

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

June 2011

City General Fund tax collections in June were \$142.0 million, bringing total cash collections for fiscal year 2011 (FY11) to \$2,507.0 million, an increase of \$219.2 million or 9.6 percent over fiscal year 2010. Of this increase, \$87.6 million (40 percent) represents increased real estate tax revenue, which reflects an increase in the City real estate tax rate from 3.305 percent in 2010 to 4.123 percent in 2011. Twenty-nine percent of the increase from FY10 to FY11 represents higher sales tax revenue due to an increase in the City sales tax rate from 1 to 2 percent, as well as modest growth in the sales tax base. The increase in collections in FY11 also reflects base growth for the wage, earnings, net profits, and business privilege taxes.

The table below shows estimated quarterly tax base growth rates for four major General Fund taxes through the fourth quarter of FY11. <sup>1</sup> The wage and earnings tax and sales tax bases grew in the fourth quarter, but at a slower pace than the prior quarter. The real estate transfer tax base declined 15.5 percent in the fourth quarter, the largest year-over-year decline since the first quarter of FY10. However, this large decline is due in part to the federal first-time homebuyer tax credit, which led to a significant increase in real estate transactions in the fourth quarter of FY10.

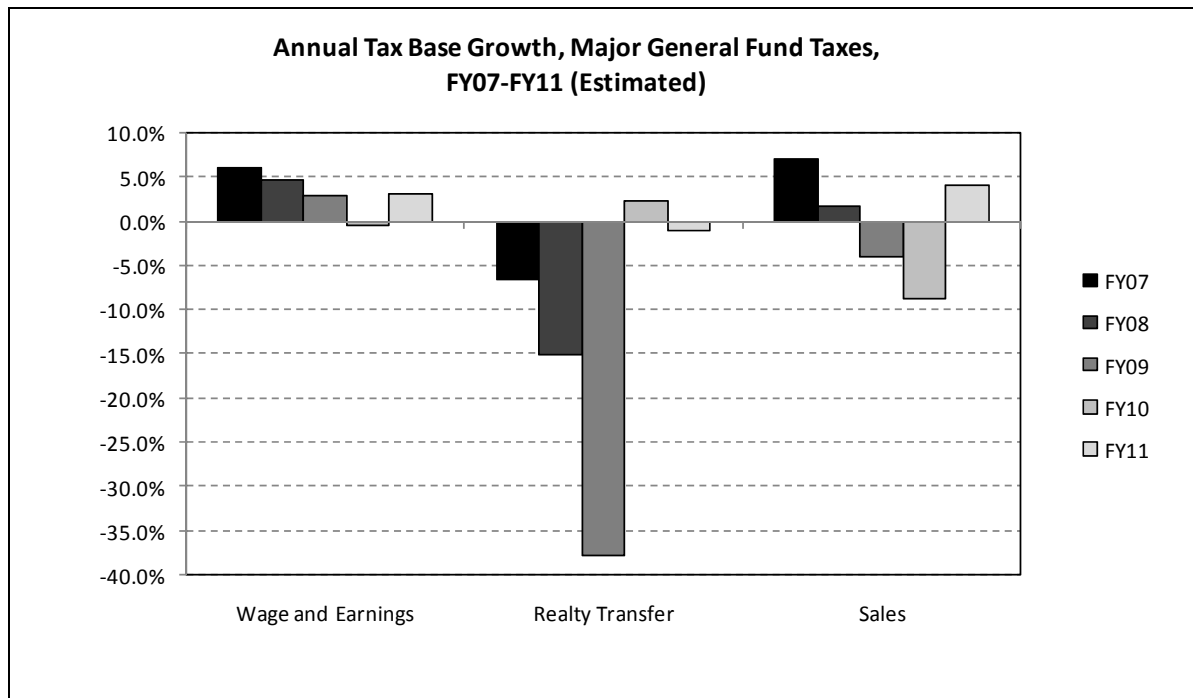
**Major General Fund Tax Revenue Sources:  
Year-over-Year Percentage Growth in Tax Base by Quarter**

Tax	FY10				FY11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Wage and Earnings	(4.3)	(0.5)	0.4	2.8	2.8	3.7	4.1	2.1
Real Estate Transfer	(31.0)	19.2	7.1	40.2	31.5	(12.3)	(7.2)	(15.5)
Sales	(8.5)	(8.6)	(13.9)	(3.6)	3.2	2.9	5.5	5.1
Parking	9.4	6.6	(6.3)	5.3	(1.0)	0.9	2.6	(0.5)

Note: Negative amounts are shown in parentheses. Wage and earnings tax figures include City and PICA portions of the taxes.

<sup>1</sup> The tax base is estimated as revenue divided by the tax rate in effect in each time period.

The figure below presents estimated annual tax base growth for three major General Fund taxes from FY07 through FY11. These tax bases exhibited positive or stable trends in FY11 compared to the relatively weak performance of the prior four fiscal years. The wage and earnings and sales tax bases exhibited growth in FY11, after declining in FY10. The realty transfer tax base declined 1.0 percent in FY11, although this rate of decline was an improvement compared to the steep declines that occurred from FY07 through FY09.



