



April 14, 2015

City of Philadelphia Tax Revenue Update for March 2015

March wage and earnings, business income and receipts, and real estate tax collections performed well on a year-over-year basis, while real estate transfer tax revenue declined, the first decline since January 2014.

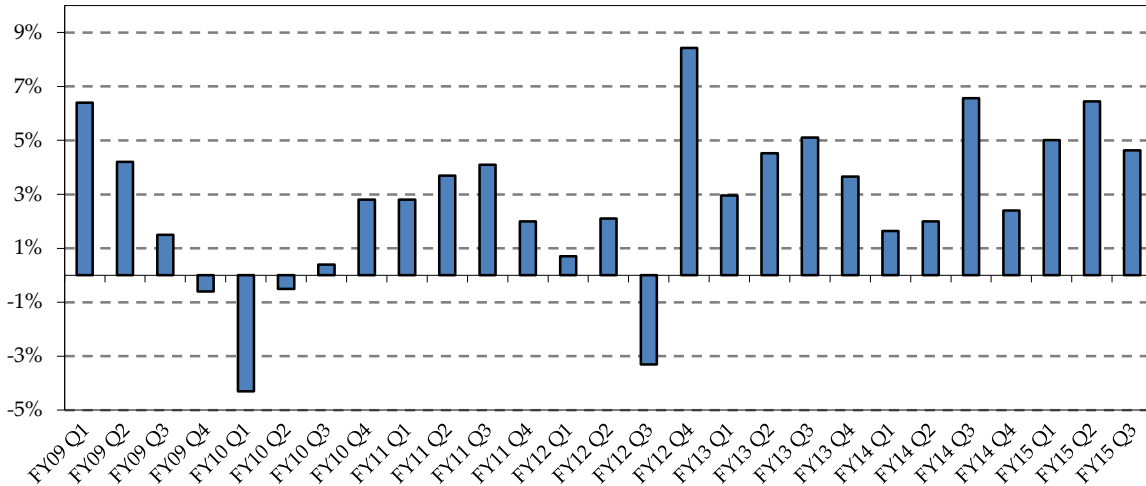
General Fund tax collections totaled \$325.0 million in March, according to the City's preliminary revenue report, an increase of \$12.7 million (4.1 percent) from the previous year. Compared to March 2014, the revenues for the following taxes increased: wage and earnings (\$14.1 million), business income and receipts (BIRT, \$8.9 million), real estate (\$6.5 million), net profits (NPT, \$0.7 million), parking (\$0.2 million), and amusement (\$0.1 million). These increases were offset by declines in the following taxes: sales (\$8.8 million) and real estate transfer (RETT, \$5.5 million). The decline in sales tax reflected the allocation of a portion of the tax to the School District of Philadelphia (SDP) effective July 1, 2014.

Fiscal Year 2015 General Fund tax collections through March totaled \$1,951.2 million, an increase of 0.5 percent on a year-over-year basis. FY15 year-to-date growth for the wage and earnings tax is 5.2 percent, slightly above the currently projected 4.7 percent growth rate for the full fiscal year, while year-to-date RETT growth is 19.5 percent, slightly below the current projected growth rate of 20.0 percent. BIRT and NPT growth to date are above the current projections; however, collections through March do not indicate likely trends for the full fiscal year, due to the substantial amount of BIRT and NPT revenue typically received in April and May. Year-to-date real estate tax collections declined 0.4 percent, compared to a current projection of 3.1 percent growth. Current performance of the real estate tax does not show the full fiscal year trend, since a significant portion of this revenue is collected during the spring. Year-to-date sales tax collections are 38.8 percent below the FY14 level, reflecting the allocation of revenue to SDP; the current FY15 projection shows a 45.3 percent decline.

The current estimate for FY15 General Fund tax collections is \$2,767.4 million, a decline of \$28.5 million (1.0 percent) from FY14 actual revenue. The decline reflects a projected \$110.3 million (41.9 percent) reduction in sales tax revenue, due to the shift of revenue to SDP, and a projected \$8.5 million decline in BIRT receipts. The BIRT decline reflects an estimated reduction of \$21 million due to tax reform, including exemption of the first \$100,000 in receipts from the gross receipts tax and single sales factor apportionment for the net income tax.

