



January 14, 2016

City of Philadelphia Tax Revenue Update for December 2015

Collections through the second quarter of FY16 continue to be relatively strong, with positive growth for every tax except the sales tax. In addition, growth through December for most taxes exceeds the City's current projection for FY16.

General Fund tax collections totaled \$1.047 billion through December, according to the City's preliminary revenue report, an increase of 8.2 percent from the previous year. The current estimate for FY16 General Fund tax revenue is \$2.925 billion, an increase of 5.3 percent from the FY15 unaudited actual.

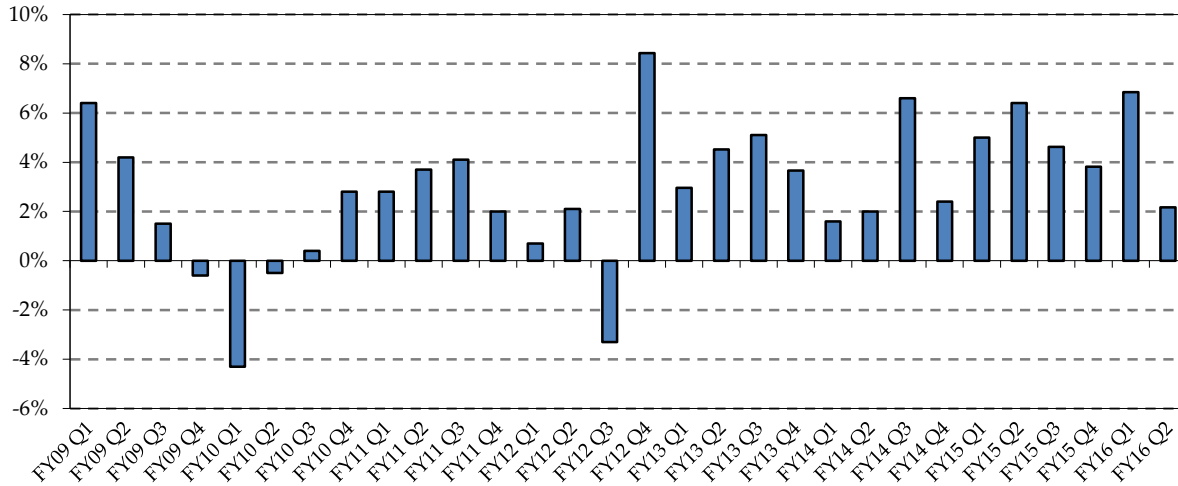
Year-to-date growth rates for most individual taxes are above the currently-projected growth rates for the fiscal year. The exceptions are the real estate and sales taxes. For the real estate tax, performance through December is not necessarily indicative of likely growth for the full fiscal year, since the majority of real estate tax collections occur in the spring.

The wage and earnings and real estate transfer taxes have performed well through the first two quarters of FY16. Wage and earnings tax collections through December increased 4.2 percent compared to last year; the City's current projection is for 3.5 percent growth in FY16. The real estate transfer tax has increased 17.9 percent through the second quarter, compared to a currently projected growth rate of 13.0 percent for the fiscal year.

Parking tax revenue through December increased 17.2 percent, partly due to the increase in the tax rate from 20.0 to 22.5 percent in FY16.

As shown in Figure 1, the wage and earnings tax base increased by an estimated 2.2 percent in the second quarter of FY16. Quarterly growth rates have generally been positive since the fourth quarter of FY10. Since the first quarter of FY13, quarterly growth rates have ranged from 1.6 to 6.8 percent.

