



August 18, 2014

## City of Philadelphia Tax Revenue Update for June 2014

***General Fund tax collections through June increased 3.3 percent over the prior year and appear likely to meet or exceed the City's current FY14 projections***

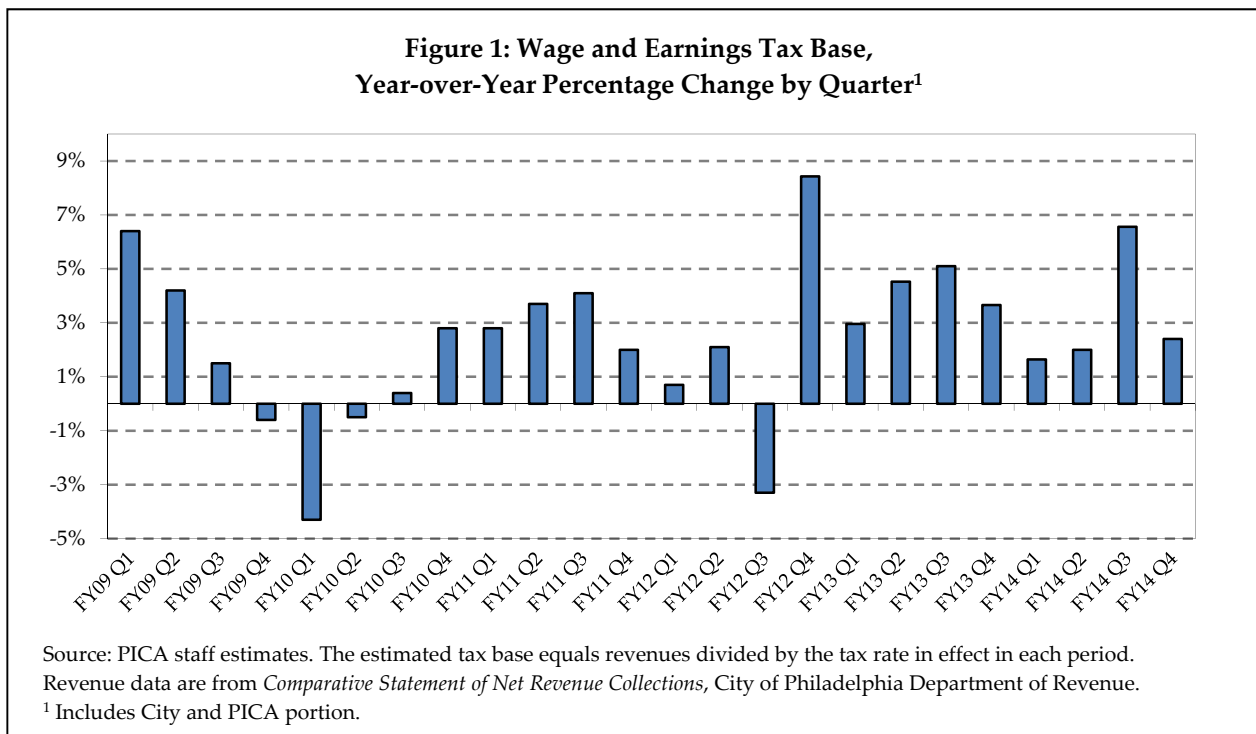
General Fund tax collections totaled \$166.5 million in June, according to the City's preliminary revenue report, an increase of \$31.6 million from June 2013. Overall FY14 tax collections total \$2,818.5 million, an increase of \$90.5 million (3.3 percent), as compared to the previous fiscal year. The growth reflects increases in wage and earnings (\$49.2 million), real estate transfer (\$21.0 million), business income and receipts (\$18.8 million), sales (\$6.5 million), parking (\$1.6 million), amusement (\$1.4 million), and real estate taxes (\$0.9 million), offset by a \$1.6 million decline in net profits tax collections.

The current FY14 tax revenue estimate, contained in the PICA-approved *Five-Year Financial Plan* for FY15 through FY19, is \$2,788.7 million, a \$26.2 million (0.9 percent) increase from the adopted budget, and a \$55.3 million (2.0 percent) increase from FY13 actual collections. Actual collections for most taxes are at or above the current estimate. Final reported revenues will reflect end-of-year adjustments required under the City's modified accrual basis of accounting. Based on collections through June, however, it appears likely that the final revenue amounts will meet or exceed the City's current estimate.

Figures 1 through 3 present quarterly changes since FY09 in the tax base of the wage and earnings, sales, and real estate transfer taxes. In each figure, the tax base is estimated by dividing revenue by the tax rate in effect in each period. The tax base represents the underlying economic activity that is subject to taxation and is particularly important as an indicator of the City's economic and fiscal health.

