

Pennsylvania Intergovernmental Cooperation Authority

1500 Walnut Street, Suite 1600

Philadelphia, PA 19102

215-561-9160

Monthly City of Philadelphia Tax Revenue Update

August 2009

Tax collections in August 2009 suggest that the recession continues to have a significant negative impact on the City's major sources of General Fund tax revenue. Collections of the Wage and Sales taxes through the first two months of fiscal year 2010 (July and August) suggest that the tax base for these taxes is declining at a rate comparable to or greater than the decline during the fourth quarter of fiscal 2009 (April through June). The results at the end of the first quarter (through September 09) will provide an opportunity for a better understanding of the trends across all taxes.

- Collections of the City portion of the Wage, Earnings, and Net Profits taxes in August were \$99.8 million. Fiscal year-to-date total collections are \$195.6 million, a decline of 3.8 percent from the same period in FY09. After adjusting for the change in tax rates, total collections in July and August suggests an approximate 2.6 percent decline in the tax base over the prior fiscal year. This is somewhat higher than the 2.3 percent decline in the Wage Tax base between the fourth quarter of FY08 and FY09. The FY10 Wage Tax projection in the Revised FY10-FY14 Five-Year Plan is \$1,172.4 million, an increase of 2.9 percent over FY09. This projection assumes that the downward trend in the tax base will reverse during the course of the fiscal year.
- Recent national data suggest that housing market conditions are improving somewhat, and this may be beginning to be reflected in Realty Transfer Tax (RTT) collections. August RTT collections were \$9.7 million. Fiscal year-to-date collections are \$20.6 million, down 34.4 percent from first two months of FY09. This rate of decline represents a modest improvement compared the fourth quarter of FY09, when RTT collections declined 47.2 percent compared to the same period in FY08. The Revised FY10-FY14 Plan projection for FY10 RTT revenue is \$94.7 million, a decline of 14.3 percent from FY09.

- Sales Tax collections in August were \$11.9 million. Fiscal year-to-date collections are \$21.9 million, a decline of 9.0 percent from FY09. This decline is somewhat larger than the 7.1 percent decline between the fourth quarter of FY08 and the fourth quarter of FY09, indicating a continued downward trend in retail sales in the city. The Revised FY10-FY14 Five-Year Plan projection for Sales Tax revenue in FY10 is \$215.3 million, a 68.2 percent increase over FY09. The FY10 Sales Tax projection has been revised downward by \$19.4 million to reflect a two-month delay in implementation of a planned increase in the City Sales Tax rate from 1 to 2 percent. The initial Five-Year Plan Sales Tax projection for FY10 was \$234.7 million, based on the assumption the tax rate increase would take effect on August 1, 2009. The Revised Plan projection assumes the rate increase will become effective October 1.
- Real Estate Tax collections in August were \$7.0 million, bringing the year-to-date total to \$13.0 million, a 19.7 percent decline from FY09. After accounting for property assessment appeals, citywide assessments grew approximately 0.7 percent from 2008 to 2009, and there was no change in the City Real Estate Tax rate over this period. Overall collections from January through August 2009 were approximately 0.4 percent lower compared to the same period in 2008, suggesting that collection rates could be declining due to the impact of the recession on taxpayers' ability to pay. The Revised FY10-14 Plan projects \$412.7 million in Real Estate Tax revenue in FY10, an increase of 2.0 percent over the FY09 level. The increase primarily reflects projected growth in delinquent tax collections.
- Business Privilege Tax (BPT) collections were \$8.1 million in August, bringing the year-to-date total to \$13.2 million. This figure is more than five times that of the first two months of FY09. However, monthly BPT collections are highly variable during months other than April and May, when most revenue from this tax is collected. Therefore, collections through August give little indication of the likely results for FY10. The Revised Five-Year Plan projects FY10 BPT revenues of \$356.7 million, a decline of 2.5 percent from FY09.
- Parking Tax collections were \$5.8 million in August, an increase of 8.5 percent over August 2008. The Revised FY10-FY14 Five-Year Plan projects FY10 Parking Tax revenue of \$70.7 million, an increase of 2.5 percent from FY09.
- August Amusement Tax collections were \$3.5 million, an increase of 1.0 percent from August 2008. The Revised Five-Year Plan projects FY10 Amusement Tax collections of \$20.9 million, an increase of 13.4 percent from FY09.

Fiscal Year 2010 General Fund Tax Collections through August 2009

Dollars in Millions

Tax	FY10 Through August (Preliminary)	FY09 Through August	Percent Change through August	Revised FY10-FY14 Five-Year Plan Projection for FY10 ¹	Percent Change from actual FY09 to projected FY10.
Wage, Earnings, and Net Profits ²	\$195.6	\$203.3	-3.8%	\$1,172.4	2.9%
Real Estate	13.0	16.1	-19.7%	412.7	2.0%
Business Privilege	13.2	2.4	453.3%	356.7	-2.5%
Sales ³	21.9	24.1	-9.0%	215.3	68.2%
Realty Transfer	20.6	31.5	-34.4%	94.7	-14.3%
Parking	12.4	10.3	20.3%	70.7	2.5%
Amusement	4.3	4.5	-4.0%	20.9	13.4%
Other	0.6	0.6	-5.5%	3.0	4.8%
Total Taxes	281.6	292.8	-3.8%	2,346.5	4.8%

Notes:

¹ Projections from the Revised Five-Year Financial Plan approved by PICA on September 11, 2009.

² Excludes the portion of these taxes dedicated to PICA. Figures are not adjusted to reflect the decrease in Wage Tax rate from 3.98% for residents and 3.5392% for non-residents in July 2008, to 3.9296% for residents and 3.4997% for non-residents in July 2009. These reductions are made possible by State gaming revenues of \$86.3 million in FY10.

³ The FY10 projection assumes an increase in the City Sales Tax rate from 1% to 2% effective October 1, 2009.