- Wage and earnings tax collections (including both the City and PICA portions of the tax) were \$115.9 million in June, bringing the total for FY11 to \$1,500.0 million, an increase of 3.1 percent over FY10. The wage and earnings tax base increased an estimated 2.1 percent in the fourth quarter. This represents the sixth consecutive quarter of growth. The current estimate for FY11 is \$1,492.1 million, based on projected tax base growth of 3.0 percent. End-of-year accounting adjustments will affect the final results. For the wage and earnings taxes, the City accrues payments received in July and August that cover tax periods ending on or before June 30.
- Net profits tax collections (including both the City and PICA portions of the tax) were \$2.3 million in June, bringing the FY11 total to \$29.4 million, an increase of 43.1 percent over the prior year. The increase reflects in part the impact of the 2010 tax amnesty program, but is apparently primarily due to tax base growth. Cash collections for the fiscal year exceed the

City's current estimate of \$20.4 million for FY11, although end-of-year accounting adjustments will affect the final results.

- Real estate tax collections in June were \$7.5 million, bringing the total for FY11 to \$489.9 million, a 21.8 percent increase compared to FY10. The rate of the City portion of the real estate tax increased from 3.305 percent in 2010 to 4.123 percent in 2011, a tax rate increase of 24.8 percent. (The combined tax rate for the City and School District portion of the tax increased 9.9 percent from 2010 to 2011.) The current projection for FY11 is \$488.7 million, an increase of 21.5 percent over FY10. Actual FY11 revenues will reflect the accrual of current real estate taxes that are collected within 60 days of the end of the fiscal year.
- Business privilege tax (BPT) collections in June were \$3.9 million, bringing the FY11 total to \$385.5 million, an increase of 8.1 percent compared to FY10. The current estimate for FY11 is \$370.8 million for FY11, a 1.7 percent increase from FY10. While BPT cash collections for the July 2010 through June 2011 period exceed the current estimate for FY11, actual revenue will reflect end-of-year negative accounting adjustments in addition to net cash collections.
- June sales tax collections were \$20.5 million, bringing the total for FY11 to \$247.9 million, a 34.6 percent increase over FY10.<sup>2</sup> This increase is primarily due to the increase in the City sales tax rate from 1 to 2 percent effective in October 2009. The sales tax base has also grown throughout FY11, with an estimated growth rate of 5.1 percent in the fourth quarter. The current estimate for FY11 is \$247.5 million, an increase of \$40.4 million over FY10. This increase reflects estimated tax base growth of 3.2 percent in FY11, along with the impact of a full year of collections at the higher tax rate.
- Real estate transfer tax (RETT) collections were \$12.5 million in June, bringing the fiscal year total to \$117.2 million, a 1.0 percent decline compared to FY10. Since the first quarter of FY11, when collections increased 31.5 percent compared to the prior year, RETT collections have been relatively weak, with revenue declines of 12.3 percent in the second quarter compared to FY10, 7.2 percent in the third quarter, and 15.5 percent in the fourth quarter. The first quarter growth reflected the impact of the federal first-time homebuyer tax credit, while more recent collections reflect the weakness in the real estate market. The current projection for FY11 is \$117.3 million.

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<sup>2</sup> Year-over-year collections differ from end-of-year budget numbers due to the delays in the collection of the Sales Tax and end-of-year accrual adjustments. The figures here provide for the best activity comparison, which can be adjusted for the rate change, and allow the calculation of a growth rate in the underlying base.

- Parking tax collections in June were \$5.9 million, bringing the FY11 total to \$69.7 million, a 0.4 percent increase compared to FY10. The current FY11 estimate is \$72.5 million.
- June amusement tax collections were \$0.6 million, bringing the total for FY11 to \$21.7 million, a 2.2 percent increase compared to FY10. The current FY11 estimate is \$21.1 million.

### City of Philadelphia Tax Revenues through June 2011 (\$ in Millions)

Tax	Monthly Total through June			Fiscal Year Total (Budget Basis)	
	FY10	FY11 (Preliminary)	Percent Change	FY10 Actual	FY11 Current Estimate
<b>Wage and Earnings<sup>1</sup></b>	\$1,454.5	\$1,500.0	3.1%	1,450.3	1,492.1
Wage	1,438.5	1,483.8	3.2%	--	--
Earnings	16.0	16.2	0.8%	--	--
<b>Net Profits<sup>1</sup></b>	20.5	29.4	43.1%	21.7	20.4
<b>Real Estate<sup>2</sup></b>	402.3	489.9	21.8%	402.2	488.7
<b>Business Privilege</b>	356.8	385.5	8.1%	364.7	370.8
<b>Sales<sup>3</sup></b>	184.2	247.9	34.6%	207.1	247.5
<b>Real Estate Transfer</b>	118.4	117.2	-1.0%	119.2	117.3
<b>Parking</b>	69.4	69.7	0.4%	70.5	72.5
<b>Amusement</b>	21.3	21.7	2.2%	21.9	21.1
<b>Other</b>	3.6	4.3	18.1%	2.4	4.1
<b>Total</b>	2,631.1	2,865.7	8.9%	2,659.9	2,834.5
PICA Taxes	343.3	358.7	4.5%	343.3	345.5
City General Fund Taxes	2,287.8	2,507.0	9.6%	2,316.6	2,489.0

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](http://www.phila.gov/revenue/City_Monthly_Revenue.html), and preliminary revenue report for June 2011. Fiscal year total FY10 actual and FY11 current estimate from *Five-Year Financial Plan for Fiscal Year 2012 to 2016*, submitted to PICA on July 7, 2011.

Notes:

<sup>1</sup> Includes portion dedicated to PICA.

<sup>2</sup> 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.

<sup>3</sup> The City Sales Tax rate increased from 1 percent to 2 percent effective October 8, 2009, and was first reflected in December 2009 collections.