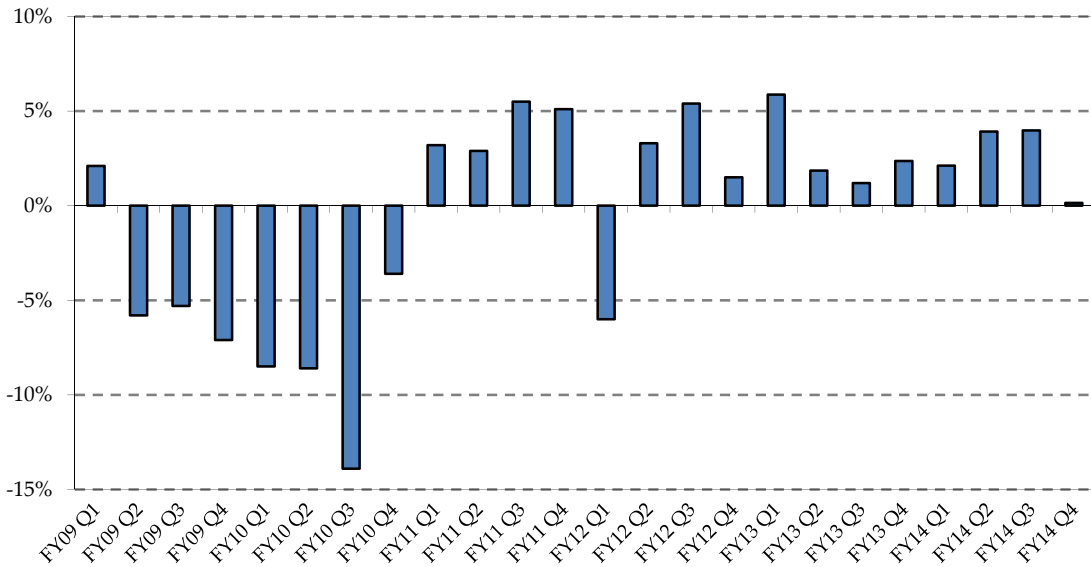
As shown in Figure 1, the wage and earnings tax base increased by an estimated 2.4 percent in the fourth quarter of FY14. The tax base for the entire fiscal year 2014, estimated at \$43.6 billion, increased 3.2 percent compared to the previous fiscal year. The tax base has increased nominally in each of the past four fiscal years – with increases of 3.1, 1.8, 4.0, and 3.2 percent, respectively in FY11, FY12, FY13, and FY14 – following a nominal decline of 0.4 percent in FY10.

According to the US Bureau of Labor Statistics, payroll employment in Philadelphia decreased 1.6 percent in 2009, but has increased modestly in each succeeding year, at annual rates ranging from 0.3 to 0.7 percent from 2010 to 2013.



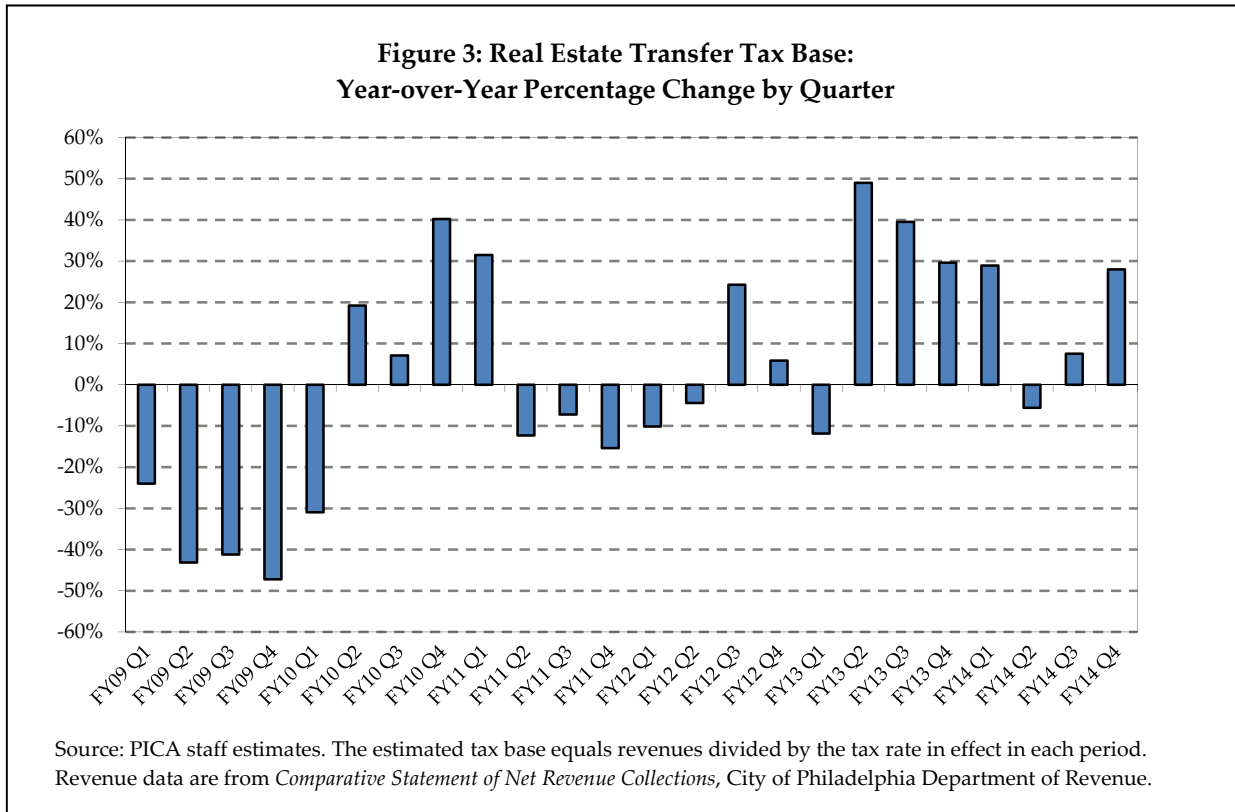
Quarterly growth trends for the sales tax base are shown in Figure 2. The figures indicate the growth in the level of taxable retail sales in the city. This tax base increased 0.1 percent in the fourth quarter of FY14, a relatively weak performance compared to the previous ten quarters, when increases ranged from 1.2 to 5.9 percent. Nonetheless, the sales tax base has increased in 15 of the 16 most recent quarters, indicating a steady recovery of retail sales since the declines of FY09 and FY10. On an annual basis, the tax base declined 4.0 percent and 8.7 percent, respectively, in FY09 and FY10, before increasing an estimated 4.2, 0.9, 2.8, and 2.5 percent in FY11, FY12, FY13, and FY14, respectively. Despite the gradual recovery in retail sales, the estimated sales tax base in the city was \$13.2 billion in FY14, below the FY08 level of \$13.6 billion.

