



July 28, 2015

## City of Philadelphia Tax Revenue Update for June 2015

*FY15 tax collections through June, including the PICA tax, are 0.4 percent higher than FY14 levels. Taxes generally show growth consistent with current projections, with the exception of the real estate tax, which has been negatively affected by delays in processing assessment appeals*

General Fund tax collections totaled \$169.8 million in June, according to the City's preliminary revenue report, an increase of \$3.2 million (1.9 percent) from the previous year. Compared to June 2014, the revenues for the following taxes increased: wage and earnings (\$9.9 million), real estate (\$6.3 million), real estate transfer (RETT, \$1.6 million), parking (\$0.2 million), and amusement (\$0.1 million). These increases were offset by declines in sales (\$10.1 million), business income and receipts (BIRT, \$0.6 million), and net profits (NPT, \$0.5 million). The decline in sales tax revenue reflected the allocation of a portion of the tax to the School District of Philadelphia (SDP) effective July 1, 2014.

Overall, collections through June indicate a continuation of Philadelphia's economic recovery, with continued growth in earned income and a stronger real estate market. Preliminary data indicate that the wage tax base increased 18.3 percent in nominal terms from FY10 to FY15, an average annual rate of 3.4 percent. The real estate transfer tax increased 71.6 percent over the same period, an average annual increase of 11.4 percent. (The RTT base remains 13.4 percent below the pre-recession peak in FY06.) The sales tax base increased 8.9 percent from FY10 to FY15, an average annual rate of 1.7 percent. (The sales tax base remains 4.6 percent below the pre-recession peak, which occurred in FY08.)

FY15 tax collections through June (including the PICA tax) totaled \$3,217.3 million, an increase of 0.4 percent on a year-over-year basis. FY15 year-to-date growth for the wage and earnings tax is 4.8 percent, on par with the current projection. Year-to-date RETT growth is 21.0 percent, slightly above the currently projected growth rate of 20.0 percent. Growth for the NPT is 28.9 percent through June, well above the current projection. Year-to date real estate tax collections declined 0.4 percent, compared to a current projection of 0.3 percent growth. Relatively weak performance of the real estate tax reflects slower than anticipated processing of assessment appeals by the Board of Revision of Taxes. Year-to-date sales tax collections are 42.4 percent below FY14, reflecting the allocation of revenue to SDP; the current projection shows a

45.3 percent decline in FY15. Final General Fund tax revenue results for FY15 on the modified accrual accounting basis will be available in October.

The current estimate for FY15 General Fund tax revenue is \$2,781.9 million, a decline of \$14 million (0.5 percent) from FY14. Excluding the sales tax, which is projected to decline 45.3 percent due largely to the shift of revenue to the SDP, overall tax revenue is projected to increase 4.2 percent.

<b>Table 1: City of Philadelphia Tax Revenues: FY15 versus FY14 (\$ in Millions)</b>							
Tax	Monthly Total through June			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY14	FY15 <sup>1</sup>	Percent Change	FY14 Actual	FY15 Current Estimate	Percent Change	
<b>Wage and Earnings<sup>2</sup></b>	\$1,637.7	\$1,717.1	4.8%	\$1,634.8	\$1,713.2	4.8%	0.1%
<i>Wage</i>	1,622.1	1,699.7	4.8%				
<i>Earnings</i>	15.6	17.5	12.1%				
<b>Net Profits<sup>2</sup></b>	29.2	37.7	28.9%	27.6	32.5	17.7%	11.1%
<b>Real Estate</b>	540.4	538.2	-0.4%	526.4	527.9	0.3%	-0.7%
<b>Business Income and Receipts</b>	465.3	468.9	0.8%	461.7	466.3	1.0%	-0.3%
<b>Sales</b>	263.7	151.9	-42.4%	263.0	143.8	-45.3%	2.9%
<b>Real Estate Transfer</b>	167.8	203.1	21.0%	168.1	201.7	20.0%	1.0%
<b>Parking</b>	75.0	77.8	3.7%	75.2	76.9	2.3%	1.5%
<b>Amusement</b>	20.0	18.7	-6.2%	20.0	18.9	-5.5%	-0.7%
<b>Other</b>	3.8	3.8	0.8%	3.7	3.5	-6.5%	7.3%
<b>Total</b>	3,203.0	3,217.3	0.4%	3,180.4	3,184.7	0.1%	0.3%
<i>PICA</i>	384.5	408.5	6.2%	384.5	402.8	4.8%	1.5%
<i>City</i>	2,818.5	2,808.8	-0.3%	2,795.9	2,781.9	-0.5%	0.2%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City of Philadelphia, Department of Revenue and preliminary revenue report for June. FY14 actual from *Supplemental Report of Revenues and Obligations*. FY15 current estimate from *Quarterly City Managers Report* for the period ending March 31, 2015.

Notes:

<sup>1</sup> Amounts are preliminary. Collections to date are not necessarily indicative of likely trends for the entire fiscal year.

<sup>2</sup> Includes portion dedicated to PICA.

<b>Table 2: City of Philadelphia Tax Revenues FY15 Adopted Budget versus Current Estimate (\$ in Millions)</b>				
<b>Tax</b>	<b>Adopted Budget</b>	<b>Current Estimate</b>	<b>Current Estimate Above/(Below) Adopted Budget</b>	
			<b>Amount</b>	<b>Percent</b>
<b>Wage and Earnings<sup>1</sup></b>	\$1,683.7	\$1,713.2	\$29.4	1.7%
<b>Net Profits<sup>1</sup></b>	35.2	32.5	(2.7)	-7.7%
<b>Real Estate</b>	547.4	527.9	(19.5)	-3.6%
<b>Business Income and Receipts</b>	453.2	466.3	13.1	2.9%
<b>Sales</b>	154.6	143.8	(10.8)	-7.0%
<b>Real Estate Transfer</b>	176.6	201.7	25.1	14.2%
<b>Parking</b>	76.9	76.9	0.0	0.0%
<b>Amusement</b>	20.9	18.9	(2.0)	-9.6%
<b>Other</b>	3.5	3.5	0.0	0.0%
<b>Total</b>	3,152.0	3,184.7	32.7	1.0%
<i>PICA</i>	403.7	402.8	(1.0)	-0.2%
<i>City</i>	2,748.2	2,781.9	33.7	1.2%

Source: Adopted budget amounts from *Mayor's Operating Budget in Brief for Fiscal Year 2015*.  
Current estimate from *Quarterly City Managers Report* for the period ending March 31, 2015.

Note:

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