As shown in Figure 1, the wage and earnings tax base continued its upward trend by increasing 4.6 percent in the third quarter. Quarterly growth rates have generally been positive since the fourth quarter of FY10. Over the past five years, annual growth rates have typically ranged from 1.8 to 4.0 percent.

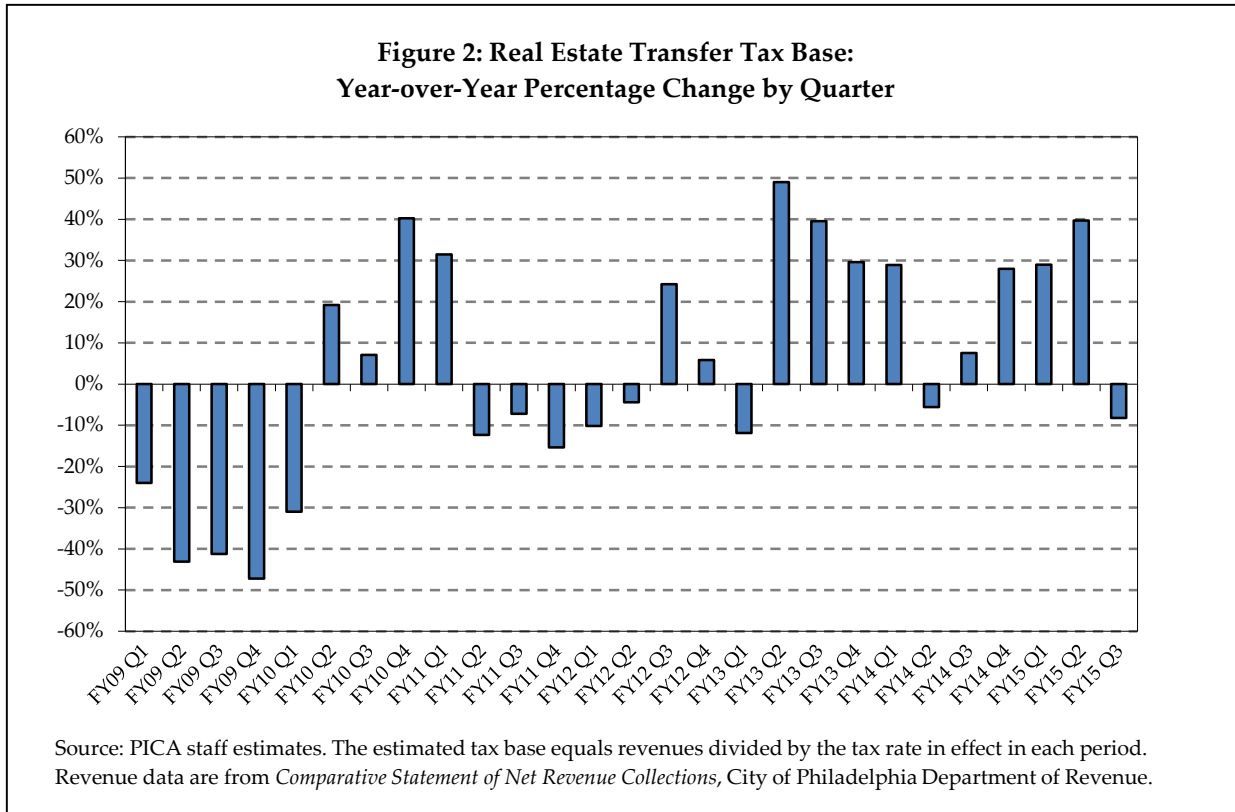
Figure 1: Wage and Earnings Tax Base, Year-over-Year Percentage Change by Quarter¹



Source: PICA staff estimates. The estimated tax base equals revenues divided by the tax rate in effect in each period. Revenue data are from *Comparative Statement of Net Revenue Collections*, City of Philadelphia Department of Revenue.

¹ Includes City and PICA portion.

As shown in Figure 2, the RETT base decreased 8.2 percent in the third quarter of FY15. This weak result primarily reflected the 32 percent decline in March. Previously, the RETT base increased an estimated 29.0 percent in the first quarter of FY15 and continued its upward trend in the second quarter, increasing 39.7 percent.



