



January 15, 2014

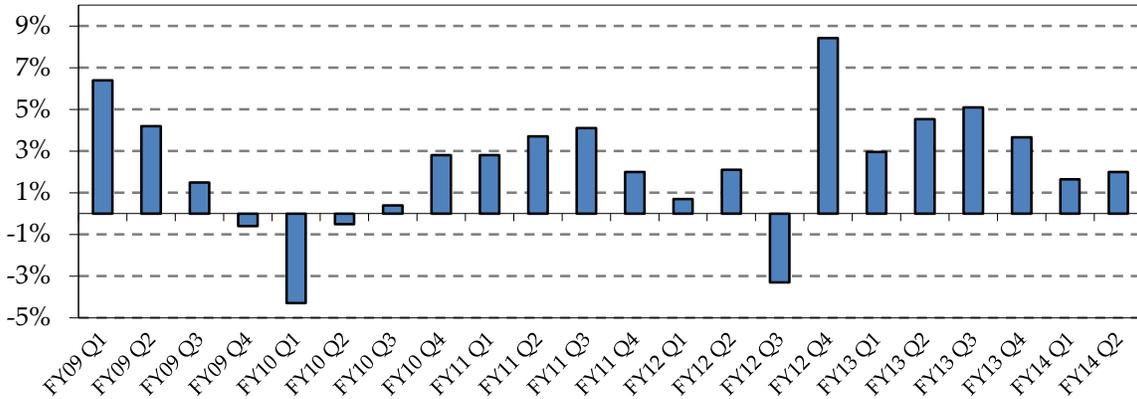
## City of Philadelphia Tax Revenue Update for December 2013

City General Fund tax collections were \$158.3 million in December, according to the City's preliminary monthly revenue report. This is a decline of \$7.0 million (4.3 percent) from December 2012. The decline reflects lower collections of the wage, earnings, and net profits (\$5.4 million), real estate (\$1.1 million), real estate transfer (\$1.9 million), and sales (\$0.9 million) taxes. The declines are partly offset by increases in amusement (\$0.5 million) and business income and receipts (\$0.4 million) taxes.

General Fund collections through the first six months of FY14 totaled \$963.1 million, an increase of \$41.4 million (4.5 percent) over the same period in FY13. The growth through December represents increases in all major General Fund taxes, including: business income and receipts (\$13.1 million); wage, earnings, and net profits (\$12.3 million); real estate transfer (\$7.0 million); sales (\$3.8 million); real estate (\$2.2 million); and amusement (\$2.2 million). The current estimate for FY14 General Fund tax revenue is \$2,760.8 million, an increase of 1.0 percent from the FY13 unaudited actual revenue.

Figures 1 through 3 present quarterly changes since FY09 in the tax base of three of the City's major taxes: wage and earnings, sales, and real estate transfer. In each figure, the tax base is estimated by dividing revenue by the tax rate in effect in each period. The tax base represents the underlying economic activity that is subject to taxation and is particularly important as an indicator of the City's economic and fiscal health. As shown in Figure 1, the wage and earnings tax base increased by an estimated 2.0 percent in the second quarter of FY14, higher than the 1.6 percent growth in the first quarter, but lower than the 3.6 percent growth projected in the approved FY14-F18 *Five-Year Financial Plan*.

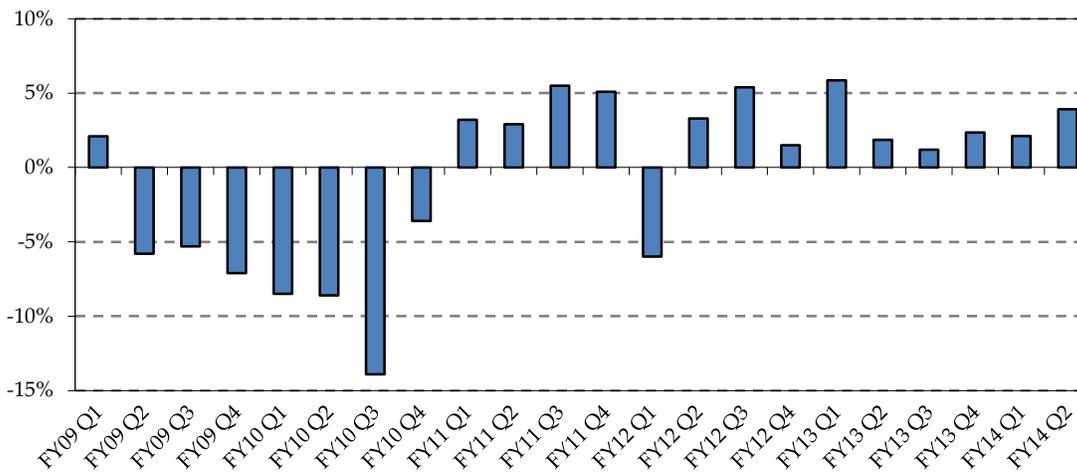
**Figure 1: Wage and Earnings Tax Base,  
Year-over-Year Percentage Change by Quarter<sup>1</sup>**