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



Source: PICA staff estimates. 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.

Figure 3 presents quarterly trends in the real estate transfer tax base. This tax base increased an estimated 28.0 percent in the fourth quarter of FY14. Transfer tax base trends have been volatile in recent years, reflecting trends in the real estate market. The tax base declined an estimated 50.6 percent from FY06 through FY09. It increased slightly through FY12, and significantly in FY13 and FY14. The estimated growth was 23.5 percent and 14.3 percent in FY13 and FY14, respectively. The tax base is estimated at \$5.6 billion in FY14, an increase of 41.1 percent from FY12, but below the FY06 level of \$7.8 billion.



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

Tax	Monthly Total through June			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY13	FY14 <sup>1</sup>	Percent Change	FY13 Actual	FY14 Current Estimate	Percent Change	
<b>Wage and Earnings<sup>2</sup></b>	\$1,588.5	\$1,637.7	3.1%	\$1,586.2	\$1,625.9	2.5%	0.6%
<i>Wage</i>	1,572.8	1,622.1	3.1%				
<i>Earnings</i>	15.8	15.6	-1.2%				
<b>Net Profits<sup>2</sup></b>	30.8	29.2	-5.1%	30.9	33.3	7.6%	(12.7%)
<b>Real Estate</b>	539.6	540.4	0.2%	540.5	533.2	-1.4%	1.5%
<b>Business Income and Receipts</b>	446.5	465.3	4.2%	450.9	461.3	2.3%	1.9%
<b>Sales</b>	257.2	263.7	2.5%	257.5	264.9	2.9%	(0.3%)
<b>Real Estate Transfer</b>	146.9	167.8	14.3%	148.0	160.5	8.5%	5.8%
<b>Parking</b>	73.4	75.0	2.2%	73.3	75.0	2.4%	(0.1%)
<b>Amusement</b>	18.6	20.0	7.8%	19.1	20.5	7.3%	0.5%
<b>Other</b>	3.0	3.8	23.5%	3.5	3.4	-1.3%	24.8%
<b>Total</b>	3,104.5	3,203.0	3.2%	3,109.9	3,178.0	2.2%	1.0%
<i>PICA</i>	376.5	384.5	2.1%	376.5	389.3	3.4%	(1.3%)
<i>City</i>	2,728.0	2,818.5	3.3%	2,733.5	2,788.7	2.0%	1.3%

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*. Current estimate for FY14 from *Five-Year Financial Plan for Fiscal Year 2015 through 2019*, submitted to PICA on June 26.

Notes:

<sup>1</sup> Amounts are preliminary.

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

<b>Table 2: City of Philadelphia General Fund Tax Revenues FY14 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>	\$1,656.6	\$1,625.9	(\$30.7)	(1.9%)
<b>Net Profits<sup>1</sup></b>	21.4	33.3	12.0	56.0%
<b>Real Estate</b>	536.6	533.2	(3.4)	(0.6%)
<b>Business Income and Receipts</b>	410.0	461.3	51.3	12.5%
<b>Sales</b>	272.6	264.9	(7.7)	(2.8%)
<b>Real Estate Transfer</b>	157.6	160.5	2.9	1.8%
<b>Parking</b>	75.0	75.0	--	--
<b>Amusement</b>	20.5	20.5	--	--
<b>Other</b>	3.4	3.4	--	--
<b>Total</b>	3,153.6	3,178.0	24.4	0.8%
<i>PICA</i>	391.0	389.3	(1.8)	(0.5%)
<i>City</i>	2,762.6	2,788.7	26.2	0.9%

Source: Adopted budget amounts from *Mayor's Operating Budget in Brief for Fiscal Year 2014*.  
Current estimate from *Five-Year Financial Plan* for Fiscal Years 2015 through 2019, submitted to PICA on June 26.

Note:

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