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

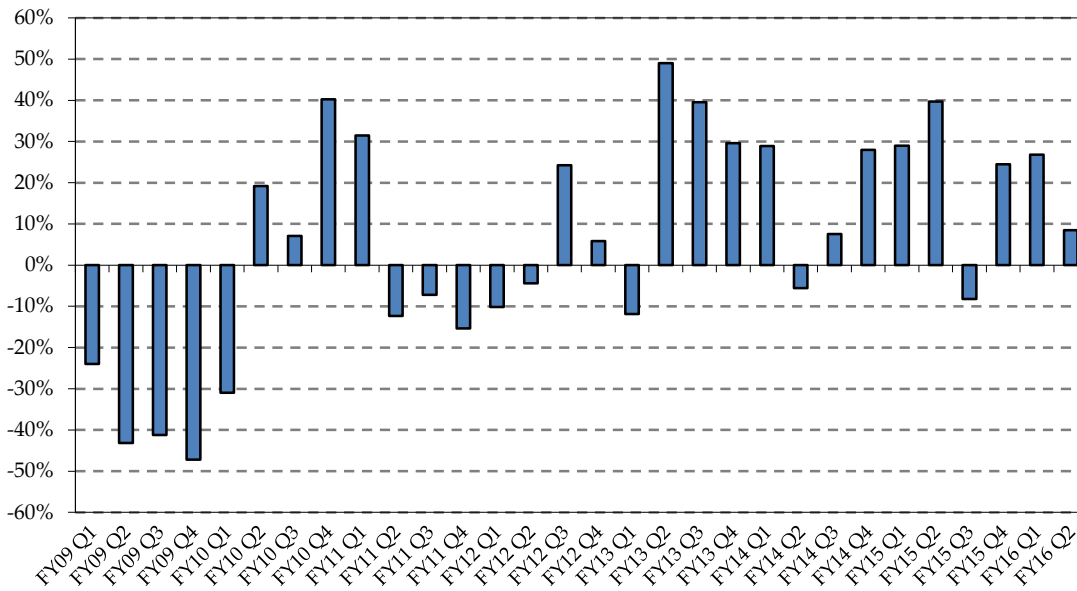


Source: PICA staff estimates. The estimated tax base equals revenues divided by the tax rate in effect in each period. Revenue data are from *Comparative Statement of Net Revenue Collections*, City of Philadelphia Department of Revenue.

¹ Includes City and PICA portion.

As shown in Figure 2, the real estate transfer tax base increased an estimated 8.5 percent in the second quarter of FY16. This tax base has exhibited strong growth over the past three years, increasing an estimated 23.5 percent in FY13, 14.3 percent in FY14, and 21.0 percent in FY15, reflecting trends in residential and commercial real estate values and the level of real estate activity. The current projection for real estate transfer tax revenue in FY16 is \$229.9 million, 2.8 percent below the all-time peak of \$236.4 million in FY06.

**Figure 2: Real Estate Transfer 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.

**Table 1: City of Philadelphia General Fund Tax Revenues:
FY16 versus FY15 (\$ in Millions)**

Tax	Monthly Total through December			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY15	FY16 ¹	Percent Change	FY15 Unaudited Actual	FY16 Current Estimate	Percent Change	
Wage and Earnings²	\$822.4	\$856.8	4.2%	\$1,716.6	\$1,776.4	3.5%	0.7%
<i>Wage</i>	818.4	852.4	4.2%				
<i>Earnings</i>	4.0	4.4	9.5%				
Net Profits²	2.8	5.8	106.1%	38.8	31.7	(18.4%)	124.4%
Real Estate	49.2	52.3	6.5%	536.4	583.6	8.8%	(2.3%)
Business Income and Receipts	35.3	64.3	82.1%	438.2	457.1	4.3%	77.8%
Sales	88.0	87.8	(0.2%)	149.5	154.4	3.3%	(3.5%)
Real Estate Transfer	103.0	121.4	17.9%	203.4	229.9	13.0%	4.9%
Parking	38.7	45.3	17.2%	79.7	88.6	11.2%	6.0%
Amusement	9.9	10.1	1.8%	19.0	19.2	0.9%	1.0%
Other	1.4	1.6	15.3%	3.8	3.5	(7.7%)	23.0%
Total City General Fund and PICA	1,150.6	1,245.5	8.2%	3,185.5	3,344.3	5.0%	3.3%
<i>PICA</i>	183.1	198.8	8.6%	408.5	419.0	2.6%	6.0%
<i>City General Fund</i>	967.6	1,046.7	8.2%	2,777.0	2,925.3	5.3%	2.8%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City of Philadelphia, Department of Revenue and preliminary revenue report for December. FY15 unaudited actual and FY16 current estimate from the *Quarterly City Managers Report* for the Period Ending September 30, 2015.

Notes:

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

² Includes portion dedicated to PICA.