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Monthly City of Philadelphia Tax Revenue Update

February 2012

City General Fund tax collections in February were \$448.3 million, bringing the total for the first eight months of FY12 to \$1,526.8 million, an increase of 3.3 percent compared to the same period in FY11. Collections for the real estate transfer tax and sales tax in February were relatively strong, increasing 43.9 percent and 5.0 percent, respectively, over February 2011. Real estate tax revenue through February increased 13.1 percent over the prior year, due in part to the 24.8 percent increase in the City real estate tax rate in 2011. One area of weakness is collections of the wage and earnings tax, which have increased 0.8 percent through the first eight months of FY12, a rate well below the 2.4 percent growth currently projected for the full fiscal year.

- Wage and earnings tax revenue (including both the City and PICA portions of the tax) was \$123.1 million in February, bringing the total for the first eight months of FY12 to \$1,008.4 million, an increase of 0.8 percent from the same period in FY11. While collections increased 0.7 percent in the first quarter and 2.1 percent in the second quarter of FY12, combined collections for January and February declined 0.9 percent compared to FY11, indicating slower revenue growth in the third quarter. Collection growth will have to increase through the remaining four months of the fiscal year to achieve the current FY12 projection of \$1,516.7 million, an increase of 2.4 percent from the FY11 actual.
- Real estate tax collections were \$298.6 million in February, bringing the total for the first eight months of the fiscal year to \$384.1 million, an increase of \$44.5 million (13.1 percent) over the same period in FY11. The high growth rate through February is in part the result of an increase in the City real estate tax rate from 3.305 percent in 2010 to 4.123 percent in 2011. Collections for the first six months of FY12 were \$10.3 million (28.7 percent) higher than the first six months of FY11, due to the increased 2011 tax rate, which did not impact collections until January 2011. The current projection for FY12 is \$491.5 million, an increase of 1.8 percent over the FY11 actual.
- February sales tax collections were \$23.9 million, bringing the total for the first eight months of FY12 to \$167.1 million, essentially unchanged from the FY11 level. Collections in February increased 5.0 percent over February 2011, the fourth consecutive month of increases compared to the prior year, following declines from July through October. The

current FY12 estimate is \$250.2 million, an increase of 2.3 percent from the FY11 actual. To meet this estimate, retail sales trends will have to remain relatively strong during the remainder of the fiscal year.

- Real estate transfer tax (RETT) collections were \$8.4 million in February, an increase of \$2.6 million (43.9 percent) over February 2011. Total collections for the first eight months of FY12 are \$79.3 million, a 1.2 percent decline compared to FY11. The decline in collections for the first eight months of the fiscal year primarily reflects weak collections in July, which were \$9.7 million below the FY11 level. Overall collections during the period from August through February increased \$8.8 million compared to the same period in FY11. The current projection for FY12 is \$115.9 million, a decline of 0.7 percent from the FY11 actual.
- February parking tax collections were \$5.6 million, bringing the total for the first eight months of FY12 to \$47.3 million, a 1.0 percent increase compared to FY11. The current estimate for FY12 is \$74.3 million, an increase of 3.8 percent from the FY11 actual.
- Amusement tax collections in February were \$1.6 million, bringing the total for the first eight months of FY12 to \$10.6 million, a 10.0 percent decline compared to FY11. The current FY12 estimate is \$19.6 million, a decline of 5.5 percent from the FY11 actual.

City of Philadelphia Tax Revenues through February 2012 (\$ in Millions)

| Tax | Monthly Total through February | | | Fiscal Year Total (Budget Basis) | |
|--------------------------------------|--------------------------------|--------------------|----------------|----------------------------------|-----------------------|
| | FY11 | FY12 (Preliminary) | Percent Change | FY11 Actual | FY12 Current Estimate |
| Wage and Earnings¹ | \$1,000.6 | \$1,008.4 | 0.8% | \$1,481.6 | \$1,516.7 |
| <i>Wage</i> | 994.1 | 1,000.8 | 0.7% | -- | -- |
| <i>Earnings</i> | 6.5 | 7.6 | 17.1% | -- | -- |
| Net Profits¹ | 5.5 | 4.7 | -14.7% | 20.3 | 19.7 |
| Real Estate² | 339.7 | 384.1 | 13.1% | 482.7 | 491.5 |
| Business Privilege | 58.7 | 49.1 | -16.3% | 376.9 | 386.4 |
| Sales | 167.1 | 167.1 | 0.0% | 244.6 | 250.2 |
| Real Estate Transfer | 80.2 | 79.3 | -1.2% | 116.6 | 115.9 |
| Parking | 46.9 | 47.3 | 1.0% | 71.6 | 74.3 |
| Amusement | 11.8 | 10.6 | -10.0% | 20.8 | 19.6 |
| Other | 2.1 | 7.3 | 251.0% | 2.7 | 3.4 |
| Total | 1,712.5 | 1,758.0 | 2.7% | 2,817.8 | 2,877.6 |
| <i>PICA Taxes</i> | 233.9 | 231.2 | -1.1% | 358.7 | 355.9 |
| <i>City General Fund Taxes</i> | 1,478.6 | 1,526.8 | 3.3% | 2,459.1 | 2,521.6 |

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 February 2012. FY11 actual and FY12 current estimate from *Mayor's Operating Budget in Brief for Fiscal Year 2013*, City of Philadelphia.

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.