

Pennsylvania Intergovernmental Cooperation Authority

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Monthly City of Philadelphia Tax Revenue Update

May 2010

City General Fund tax collections in May were \$205.9 million, a decrease of 7.7 percent compared to the May 2009 level. Through the first eleven months of FY10, collections for all major taxes are below the level of the same period in FY09, with the exception of the Sales and Parking taxes (the increase in Sales Tax collections to date reflects the increase in the tax rate from 1 to 2 percent in October 2009, rather than growth in the tax base). Despite overall declines in revenues for most taxes, the Wage, Sales, and Real Estate Transfer tax bases have shown an overall trend toward recovery as the fiscal year has progressed. However, collections for the Real Estate Tax and Business Privilege Tax are weaker than projected. Overall, FY10 General Fund tax collections through May were \$2,141.3 million, 0.6 percent higher than collections received during the same period in FY09, an increase which is entirely due to the Sales Tax rate increase. Excluding Sales Tax revenues, overall tax collections for the first eleven months of FY10 declined 1.6 percent from the same period in FY09.

- Collections of the City portion of the Wage, Earnings, and Net Profits taxes were \$98.9 million in May, a decrease of 1.3 percent from the May 2009 collection level. Combined collections for April and May indicate a 4.2 percent increase in the tax base compared to the same two month period in FY09. This suggests a continuation of the gradual improvement in the growth rate of the Wage Tax base throughout FY10: the tax base in the first and second quarters of FY10 declined 4.6 percent and 1.1 percent, respectively, from the level of the prior year, before increasing by 1.0 percent in the third quarter. Overall Wage Tax collections for the first eleven months of FY10 are \$1,044.6 million, a decrease of 1.1 percent compared to the same period in FY09. The Proposed FY11-FY15 Five-Year Plan ("FY11-FY15 Plan") projects Wage Tax collections of \$1,131.4 million in FY10, an increase of 0.2 percent over FY09.
- Real Estate Tax (RET) collections in May were \$6.0 million, bringing the FY10 total to date to \$392.2 million, a 1.1 percent decline compared to the same period in FY09. The FY11-FY15 Plan projects \$413.4 million in RET revenue in FY10, an increase of 3.3 percent over the FY09 actual.

- Business Privilege Tax (BPT) revenues were \$60.5 million in May, a 32.9 percent decrease compared to May 2009. FY10 total BPT collections through May are \$347.2 million, a decrease of 4.7 percent compared to the same period last year. Final results for FY10 will depend in part on the response to the City's tax amnesty program. The FY11-FY15 Plan estimates FY10 BPT revenue at \$376.6 million, a decline of 2.4 percent from FY09.
- Sales Tax collections in April were \$22.1 million. Collections through the first eleven months of FY10 are \$164.9 million, a 37.0 percent increase over the same period in FY09. The relatively strong April and May collection levels (which suggest a 3.5 percent decline in the tax base compared to April and May of FY09) indicate that Philadelphia retail sales activity is stabilizing, following much larger declines of 8.5 percent in the first quarter of FY10, 8.6 percent in the second quarter, and 13.9 percent in the third quarter. The FY11-FY15 Plan estimate for Sales Tax revenue for FY10 is \$199.8 million. To meet this projection will require collections to average approximately \$19 million per month from June through August (due to the two-month accrual of Sales Tax revenues under the City's accounting policies).
- Real Estate Transfer Tax (RETT) collections were \$11.5 million in May. Total collections for the first eleven months of FY10 were \$105.5 million, a decline of 0.8 percent over the same period in FY09. April and May collections, which were 32.3 percent and 52.7 percent higher than in the same months of FY09, respectively, were likely increased by the April 30 expiration of the Federal tax credit for first-time homebuyers. This incentive may have significantly accelerated the timing of transactions which otherwise would have occurred after April 30. Because of the lag between the time of real estate settlements and receipt of RETT revenue by the City, any slowdown in activity which occurred after April would not likely be seen in RETT revenues until June. The FY11-FY15 Plan projects FY10 RETT revenue at \$118.7 million, an increase of 3.1 percent over the FY09 actual.
- Parking Tax collections in May were \$6.0 million, bringing the total for the first eleven months of FY10 to \$63.5 million, an increase of 3.2 percent over the same period in FY09. The FY11-FY15 Plan projects FY10 Parking Tax revenue of \$70.7 million, an increase of 0.5 percent from FY09 actual collections.
- May Amusement Tax collections were \$0.6 million. FY10 collections through May are \$20.2 million, a 3.1 percent decrease compared to collections in the first eleven months of FY09. The FY11-FY15 Plan projects FY10 Amusement Tax collections of \$20.9 million, a decrease of 2.3 percent from the FY09 actual amount.

Fiscal Year 2010 General Fund Tax Collections through May 2010

Dollars in Millions

Tax	FY10 through May (Preliminary)	FY09 through May	Percent Change through May	FY09 Actual	Current Estimate FY10 ¹	Five Year Plan Projection for FY10 ²
Wage, Earnings, and Net Profits ³	\$1,044.6	\$1,056.5	-1.1%	\$1,129.2	\$1,131.4	\$1,172.4
Real Estate	392.2	396.5	-1.1%	400.1	413.4	412.7
Business Privilege	347.2	364.2	-4.7%	386.0	376.6	356.7
Sales ⁴	164.9	120.4	37.0%	128.2	199.8	215.3
Real Estate Transfer	105.5	106.3	-0.8%	115.1	118.7	94.7
Parking	63.5	61.5	3.2%	70.4	70.7	70.7
Amusement	20.2	20.9	-3.1%	21.4	20.9	20.9
Other	3.2	3.0	7.1%	2.4	3.1	3.0
Total Taxes ⁵	2,141.3	2,129.2	0.6%	2,252.8	2,334.6	2,346.5

Source:

Most recent month based on preliminary data reported by the City Department of Revenue. All other months from the *Comparative Statement of Net Revenue Collections*, City Department of Revenue, available at http://www.phila.gov/revenue/City_Monthly_Revenue.html.

Notes:

¹ From the Quarterly City Managers Report for the quarter ended March 31, 2010, dated May 17, 2010.

² From the Revised FY10-FY14 Five-Year Financial Plan approved by PICA on September 11, 2009.

³ 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.

⁴ The Five-Year Plan Sales Tax projection for FY10 assumed an increase in the City Sales Tax rate from 1% to 2% effective October 1, 2009. The rate increase actually became effective on October 8.

⁵ The total taxes growth projection includes the increase in Sales Tax revenue due to the rate increase. Total tax revenue, excluding the Sales Tax, is projected to increase by only 0.5 percent from FY09 to FY10.