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Monthly City of Philadelphia Tax Revenue Update

July 2009

City General Fund tax collections in July 2009 suggested that the recession continues to exert downward pressure on three economic variables that drive City tax revenues: earned income, retail sales, and the aggregate value of real estate transactions. July collections suggest that the Wage Tax and Sales Tax bases continue to decline at rates comparable to the final quarter of FY09 (April to June). The Realty Transfer Tax base continues to decline as well, although at a slower rate than in recent months. *It is important to note that due to tax collection timing issues, it can be difficult to draw trend conclusions from one month's worth of data.*

- Collections of the City portion of the Wage, Earnings, and Net Profits taxes in July were \$95.8 million, a decrease of 3.8 percent from July 2008. After adjusting for the change in tax rates over the past year, this suggests a 2.7 percent decline in the tax base. This rate of decline was somewhat more rapid than the average 2.3 percent decline in the fourth quarter of FY09. The FY10 Wage Tax projection in the FY10-FY14 Five-Year Plan is \$1,158.4 million, which represents an increase of 1.7 percent over FY09. This projection assumes that the downward trend in the tax base will reverse during the course of the fiscal year.
- July Realty Transfer Tax (RTT) collections were \$10.9 million, a decline of 26.4 percent from July 2008. Although this is a substantial decline, in relative terms it represents an improvement compared to recent months. In the fourth quarter of FY09, RTT collections declined 47.2 percent compared to the same period in FY08. The FY10-FY14 Plan projection for FY10 RTT revenue is \$84.7 million, a decline of 23.4 percent from FY09. The decline in RTT collections from July 2008 to July 2009 approximates the Plan's projection for the overall rate of decline in FY10.

- Sales Tax collections in July were \$10.0 million, a decline of 8.8 percent from July of FY09. This decline was larger than the 7.1 percent decline in the fourth quarter of FY09, indicating a continued downward trend in retail sales in the city. The current FY10-FY14 Five-Year Plan projection for Sales Tax revenue in FY10 is \$234.7 million, an 83.3 percent increase over FY09. This substantial increase reflects the Plan's assumption that the City Sales Tax rate would increase from 1 to 2 percent, effective on August 1, 2009. Because this rate increase requires passage of State authorizing legislation which has not yet occurred, the FY10 projection of Sales Tax revenue in the current Plan is at risk.
- Real Estate Tax collections in July were \$6.0 million, 38.5 percent below the level collected in July 2008. Overall real property assessments grew approximately 2 percent from 2008 to 2009, and there was no change in the City Real Estate Tax rate over this period. Yet collection levels in the final six months of FY09 increased only 1.3 percent over the same period in FY08, suggesting that collection rates could be declining somewhat. This may reflect the impact of current economic conditions on the ability of property owners to pay the Real Estate Tax. The FY10-14 Plan projects \$420.2 million in Real Estate Tax revenue in FY10, an increase of 1.8 percent over the FY09 level. *Since these tax collections primarily occur in the late spring, it is impossible to highlight any trends at this stage.*
- Business Privilege Tax (BPT) collections were \$5.0 million in July, compared to negative \$1.3 million in July 2008. (The negative figure for July 2008 reflects prior year adjustments.) The Five-Year Plan projects FY10 BPT revenues of \$348.7 million, a decline of 4.7 percent from FY09. *Since these tax collections primarily occur in the late spring, it is impossible to highlight any trends at this stage.*
- Parking Tax collections were \$6.6 million in July, an increase of 33.0 percent over July 2008. This appears to reflect, in part, the increase in the tax rate from 15 to 20 percent that became effective on July 1, 2008. Due to the time lag between the imposition of the tax and revenue receipt by the City, July 2008 collections likely did not fully reflect the tax rate increase. The FY10-FY14 Five-Year Plan projects FY10 Parking Tax revenue of \$70.7 million, an increase of 2.5 percent from FY09.
- July Amusement Tax collections were \$0.9 million, a decrease of 20.1 percent from July 2008. The Five-Year Plan projects FY10 Amusement Tax collections of \$18.9 million, an increase of 2.5 percent from FY09.

Fiscal Year 2010 General Fund Tax Collections through July 2009

Dollars in Millions

Tax	July 2009 (Preliminary)	July 2008 (Final)	Percent Change	FY10-FY14 Five- Year Financial Plan Projection for FY10	Percent Change from FY09 Preliminary Total
Wage, Earnings, and Net Profits ¹	\$95.8	\$99.6	-3.8%	\$1,158.4	1.7%
Real Estate	6.0	9.7	-38.5%	420.2	1.8%
Business Privilege	5.0	-1.3	N.A.	348.7	-4.7%
Sales ²	10.0	11.0	-8.8%	234.7	83.3%
Realty Transfer	10.9	14.8	-26.4%	84.7	-23.4%
Parking	6.6	4.9	33.0%	70.7	2.5%
Amusement	0.9	1.1	-20.1%	18.9	2.5%
Other	0.3	0.3	-3.6%	3.0	4.8%
Total Taxes	135.4	140.1	-3.4%	2,339.3	4.1%

Notes:

¹ Excludes the portion of these taxes dedicated to PICA. Figures are not adjusted to reflect the decrease in Wage Tax rate from 3.98% for residents and 3.5392% for non-residents in July 2008, to 3.9296% for residents and 3.4997% for non-residents in July 2009. These reductions are made possible by State gaming revenues of \$86.3 million in FY10.

² The FY10 projection assumes an increase in the City Sales Tax rate from 1% to 2% effective August 1, 2009.
N.A. = not applicable.