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.  
<sup>1</sup> Includes City and PICA portion.

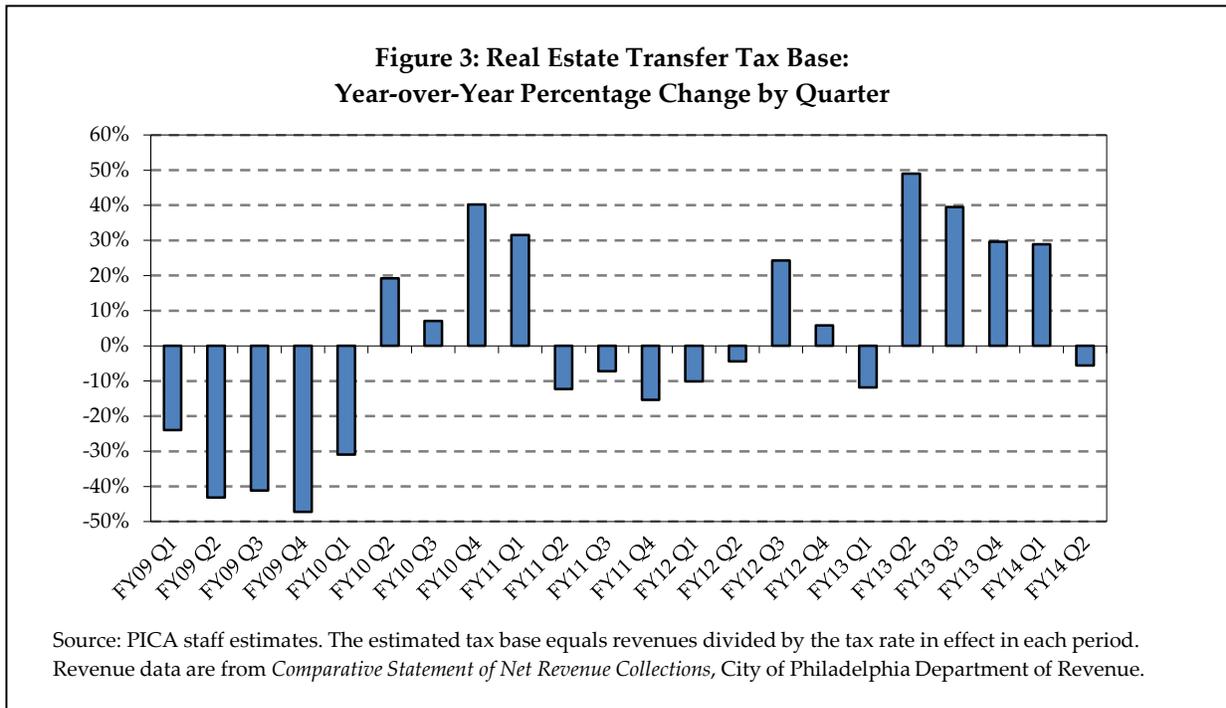
Quarterly growth trends for the sales tax base are shown in Figure 2. The figures indicate the growth in the level of taxable retail sales in the city. This tax base increased 3.9 percent in the second quarter, higher than the 2.1 percent growth in the first quarter. However, the second quarter growth was below the 5.0 percent growth estimated in the approved FY14-FY18 *Five-Year Financial Plan*.

**Figure 2: Sales 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.

Figure 3 presents quarterly growth in the real estate transfer tax base since FY09. Quarterly changes in this tax base since FY09 have been significant, ranging from declines of 40 to 50 percent in FY09 to increases from 30 to 50 percent in FY13. The tax base declined 5.6 percent in the second quarter, the first decline since the first quarter of FY13.



