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Monthly City of Philadelphia Tax Revenue Update

Through June 2009

City of Philadelphia General Fund tax collections through June 2009 are generally consistent with the projections made by the City in March when it issued its initial proposed Five-Year Financial Plan for FY10-FY14. The City is expected to meet its overall projection for FY09 General Fund tax revenue of \$2,246.5 million. Overall tax collections for FY09, however, were down 2.6 percent from FY08 (adjusted for gaming revenues). Quarterly collection patterns indicate a continuing slowdown in economic activity in the city as FY09 progressed. Collections for the four major taxes that are collected continuously throughout the year – the Wage, Realty Transfer, Sales, and Parking taxes – suggest continued weakening of the tax base throughout FY09.

- Collections for the Real Estate Tax, Business Privilege Tax, and Parking Tax were below Plan estimates, but these negative variances were offset by Wage, Sales, Realty Transfer, and Amusement tax collections that exceeded Plan projections. As a result, the City is expected to meet its overall projection for FY09 General Fund tax revenue.
- June collections of the City portion of the Wage, Earnings, and Net Profits taxes (collectively referred to below as the “Wage Tax”) were \$85.3 million. Total Wage Tax collections through June were \$1,141.8 million, \$2.7 million higher than projected in the FY10-FY14 Five Year Plan, but \$55.5 million or 4.6 percent below the FY08 level. After adjusting for the tax rate change over the past year, total FY09 collections suggest an approximate 1.2 percent increase in the Wage Tax base. However, the quarterly trend in Wage Tax base growth was downward as FY09 progressed. The tax base increased 5.5 percent and 2.5 percent in the first and second quarters of FY09, respectively, and declined 0.8 percent and 2.3 percent, respectively, in the third and fourth quarters.
- Real Estate Tax collections through June are \$404.4 million, \$8.4 million below the Plan projection for FY09, but 0.4 percent higher than the FY08 level. Final FY09 Real Estate Tax revenue will depend on the level of collections through August.

- Business Privilege Tax (BPT) collections through June are \$362.1 million, \$3.6 million below the Plan projection, and 9.6 percent below the FY08 level. The final FY09 BPT revenue amount will depend on end-of-year accounting adjustments.
- Sales Tax collections in June were \$10.0 million, a decline of 11.6 percent from the prior year. Overall collections for FY09 are \$130.4 million, \$2.4 million above the Plan projection, but 5.0 percent below the FY08 total. The performance of the Sales Tax gradually deteriorated as FY09 progressed. Revenues increased 2.8 percent from the FY08 level in the first quarter of FY09, but declined 5.8 percent, 5.3 percent, and 7.1 percent, respectively, in the second, third, and fourth quarters.
- June Realty Transfer Tax (RTT) collections were \$9.4 million, a decline of 38.9 percent from June 2008. Overall collections in FY09 were \$115.7 million, which exceeded the FY10-FY14 Plan projection by \$5.1 million, but was 37.1 percent below the FY08 level. Quarterly collections for this tax again suggest a continued weakening of the tax base as the fiscal year progressed: Revenues declined 24.0 percent in the first quarter of FY09 compared to the first quarter of FY08, with more substantial declines of 43.1 percent, 41.2 percent, and 47.2 in the second, third, and fourth quarters, respectively.
- Parking Tax collections were \$5.6 million in June, a decline of 20.0 percent from the prior year. Total collections for FY09 were \$67.1 million, \$1.9 million below the Plan projection, but 21.0 percent higher than in FY08. This increase reflects the impact of a 33 percent increase in the tax rate, offset by an estimated 8 percent decline in the tax base. The Parking Tax base in the fourth quarter of FY09 was approximately 22.6 percent below the fourth quarter of FY08, the weakest performance of any quarter in FY09.
- June Amusement Tax collections were \$0.7 million, bringing the year-to-date total to \$21.6 million, an increase of \$3.2 million over the Plan projection, and 20.0 percent over FY08.

General Fund Tax Collections through June 2009

Dollars in Millions

Tax	FY09 Total (Preliminary)	FY08 Total (Final)	FY10- FY14 Five- Year Financial Plan Projection for FY09	FY09 (Preliminary) Over/(Under) Plan Projection
Wage, Earnings, and Net Profits ¹	\$1,141.8	\$1,197.3	\$1,139.1 ²	\$2.7
Real Estate	404.4	402.8	412.8	(8.4)
Business Privilege	362.1	398.8	365.7	(3.6)
Sales	130.4	137.3	128.0	2.4
Realty Transfer	115.7	184.1	110.6	5.1
Parking ³	67.1	55.5	69.0	(1.9)
Amusement	21.6	18.0	18.4	3.2
Other	3.3	2.8	2.9	0.5
Total Taxes	2,246.5	2,396.5	2,246.5	(0.0)

¹ Excludes the portion of these taxes dedicated to PICA.

² FY09 Wage Tax revenues reflect a reduction in Wage Tax rates from 4.219% to 3.98% for residents and from 3.724% to 3.5392% for non-residents effective July 1, 2008 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 numbers do not include \$86.5 million received by the City in FY09 from State gaming revenues which enabled a portion of the rate reductions. The combined total of Wage Tax and State gaming revenue received in FY09 was \$1,228.3 million.

³ FY09 Parking Tax revenues reflect an increase in the tax rate from 15% to 20%.