

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

Through December 2008

**Summary and Highlights**

The end of the first half of the fiscal year provides a good opportunity to assess the revenue collection trends for the City. As the table below demonstrates, growth rates dropped significantly from the first quarter to the second quarter of the fiscal year for Wage, Transfer and Sales Taxes, mirroring the turmoil in the national economy.

		Growth Q1	Growth Q2	Growth Q1+2
Wage Tax	1	4.52%	1.57%	3.04%
Transfer Tax		-24%	-45%	-33%
Sales Tax		2%	-5%	-1%
Parking Tax	2	-5%	-5%	-5%
Amusement Tax		-4%	55%	21%
1 Wage Tax Adjusted for Rate Change				
2 Parking Tax adjusted for Rate Change				

The significant drop off for these three taxes in the second quarter could portend a trend which is likely to carry at least into the third quarter of the fiscal year. These drops could be exacerbated by continuing economic struggles.

- December Wage Tax collections were slightly negative year-over-year, but finished the quarter with a positive growth rate. Wage, Net Profit and Earnings tax year-to-date collections are slightly below last year's number but when accounting for the Gaming revenue from the State the figures, remain on pace with the Five-Year Plan (FYP) projections. However, the ongoing turmoil in the national economy continues to put pressure on employment in the region.
- Realty Transfer Tax (RTT) collections continued their downturn in December, though not as severe as the previous two months. Collections are almost certain to fall below current Plan projections.

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- Parking Tax collections remained consistent through December; although the growth rate continues to exceed projections, the increase in collections is not keeping pace with the increase in the tax rate. The additional funds resulting from the Parking Tax rate increase are dedicated to street repairs, Fairmount Park, and tree planting.
- City Sales Tax, which had been up 4% through October, was down over 11% in November and over 15% in December, resulting in a year-to-date net growth rate of negative 1%. This downward trend indicates that collections are likely to fall below Plan projections. Given sales tax collection shortfalls at the state level, it is likely that this trend will continue for at least the third quarter of the fiscal year.
- Amusement Tax collections remained strong in December, continuing to reflect the success of the Phillies; collections were up 55% for the second quarter, and over 20% year-to-date. These numbers will need to be watched closely over the next few months to see what growth level can be sustained.
- Although Business Privilege Taxes (BPT) are not collected until the late spring, FY08 collections were down \$38 million from original projections; given the state of the national economy it is unlikely that FY09 collections will even reach FY08 levels. The Rebalancing Plan assumes that BPT collections will be down over \$51 million from original projections.
- Although Real Estate Taxes are not collected until the spring, and tax bills have not yet been issued, FY08 collections were \$9.9 million better than original projections. However, new assessments resulted in a growth rate of just .25 percent, well below the Plan projection. As a result, collections are likely to be nearly \$10 million below current Plan projections.

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**Data – Key Taxes**

Notes: FY08 total collections and FY09 year-to-date collections are unadjusted, preliminary numbers. FY08 Total Collections numbers do not include end-of-year adjustments and are likely to change. Year-to-date Business Privilege and Real Estate tax results are not listed below as the majority of those revenues are collected in the spring. Please note that although PICA has not yet completed its review of the proposed Rebalancing Plan, the Projection estimates below are the numbers in that Plan.

	FY08 Through December	FY09 Through December	FY08 Total Collections	FY09 Five-Year Plan Projection – Rebalancing Plan
Net Wage, Earnings, and Net Profit Tax	583,403,016	568,664,828	1,197,324,000	1,139,196,000 <sup>1</sup>
Realty Transfer Tax	103,097,201	68,890,396	186,107,218	155,000,000
City Sales Tax	67,157,389	66,227,506	137,144,000	133,000,000
Parking Tax	26,231,643	33,233,396	55,419,000	69,000,000 <sup>2</sup>
Amusement Tax	9,661,089	11,731,484	17,983,000	18,433,000

1 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 3.54% for non-residents 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 the anticipated \$86.6 million from state gaming revenues which enabled a portion of the rate reductions. The combined total wage tax revenue projected for FY09 is now \$1,225,796,000.

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