

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

Through February 2009

**Summary and Highlights**

Fiscal year 2009 tax collections through February indicate a continued gradual slow down in growth, or decline, in three of the major tax bases for the City of Philadelphia: earned income, retail sales, and real estate transactions. The most significant reduction is in real estate transactions.

- February collections of the City portion of the Wage, Earnings, and Net Profits taxes were strong, suggesting 10 percent growth in the tax base over February 2008 (after accounting for tax rate changes from FY08 to FY09). While this is a significant improvement from January's 6 percent decline in the wage tax base, monthly variations are not reliable indicators of general trends due to variable timing of receipts. Quarterly trends are better indicators. In the first quarter of FY09, the wage tax base grew at an annual rate of 5.5 percent, and in the second quarter, growth slowed to 2.5 percent. Based on January and February figures only, the wage tax base is increasing at an annual rate of only 1.5 percent in the third quarter. These trends suggest a gradual slowing in earnings growth in the city, though collections remain in line with current projections.
- Sales Tax revenues in February were down 7.6 from the prior year, and year-to-date collections are down 2.2 percent. The current projection of \$125 million reflects an anticipated decline of 8.9 percent from FY08, and appears reasonable at this time.
- Realty Transfer Tax (RTT) collections continued to show weakness in February, with collections 47.1 percent below February 2008. Based on collections of \$84.0 million through February, it appears the City will not meet its most recent revised projection for FY09.
- Real Estate tax collections through February are up 0.3 percent over the prior fiscal year. This level is consistent with the growth in assessed value for the 2009 tax year, and suggests the city is on track to meet its revised FY09 projection.

- Excluding January, when collections were particularly strong, Parking Tax collections for the first eight months of FY08 suggest a decline of approximately 5 percent in the tax base from the prior fiscal year. However, this decline is partially offset by a 33 percent increase in the tax rate: from 15 percent in FY08 to 20 percent in FY09. As a result, collections through February have increased substantially (32 percent or \$10.7 million) over the same period in FY08. Collections are slightly below current projections.
- Business Privilege Tax (BPT) collections year-to-date are \$55.6 million, an increase of 40 percent over the FY09 level. However, because the bulk of BPT revenues are not collected until the late spring, it is still too early to assess whether the City is likely to meet its FY09 projection for this tax. The current projection is \$365.6 million, a decline of 8.3 percent from the FY08 level, reflecting the slowing national economy and the sensitivity of this tax to the business cycle.

### **Data – Major Taxes**

	FY08 Through February	FY09 Through February	FY08 Total Collections	FY09 Five-Year Plan Projection – Rebalancing Plan	Revised January 2009 projections
Net Wage, Earnings, and Net Profit Tax	801,862,416	775,862,892	1,197,324,000	1,139,196,000 <sup>1</sup>	1,139,196,000 <sup>1</sup>
Real Estate Tax	289,079,301	289,970,667	402,729,218	422,626,000	412,026,000
Realty Transfer Tax	129,754,624	83,979,636	186,107,218	155,000,000	128,600,000
City Sales Tax	91,837,657	89,824,190	137,144,000	133,000,000	125,000,000
Parking Tax	33,560,263	44,254,145	55,419,000	69,000,000 <sup>2</sup>	69,000,000 <sup>2</sup>
Amusement Tax	11,087,875	13,289,316	17,983,000	18,433,000	18,433,000

#### Notes:

FY09 year-to-date collections are unadjusted, preliminary numbers. Year-to-date Business Privilege Tax collections are not listed as the majority of BPT revenue is collected in the spring.

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%.