



March 10, 2014

City of Philadelphia Tax Revenue Update for January 2014

City General Fund tax collections were \$224.6 million in January, according to the City's preliminary monthly revenue report. This is a decline of \$8.2 million (3.5 percent) from January 2013. Collections through the first seven months of FY14 totaled \$1,187.6 million, an increase of \$33.1 million (2.9 percent) over the same period in FY13. The growth through January represents increases in all major General Fund taxes except the real estate tax.

In the *Quarterly City Managers Report* for the period ended December 31, 2013, and again in the proposed *Five-Year Financial Plan* for fiscal years 2015-2019, the City revised its FY14 revenue estimates. As shown in Table 2, the overall revenue estimate (including City General Fund and PICA taxes) increased \$12.4 million from the adopted budget level. The most significant changes included: a \$43.6 million reduction in projected wage and earnings tax revenue (including the City and PICA portions), a \$51.3 million increase in projected business income and receipts tax revenue, and a \$12.0 million increase in the net profits tax revenue projection (including the City and PICA portions).

With the most recent revisions, overall General Fund tax revenue is projected at \$2,779.7 million, a \$17.2 million (0.6 percent) increase from the adopted budget, and a 1.7 percent increase from the FY13 actual revenue. Year-to-date growth rates for the wage and earnings, sales, real estate transfer, and parking taxes are generally consistent with the revised projection. Collections through January for other major taxes – real estate, business income and receipts, and net profits – are not indicative of likely results for the full fiscal year because these taxes are collected primarily in the spring.

Trends in individual taxes are described below.¹

- Wage and earnings tax collections (including the City and PICA portion) totaled \$174.1 million in January, an increase of \$9.0 million (5.5 percent) from January 2013. Collections through January increased 2.4 percent over FY13. The current FY14 estimate is \$1,612.9 million, a 1.7 percent increase from FY13.²
- January sales tax collections were \$20.5 million, an increase of \$0.5 million (2.4 percent) compared to the same month in FY13. Collections through the first seven months of FY14 increased 2.9 percent over the same period last year. The current FY14 estimate is \$265.9 million, an increase of 3.2 percent from FY13.
- Real estate transfer tax collections were \$12.8 million in January, a decline of \$0.1 million (1.1 percent) compared to January 2013. Collections through January increased 8.3 percent compared to FY13. The current FY14 projection is \$160.5 million, an 8.5 percent increase from FY13.
- Parking tax collections were \$6.0 million in January, an increase of \$0.1 million (1.8 percent) from the same month last year. Collections through January increased 1.9 percent compared to the same period in FY13. The current FY14 projection is \$75.0 million, a 2.4 percent increase from FY13.

¹ Real estate taxes are collected primarily from January through March, while business income and receipts and net profits taxes are collected primarily from March through May. For these taxes, the overall strength of collections cannot be assessed until after these periods are complete. Accordingly, collection trends for these taxes are not discussed in detail, although the amounts collected are shown in Table 1.

² Monthly collections for all taxes can fluctuate due to random factors, so that revenue for any given month or quarter is not always indicative of the likely overall trend for the fiscal year. The wage tax in particular is susceptible to random influences, mostly relating to the timing of receipts. For this reason, monthly and quarterly revenue collection figures in this report should be interpreted cautiously.

**Table 1: City of Philadelphia General Fund Tax Revenues:
FY14 versus FY13 (\$ in Millions)**

Tax	Monthly Total through January			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY13	FY14 ¹	Percent Change	FY13 Actual	FY14 Current Estimate	Percent Change	
Wage and Earnings²	\$932.5	\$954.7	2.4%	\$1,586.2	\$1,612.9	1.7%	0.7%
<i>Wage</i>	927.2	949.6	2.4%				
<i>Earnings</i>	5.3	5.1	-4.8%				
Net Profits²	4.2	4.1	-1.3%	30.9	33.3	7.6%	(9.0%)
Real Estate	98.2	87.9	-10.5%	540.5	533.2	-1.4%	(9.2%)
Business Income and Receipts	50.2	60.1	19.8%	450.9	461.3	2.3%	17.5%
Sales	147.7	152.0	2.9%	257.5	265.9	3.2%	(0.3%)
Real Estate Transfer	82.7	89.6	8.3%	148.0	160.5	8.5%	(0.2%)
Parking	42.6	43.5	1.9%	73.3	75.0	2.4%	(0.5%)
Amusement	8.7	10.8	24.0%	19.1	20.5	7.3%	16.7%
Other	1.9	2.1	9.8%	3.5	3.4	-1.3%	11.1%
Total	1,368.8	1,404.9	2.6%	3,109.9	3,166.0	1.8%	0.8%
<i>PICA</i>	214.3	217.3	1.4%	376.5	386.3	2.6%	(1.2%)
<i>City</i>	1,154.5	1,187.6	2.9%	2,733.5	2,779.7	1.7%	1.2%

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>. FY13 actual from *Supplemental Report of Revenues and Obligations* for FY13. Current estimate for FY14 from *Five-Year Financial Plan* for fiscal years 2015-2019, issued March 6, 2014.

Notes:

¹ Amounts are preliminary.

² Includes portion dedicated to PICA.

Table 2: City of Philadelphia General Fund Tax Revenues FY14 Adopted Budget versus Current Estimate (\$ in Millions)				
Tax	Adopted Budget	Current Estimate	Current Estimate Above/(Below) Adopted Budget	
			Amount	Percent
Wage and Earnings¹	\$1,656.6	\$1,612.9	(\$43.6)	(2.6%)
Net Profits¹	21.4	33.3	12.0	56.0%
Real Estate	536.6	533.2	(3.4)	(0.6%)
Business Income and Receipts	410.0	461.3	51.3	12.5%
Sales	272.6	265.9	(6.7)	(2.4%)
Real Estate Transfer	157.6	160.5	2.9	1.8%
Parking	75.0	75.0	--	--
Amusement	20.5	20.5	--	--
Other	3.4	3.4	--	--
Total	3,153.6	3,166.0	12.4	0.4%
<i>PICA</i>	391.0	386.3	(4.7)	(1.2%)
<i>City</i>	2,762.6	2,779.7	17.2	0.6%

Source: Adopted budget amounts from *Mayor's Operating Budget in Brief for Fiscal Year 2014*.
Current estimates from proposed *Five-Year Financial Plan* for Fiscal Years 2015-2019, issued
March 6, 2014.

Note:

¹ Includes portion dedicated to PICA.