Trends in individual taxes are described below.<sup>1</sup>

- Wage and earnings tax collections (including the City and PICA portion) totaled \$124.2 million in December, a decrease of \$5.5 million (4.2 percent) from December 2012. Collections through the first six months of FY14 increased 1.7 percent over FY13. The current FY14 estimate is \$1,656.6 million, a 4.4 percent increase from FY13.<sup>2</sup>
- December sales tax collections were \$21.0 million, a decline of \$0.9 million (4.0 percent) compared to the same month in FY13. Collections through the second quarter increased 3.0

<sup>1</sup> Real estate taxes are collected primarily from January through March, while business income and receipts and net profits taxes are collected primarily from March through May. For these taxes, the overall strength of collections cannot be assessed until after these periods are complete. Accordingly, collection trends for these taxes are not discussed in detail, although the amounts collected are shown in Table 1.

<sup>2</sup> Monthly collections for all taxes can fluctuate due to random factors, so that revenue for any given month or quarter is not always indicative of the likely overall trend for the fiscal year. The wage tax in particular is susceptible to random influences, mostly relating to the timing of receipts. For this reason, monthly and quarterly revenue collection figures in this report should be interpreted cautiously.

percent over the same period last year. The current FY14 estimate is \$270.8 million, an increase of 5.1 percent from FY13.

- Real estate transfer tax collections were \$12.1 million in December, a decline of \$1.9 million (13.7 percent) compared to December 2012. Collections through December increased 10.1 percent compared to FY13. The current FY14 projection is \$157.6 million, a 6.5 percent increase from FY13.
- Parking tax collections were \$6.0 million in December, a decline of \$0.1 million (0.9 percent) from the same month last year. Collections through December increased 1.9 percent compared to the same period in FY13. The current FY14 projection is \$75.0 million, a 2.4 percent increase from FY13.

**Table 1: City of Philadelphia General Fund Tax Revenues:  
FY14 versus FY13 (\$ in Millions)**

Tax	Monthly Total through December			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY13	FY14 <sup>1</sup>	Percent Change	FY13 Unaudited Actual	FY14 Current Estimate	Percent Change	
<b>Wage and Earnings<sup>2</sup></b>	\$767.5	\$780.7	1.7%	\$1,586.2	\$1,656.6	4.4%	(2.7%)
<i>Wage</i>	763.1	776.6	1.8%				
<i>Earnings</i>	4.3	4.1	-5.7%				
<b>Net Profits<sup>2</sup></b>	3.3	3.8	15.3%	30.9	21.4	-31.0%	46.3%
<b>Real Estate</b>	46.4	48.6	4.8%	540.5	536.6	-0.7%	5.6%
<b>Business Income and Receipts</b>	37.3	50.4	35.0%	450.9	410.0	-9.1%	44.1%
<b>Sales</b>	127.7	131.5	3.0%	257.6	270.8	5.1%	(2.1%)
<b>Real Estate Transfer</b>	69.8	76.9	10.1%	148.0	157.6	6.5%	3.6%
<b>Parking</b>	36.8	37.5	1.9%	73.3	75.0	2.4%	(0.4%)
<b>Amusement</b>	7.7	9.9	28.1%	19.1	20.5	7.3%	20.9%
<b>Other</b>	1.5	1.5	0.7%	3.5	3.4	-1.3%	2.0%
<b>Total</b>	1,098.0	1,140.8	3.9%	3,109.9	3,151.8	1.3%	2.6%
<i>PICA</i>	176.3	177.7	0.8%	376.5	391.0	3.9%	(3.1%)
<i>City</i>	921.7	963.1	4.5%	2,733.5	2,760.8	1.0%	3.5%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City Department of Revenue, available at <http://www.phila.gov/Revenue/aboutus/Pages/ReportsandPublications.aspx>, and preliminary revenue report for December 2013. FY13 unaudited actual and FY14 current estimate from *Quarterly City Managers Report* for the period ending September 30, 2013, and FY14-FY18 *Five-Year Financial Plan*, as amended November 15, 2013.

Notes:

<sup>1</sup> Amounts are preliminary.

<sup>2</sup> Includes portion dedicated to PICA.