**Table 1: City of Philadelphia Tax Revenues:
FY15 versus FY14 (\$ in Millions)**

| Tax | Monthly Total through March | | | Fiscal Year Total (Budget Basis) | | | Change To Date Above/ (Below) Estimated Fiscal Year Change |
|--------------------------------------|-----------------------------|-------------------|----------------|----------------------------------|-----------------------|----------------|--|
| | FY14 | FY15 ¹ | Percent Change | FY14 Actual | FY15 Current Estimate | Percent Change | |
| Wage and Earnings² | \$1,219.1 | \$1,282.9 | 5.2% | \$1,634.8 | \$1,711.2 | 4.7% | 0.6% |
| <i>Wage</i> | 1,211.9 | 1,275.5 | 5.2% | | | | |
| <i>Earnings</i> | 7.2 | 7.4 | 3.4% | | | | |
| Net Profits² | 6.4 | 7.7 | 21.3% | 27.6 | 30.5 | 10.5% | 10.8% |
| Real Estate | 491.8 | 489.6 | -0.4% | 526.4 | 542.8 | 3.1% | -3.6% |
| Business Income and Receipts | 115.5 | 127.5 | 10.4% | 461.7 | 451.3 | -2.2% | 12.6% |
| Sales | 198.3 | 121.4 | -38.8% | 263.1 | 143.8 | -45.3% | 6.5% |
| Real Estate Transfer | 116.9 | 139.8 | 19.5% | 168.1 | 201.7 | 20.0% | -0.5% |
| Parking | 55.4 | 57.2 | 3.2% | 75.2 | 76.9 | 2.3% | 0.9% |
| Amusement | 13.3 | 13.3 | 0.5% | 19.9 | 20.1 | 0.5% | 0.0% |
| Other | 2.7 | 3.2 | 15.3% | 3.7 | 3.5 | -6.5% | 21.8% |
| Total | 2,219.5 | 2,242.7 | 1.0% | 3,180.4 | 3,181.7 | 0.0% | 1.0% |
| <i>PICA</i> | 278.9 | 291.5 | 4.5% | 384.5 | 402.8 | 4.8% | -0.2% |
| <i>City</i> | 1,940.6 | 1,951.2 | 0.5% | 2,795.9 | 2,778.9 | -0.6% | 1.2% |

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City of Philadelphia, Department of Revenue and preliminary revenue report for March. FY14 actual and FY15 current estimate from proposed *Five-Year Financial and Strategic Plan for Fiscal Years 2016-2020*.

Notes:

¹ Amounts are preliminary. Collections to date are not necessarily indicative of likely trends for the entire fiscal year.

² Includes portion dedicated to PICA.

| Table 2: City of Philadelphia Tax Revenues FY15 Adopted Budget versus Current Estimate (\$ in Millions) | | | | |
|--|---------------------------|-----------------------------|--|----------------|
| Tax | Adopted Budget | Current Estimate | Current Estimate Above/(Below) Adopted Budget | |
| | | | Amount | Percent |
| Wage and Earnings¹ | \$1,683.7 | \$1,711.2 | \$27.5 | 1.6% |
| Net Profits¹ | 35.2 | 30.5 | (4.7) | -13.3% |
| Real Estate | 547.4 | 542.8 | (4.6) | -0.8% |
| Business Income and Receipts | 453.2 | 451.3 | (1.9) | -0.4% |
| Sales | 154.6 | 143.8 | (10.8) | -7.0% |
| Real Estate Transfer | 176.6 | 201.7 | 25.1 | 14.2% |
| Parking | 76.9 | 76.9 | 0.0 | 0.0% |
| Amusement | 20.9 | 20.1 | (0.8) | -3.7% |
| Other | 3.5 | 3.5 | 0.0 | 0.9% |
| Total | 3,152.0 | 3,181.7 | 29.7 | 0.9% |
| <i>PICA</i> | 403.7 | 402.8 | (0.9) | -0.2% |
| <i>City</i> | 2,748.2 | 2,778.9 | 30.7 | 1.1% |

Source: Adopted budget amounts from *Mayor's Operating Budget in Brief for Fiscal Year 2015*.
Current estimate from proposed *Five-Year Financial and Strategic Plan for Fiscal Years 2016-2020*.

Note:

¹ Includes portion dedicated to PICA.