

**Pennsylvania Intergovernmental Cooperation Authority**

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**Monthly City of Philadelphia Tax Revenue Update**

May 2011

City General Fund tax collections in May were \$255.5 million, bringing the total for the first eleven months of fiscal year 2011 (FY11) to \$2,365.0 million, an increase of \$223.3 million or 10.4 percent over the same period in fiscal year 2010. Of this increase, \$90.3 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-eight 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 through the first eleven months of FY11 also reflects growth in wage, earnings, net profits, and business privilege tax revenue.

- Wage and earnings tax collections (including both the City and PICA portions of the tax) were \$129.7 million in May, bringing the total for the first eleven months of FY11 to \$1,384.1 million, an increase of 2.8 percent over the same period in FY10. The wage and earnings tax base increased an estimated 4.1 percent in the third quarter, slightly above the estimated 3.7 percent growth in the second quarter. This represents the fifth consecutive quarter of growth following three quarters of decline. The current estimate for FY11 is \$1,492.1 million, based on projected tax base growth of 3.0 percent.
- Net profits tax collections (including both the City and PICA portions of the tax) were \$7.4 million in May, bringing the total for the first eleven months of the fiscal year to \$27.1 million, an increase of 59.5 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. Collections through May exceed the City's current estimate of \$20.4 million for FY11, although end-of-year accounting adjustments could affect the final results.
- Real estate tax collections in May were \$5.9 million, bringing the total for the first eleven months of the fiscal year to \$482.4 million, a 23.0 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.

- Business privilege tax (BPT) collections in May were \$105.8 million, bringing the total for the first eleven months of the fiscal year to \$381.6 million, an increase of 9.9 percent compared to the same period in FY10. The current estimate for FY11 is \$360.8 million for FY11, a 1.1 percent decline from FY10. While BPT cash collections through May exceed the City's current estimate for FY11 of \$360.8 million, actual FY11 revenue will reflect end-of-year negative accounting adjustments in addition to June collections.
- May sales tax collections were \$22.7 million, bringing the total for the first eleven months of FY11 to \$227.5 million, a 37.9 percent increase over the same period in FY10.<sup>1</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 5.5 percent in the third quarter compared to the previous year. 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 \$8.9 million in May, bringing the total for the first eleven months of FY11 to \$104.7 million, a 0.8 percent decline compared to the same period in 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 23.2 percent so far 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 \$119.8 million.
- Parking tax collections in May were \$6.0 million, bringing the total for the first eleven months of the fiscal year to \$63.8 million, a 0.5 percent increase compared to FY10. The current FY11 estimate is \$72.5 million.
- May amusement tax collections were \$1.3 million, bringing the total for the first eleven months of FY11 to \$21.2 million, a 4.7 percent increase compared to FY10. The current FY11 estimate is \$21.1 million.

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<sup>1</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.

**City of Philadelphia Tax Revenues through May 2011 (\$ in Millions)**

Tax	Monthly Total through May			Fiscal Year Total (Budget Basis)	
	FY10	FY11 (Preliminary)	Percent Change	FY10 Actual	FY11 Current Estimate
<b>Wage and Earnings<sup>1</sup></b>	\$1,345.9	\$1,384.1	2.8%	1,450.3	1,492.1
<i>Wage</i>	1,331.9	1,369.0	2.8%	--	--
<i>Earnings</i>	14.0	15.1	7.4%	--	--
<b>Net Profits<sup>1</sup></b>	17.0	27.1	59.5%	21.7	20.4
<b>Real Estate<sup>2</sup></b>	392.2	482.4	23.0%	402.2	488.7
<b>Business Privilege</b>	347.2	381.6	9.9%	364.7	360.8
<b>Sales<sup>3</sup></b>	164.9	227.5	37.9%	207.1	247.5
<b>Real Estate Transfer</b>	105.5	104.7	-0.8%	119.2	119.8
<b>Parking</b>	63.5	63.8	0.5%	70.5	72.5
<b>Amusement</b>	20.2	21.2	4.7%	21.9	21.1
<b>Other</b>	3.7	3.9	6.1%	2.4	4.1
<b>Total</b>	2,460.0	2,696.1	9.6%	2,659.9	2,827.0
<i>PICA Taxes</i>	318.3	331.1	4.0%	343.3	345.5
<i>City General Fund Taxes</i>	2,141.7	2,365.0	10.4%	2,316.6	2,481.5

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 May 2011. Fiscal year total FY10 actual and FY11 current estimate from *Mayor's Operating Budget in Brief for Fiscal Year 2012 as Proposed to the Council*, March 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.