterly growth of the base of the wage and earnings tax. The figures represent annual growth rates in cash collections, adjusted for any changes in tax rates that may have occurred. This tax base has generally shown modest growth since the fourth quarter of FY10. Growth in the fourth quarter of FY13 was 3.7 percent. On an annual basis, growth is estimated at 3.1 percent in FY11, 1.8 percent in FY12, and 4.1 percent in FY13.

¹ Under the modified accrual basis of accounting which the City has adopted, revenues are recognized when "measurable" and "available." In the case of real estate and sales taxes, the City considers all revenues received within 60 days of the end of the fiscal year to be "available." Accounting adjustments for other taxes are based upon the timing of the underlying transaction and other factors.

**Figure 1: Wage and Earnings Tax Base,
Year-over-Year Percentage Change by Quarter¹**

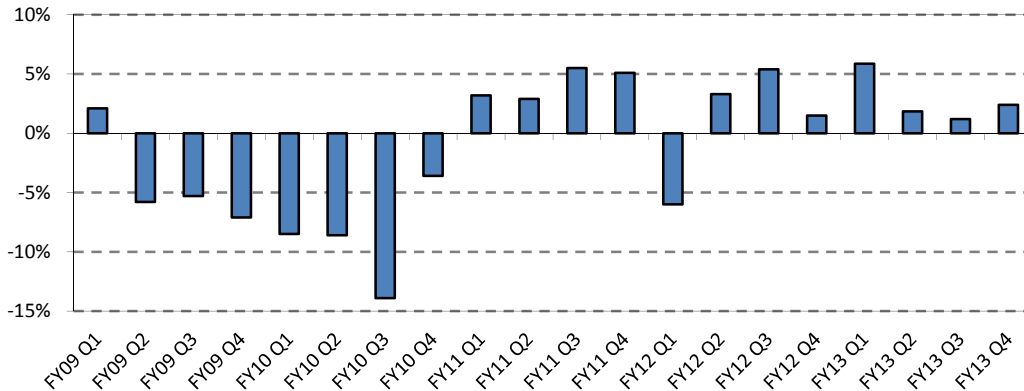


Note: The figures shown are PICA staff estimates based on monthly cash collections and past tax rates. The estimated tax base equals revenues divided by the tax rate in effect in each period. Revenue data are from *Comparative Statement of Net Revenue Collections*, City of Philadelphia Department of Revenue.

¹ Includes City and PICA portion.

Figure 2 presents estimated quarterly growth rates for the sales tax base. This figure represents changes in quarterly cash collections, adjusted for the change in tax rate from 1 to 2 percent effective in October 2009. Following significant declines during FY09 and FY10, the tax base has generally shown modest growth since the fourth quarter of FY10. The tax base grew 2.4 percent in the fourth quarter of FY13. Annual growth is estimated at 4.2 percent in FY11, 0.9 percent in FY12, and 2.8 percent in FY13.

**Figure 2: Sales Tax Base:
Year-over-Year Percentage Change by Quarter**



Note: The figures shown are PICA staff estimates based on monthly cash collections and past tax rates. The estimated tax base equals revenues divided by the tax rate in effect in each period. Revenue data are from *Comparative Statement of Net Revenue Collections*, City of Philadelphia Department of Revenue.

Table 1 presents cash collections for each major General Fund tax in FY12 and FY13, as well as actual FY12 and projected FY13 revenues presented on the modified accrual basis of accounting, from the *Supplemental Report of Revenues and Obligations* for FY12 and the revised *Five-Year Financial Plan* for FY14 through FY18.

Table 1: City of Philadelphia General Fund Tax Revenues: FY13 versus FY12 (\$ in Millions)							
Tax	Monthly Total through June			Fiscal Year Total (Budget Basis)			Percent Change through June Above/(Below) Fiscal Year Percent Change
	FY12	FY13 ¹	Percent Change	FY12 Actual	FY13 Current Estimate	Percent Change	
Wage and Earnings²	\$1,527.0	\$1,589.3	4.1%	\$1,548.6	\$1,601.1	3.4%	0.7%
Wage	1,508.8	1,573.5	4.3%				
Earnings	18.2	15.8	-13.1%				
Net Profits²	20.5	30.9	51.1%	20.4	20.8	2.2%	48.9%
Real Estate	500.7	542.4	8.3%	500.7	535.1	6.9%	1.4%
Business Income and Receipts	388.3	462.1	19.0%	389.4	435.0	11.7%	7.3%
Sales	250.2	257.2	2.8%	253.5	259.3	2.3%	0.5%
Real Estate Transfer	118.9	146.9	23.5%	119.4	143.3	20.1%	3.4%
Parking	71.8	73.4	2.1%	70.9	73.2	3.1%	(1.0%)
Amusement	21.7	18.6	-14.3%	21.9	19.1	-13.0%	(1.3%)
Other	3.2	3.5	9.7%	3.2	3.4	7.6%	2.1%
Total	2,902.2	3,124.3	7.7%	2,928.0	3,090.2	5.5%	2.1%
PICA	357.5	376.5	5.3%	357.5	377.7	5.6%	(0.3%)
City	2,544.7	2,747.8	8.0%	2,570.4	2,712.5	5.5%	2.5%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City Department of Revenue, available at <http://www.phila.gov/Revenue/aboutus/Pages/ReportsandPublications.aspx>, and preliminary revenue report for June 2013. FY12 actual from *Supplemental Report of Revenues and Obligations* for FY12. FY13 current estimate from revised *Five-Year Financial Plan* for FY14 through FY18, submitted to PICA on July 3, 2013.

Notes:

¹ Amounts are preliminary.

² Includes portion dedicated to PICA.

Table 2 presents a comparison between the estimates of tax revenues contained in the FY13 General Fund budget adopted by City Council in June 2012, and the current estimate of revenues from the revised *Five-Year Financial Plan* for FY14 through FY18.

Table 2: City of Philadelphia FY13 General Fund Tax Revenues Adopted Budget versus Current Estimate (\$ in Millions)				
Tax	Adopted Budget	Current Estimate	Current Estimate Above/(Below) Adopted Budget	
			Amount	Percent
Wage and Earnings¹	\$1,567.8	\$1,601.1	\$33.2	2.1%
Net Profits¹	20.1	20.8	0.7	3.7%
Real Estate	514.9	535.1	20.2	3.9%
Business Income and Receipts	394.9	435.0	40.0	10.1%
Sales	259.3	259.3	(0.1)	(0.0%)
Real Estate Transfer	124.5	143.3	18.8	15.1%
Parking	75.1	73.2	(2.0)	(2.6%)
Amusement	22.1	19.1	(3.0)	(13.6%)
Other	3.4	3.4	(0.0)	(0.0%)
Total	2,982.2	3,090.2	108.0	3.6%
<i>PICA</i>	367.8	377.7	9.9	2.7%
<i>City</i>	2,614.4	2,712.5	98.1	3.8%

Source: Adopted budget amounts from *Mayor's Operating Budget in Brief for Fiscal Year 2013*.
Current estimates from revised *Five-Year Financial Plan* for FY14 through FY18, submitted to PICA on July 3, 2013.

Note:

¹ Includes portion dedicated to PICA.