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Monthly City of Philadelphia Tax Revenue Update

Through April 2009

Fiscal year 2009 tax collections through April reflect continued weakness in the City's major tax bases. The FY09 Realty Transfer Tax base shows the greatest decline from the prior year. The Sales and Parking Tax bases have also declined substantially from the FY08 level. In April, the Wage Tax base continued to deteriorate at a more rapid rate than in previous months. Based on actual collections through April, the City's FY09 projections for the Wage and Real Estate Tax may be at risk. Collections for other major taxes are in line with FY09 projections.

- April collections of the City portion of the Wage, Earnings, and Net Profits taxes (collectively referred to below as the "Wage Tax") were \$89.9 million, bringing fiscal year-to-date collections to \$956.4 million, which is 5.1 percent below collections for the same period in FY08. After adjusting for the tax rate change over the past year (from 4.219 percent to 3.93 percent for residents and from 3.7242 percent to 3.5 percent for non-residents), April collections suggest an approximate 7.0 percent decline in the tax base. As PICA has noted in previous tax revenue reports, the decline in the tax base in Philadelphia has been accelerating throughout the fiscal year, a reflection of continuing job losses. The city's projection of \$1,139.1 million in wage taxes for FY09 may be at risk if current trends continue.
- Real Estate Tax collections through April are \$391.1 million, a 0.3 percent increase over the same period in FY08. The City is somewhat off pace for meeting its projection of \$412.8 million for fiscal year 2009, which is an increase of 2.5 percent over the prior year.
- Business Privilege Tax (BPT) collections year-to-date are \$274.2 million, an increase of 3.5 percent over the same period in the prior year. The City's projection for FY09 of \$365.7 million represents an 8.3 percent decline in revenue from FY08. While the City's collections to date are on track to meet the FY09 projection, actual BPT collections in the final two months will be crucial to meeting the overall FY09 estimate. In FY08, 34 percent of total BPT revenue for the fiscal year was collected in May and June.

- Sales Tax collections in April were \$9.7 million, a decline of 6.7 percent from the prior year, and a continuation of the trend of generally weaker performance as the fiscal year has progressed. Collections for the Sales Tax increased 2.1 percent in the first quarter of FY09, declined 5.8 percent in the second quarter, and declined 5.3 percent in the third quarter. Fiscal year-to-date collections are down 3.3 percent. The \$128 million projection for FY09 represents a 6.8 percent decline from the prior year, and is consistent with current trends.
- April Realty Transfer Tax (RTT) collections were \$7.5 million, a decline of 58.4 percent from the April 2008 level. This is the largest month over month decline of any month in fiscal 2009. Previous months' collections were all substantially reduced from the prior year, but April was the first month in which the decline exceeded 50 percent. Fiscal year to date RTT collections are \$98.8 million, a decline of 37.4 percent from the same period in fiscal 2008. The City's projection for FY09 is \$110.6 million, a 39.9 percent decline from the FY08 actual level, and is consistent with current trends.
- Amusement Tax collections continued to grow at an accelerated pace and have already exceeded the current Plan projections.
- Parking Tax revenues in April were \$4.8 million, a decline of 3.6 percent from the April 2008 level. Year to date collections are up by 27.1 percent from the prior year, a reflection of a 33 percent increase in the tax rate, offset by an estimated 5 percent decline in the tax base. The City is on track to meet its forecast for FY09 of \$69 million, which represents a 24.4 percent increase in collections over FY08.

Major Tax Collections through April 2009

Dollars in Millions

Tax	FY09 through April (Preliminary)	FY08 through April	FY08 Total Collections	FY10- FY14 Five-Year Financial Plan Projection for FY09
Wage, Earnings, and Net Profits ¹	956.4	1,008.0	1,197.3	1,139.1 ²
Real Estate	391.1	390.1	402.8	412.8
Business Privilege	274.2	265.0	398.8	365.7
Realty Transfer	98.8	157.8	184.1	110.6
Sales	109.1	112.9	137.3	128.0
Amusement	19.6	16.1	18.0	18.4
Parking ³	54.4	42.8	55.5	69.0

¹ Excludes the portion of these taxes dedicated to PICA.

² Projected FY09 Wage Tax revenues reflect a reduction in Wage Tax rates from 4.219% to 3.98% for residents and from 3.724% to 3.5392% for non-residents effective July 1, 2008 from State gaming revenues, and a further City reduction on January 1, 2009, to 3.93% for residents and 3.5% for non-residents. The projection does not include \$86.6 million received by the City in FY09 from State gaming revenues which enabled a portion of the rate reductions. The combined total of Wage Tax and State gaming revenue projected for FY09 is now \$1,225.7 million.

³ Projected FY09 Parking Tax revenues reflect an increase in the tax rate from 15% to 20%.