



November 18, 2015

City of Philadelphia Tax Revenue Update for October 2015

Total General Fund tax revenue increased 7.5 percent through the first four months of FY16, with the real estate transfer tax performing particularly well.

General Fund tax collections totaled \$180.0 million in October, according to the City's preliminary revenue report, an increase of \$9.0 million (5.2 percent) from the previous year. Compared to October 2014, revenues for the following taxes increased: business income and receipts (\$15.0 million), real estate transfer (\$6.8 million), net profits (\$1.0 million), parking (\$1.0 million), sales (\$0.5 million), and real estate (\$0.5 million). These increases were offset by declines in the wage and earnings (\$16.6 million) and amusement (\$0.06 million) taxes. The decline in the wage and earnings tax reflected the timing of payments from taxpayers who file on a quarterly basis.

As shown in the table below, General Fund tax revenue increased 7.5 percent through October, compared to the current FY16 projected growth rate of 4.9 percent. The real estate transfer tax has performed particularly well, with receipts through October increasing 31.8 percent. Wage and earnings tax collections during this period increased 1.7 percent, almost 2 percentage points below the projected FY16 growth rate. This relative under-performance largely reflects the impact of the calendar on the timing of quarterly wage tax payments; due to this effect, the City estimates that \$21.6 million in revenue was received in November rather than in October. However, even after adjusting for timing, October collections still fell below projections.

Parking tax revenue through the first four months of FY16 increased 17.9 percent compared to the previous year, partly due to the increase in the tax rate from 20.0 to 22.5 percent in FY16. Sales tax collections declined 1.8 percent, primarily reflecting the allocation of \$120 million of the local sales tax to the School District of Philadelphia (SDP) beginning in FY15.¹ The impact of this factor on year-over-year monthly revenue comparisons should be minimal through the remainder of FY16 and in future fiscal years.

¹ The 1.8 percent decline reflects a \$7.3 million decline in City sales tax revenue between July 2014 and July 2015 due to the annual allocation of \$120 million in sales tax proceeds to the School District of Philadelphia. This allocation became effective July 1, 2014 and first impacted City revenues in September 2014. The result has been a temporary decline in year-over-year growth rates in sales tax collections. In

The current estimate for FY16 General Fund tax revenue is \$2,912.3 million, an increase of 4.7 percent from the current FY15 estimate. Typically, the City revises its tax revenue estimates when it issues its *Quarterly City Managers Report*. The *QCMR* for the first quarter of FY16 will be released November 16.

**Table 1: City of Philadelphia Tax Revenues:
FY16 versus FY15 (\$ in Millions)**

Tax	Monthly Total through October			Fiscal Year Total (Budget Basis)			Change To Date Above/ (Below) Estimated Fiscal Year Change
	FY15	FY16 ¹	Percent Change	FY15 Unaudited Actual	FY16 Current Estimate	Percent Change	
Wage and Earnings²	\$558.6	\$568.2	1.7%	\$1,716.6	\$1,776.4	3.5%	2.1%
Wage	555.7	565.1	1.7%				
Earnings	2.8	3.2	12.7%				
Net Profits²	1.2	3.6	195.0%	38.8	31.7	-18.4%	213.4%
Real Estate	31.7	34.3	8.2%	536.4	581.1	8.3%	-0.1%
Business Income and Receipts	30.8	49.5	60.9%	438.2	453.9	3.6%	57.4%
Sales	66.0	65.0	-1.8%	149.5	149.4	-0.1%	-1.8%
Real Estate Transfer	66.0	87.0	31.8%	203.4	221.9	9.1%	22.7%
Parking	25.5	30.1	17.9%	79.7	88.6	11.2%	6.7%
Amusement	7.7	7.9	1.2%	19.0	19.2	0.9%	0.3%
Data Warehouse Collections	0	0	--	0	5.7	--	--
Other	0.9	1.0	4.5%	3.8	3.5	-7.7%	12.2%
Total	788.3	846.1	7.3%	3,185.5	3,331.3	4.6%	2.8%
PICA	90.0	98.6	9.6%	408.5	419.0	2.6%	3.7%
City	664.2	714.3	7.5%	2,777.0	2,912.3	4.9%	2.7%

Source: Monthly collections from *Comparative Statement of Net Revenue Collections*, City of Philadelphia, Department of Revenue and preliminary revenue report for October. FY15 unaudited actual and FY16 current estimate from the *Quarterly City Managers Report for the Period Ending September 30, 2015*.

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.

the future, year-over-year comparisons should be less impacted as City-School District revenue sharing is fully implemented.