

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

August 2011

City General Fund tax collections in August were \$167.7 million, bringing the total for the first two months of FY12 to \$305.8 million, a decline of 6.3 percent compared to the same period in FY11. When FY11 collections from the City's tax amnesty program are excluded, total City tax revenues for the first two months of FY12 increased 2.6 percent compared to the same period in FY11. Collections for the first two months of FY12, however, suggest the possibility of slowing growth rates for the wage and earnings and sales tax bases, a continuation of the trend toward slower growth observed in the fourth quarter of FY11. Real estate transfer tax collections in August did increase compared to last year, the first time since February that monthly revenue exceeded the previous year's level, an indication of a stabilizing real estate market.

It should be noted that collections for a single month can be a misleading indicator due to monthly variability in collections; full collections data for the first quarter of FY12 (July through September 2011) will provide a more reliable indicator of City tax revenue trends.

- Wage and earnings tax revenue (including both the City and PICA portions of the tax) was \$139.4 million in August, bringing the total for the first two months of FY12 to \$254.8 million, a decline of 1.2 percent compared to the same period in FY11. A portion of this decline, however, reflects the higher level of collections in July and August of 2010 due to the City's tax amnesty program. When tax amnesty collections are excluded, July and August collections in FY12 increased 0.8 percent compared to the same period in FY11. Still, this rate of growth is below the estimated 2.1 percent growth observed in the fourth quarter of FY11, and suggests slower growth in the tax base in the first quarter of FY12. A more definitive conclusion, however, will not be possible until after a full quarter of data is collected by the end of September, in particular as some large payers shifted from quarterly payments to monthly payments over the last year. The current estimate for FY12 is \$1,542.3 million, based on projected tax base growth of 3.4 percent for the year.

- August sales tax collections were \$22.0 million, a 6.2 percent decline from the same month in FY11.¹ The total for the first two months of FY12 is \$41.3 million, a 7.9 percent decline from the same period last fiscal year. Quarterly estimates of the sales tax base throughout FY11 showed increases over the prior year ranging from 2.9 to 5.5 percent, so the decline in combined July and August collections indicates that the pace of retail sales is slowing in FY12. However, as is the case with other tax collection data, a more definitive conclusion on trends cannot be drawn until the completion of the first quarter of FY12. The current estimate for FY12 is \$256.5 million, based on projected tax base growth of 3.5 percent for the year.
- Real estate transfer tax (RETT) collections were \$13.9 million in August, bringing the total for the first two months of FY12 to \$24.1 million, a 25.7 percent decline compared to last fiscal year. However, collections in the first two months of FY11 were positively impacted by the federal first-time homebuyer tax credit, which increased real estate activity prior to its September 30, 2010 expiration. A positive sign is that August 2011 collections are 11.3 percent above August 2010, the first month-over-month increase since February. This may indicate a stabilizing real estate market. Eighty-four percent of total RETT collections from January through June of 2011 reflected residential transactions; a stabilization of the residential market is important to achieving RETT revenue projections in FY12. The current projection for FY12 is \$120.9 million, based on estimated tax base growth of 3.0 percent for the year.
- Parking tax collections in August were \$5.9 million, bringing the total for the first two months of FY12 to \$13.1 million, a 5.6 percent increase compared to FY11. The current estimate for FY12 is \$74.3 million, based on projected tax base growth of 2.5 percent.
- August amusement tax collections were \$3.6 million, bringing the total for the first two months of FY12 to \$4.5 million, an 8.0 percent decline compared to the previous year. The current FY12 estimate is \$21.6 million, based on estimated tax base growth of 2.5 percent.

¹ Year-over-year collections differ from end-of-year budget numbers due to the delays in the collection of the Sales Tax and end-of-year accrual adjustments. The figures here provide for the best activity comparison, which can be adjusted for the rate change, and allow the calculation of a growth rate in the underlying base.

City of Philadelphia Tax Revenues through August 2011 (\$ in Millions)

Tax	Monthly Total through August			Fiscal Year Total (Budget Basis)	
	FY11	FY12 (Preliminary)	Percent Change	FY11 Current Estimate	FY12 Current Estimate
Wage and Earnings¹	\$257.9	\$254.8	-1.2%	\$1,492.1	\$1,542.3
<i>Wage</i>	255.1	253.0	-0.8%	--	--
<i>Earnings</i>	2.8	1.8	-35.9%	--	--
Net Profits¹	3.0	1.3	-56.5%	20.4	20.8
Real Estate²	12.7	14.6	14.9%	488.7	486.7
Business Privilege	15.4	7.2	-53.2%	370.8	369.3
Sales	44.9	41.3	-7.9%	247.5	256.5
Real Estate Transfer	32.4	24.1	-25.7%	117.3	120.9
Parking	12.4	13.1	5.6%	72.5	74.3
Amusement	4.9	4.5	-8.0%	21.1	21.6
Other	2.6	0.4	-86.2%	4.1	4.1
Total	386.1	361.2	-6.5%	2,834.5	2,896.5
<i>PICA Taxes</i>	59.8	55.4	-7.4%	345.5	357.1
<i>City General Fund Taxes</i>	326.3	305.8	-6.3%	2,489.0	2,539.5

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City Department of Revenue, available at http://www.phila.gov/revenue/City_Monthly_Revenue.html, and preliminary revenue report for August 2011. Fiscal year total FY11 and FY12 current estimate from *Five-Year Financial Plan for Fiscal Year 2012 to 2016*, approved by PICA on July 26, 2011.

Notes:

¹ Includes portion dedicated to PICA.

² The rate of the City portion of the real estate tax increased from 3.305 percent in 2010 to 4.123 percent in 2011. The combined City and School District real estate tax rate increased from 8.264 percent to 9.082 percent.