



**City of Philadelphia  
Office of the City Controller**

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## **Controller's Office Releases Report on the Potential Impact of COVID-19 on Tax Revenues**

**Philadelphia, PA** – The Office of the City Controller released a report estimating the potential impact of the COVID-19 crisis on the City of Philadelphia's tax revenues. Using projections from the City's [FY21-FY25 Five Year Financial Plan](#) as proposed on March 5, the report estimates a tax revenue shortfall in fiscal years 2020 and 2021 between \$344M, or -4.0 percent, in a moderate scenario and \$647M, or -7.5 percent, in a severe scenario.

"We know that the COVID-19 crisis is drastically changing the local economy and many Philadelphians are wondering how this will impact the City's finances," said City Controller Rebecca Rhynhart. "As the City's financial watchdog, my goal is to provide as much transparency as possible about the situation we're facing. With so much uncertainty, it's important that both the City and the public have the information they need to make proactive, data-driven decisions in planning for the future."

In both the moderate and severe scenarios, the Controller's Office estimated possible industry-level fluctuations in tax revenue for the City's major taxes. Each tax is expected to be affected differently, with the most significant impacts to the wage, BIRT and sales taxes because of limited business activity and increased unemployment.

The wage tax, for example, is the City's largest tax revenue source. With an unprecedented number of job losses affecting the city's residents, particularly for those workers in the restaurant, leisure and hospitality, and retail industries, the forecasts project a large decline in the City's wage tax revenue. With many businesses forced to close temporarily, the sales tax is also expected to see a large decrease in tax collection. Specifically, sales tax revenue from the retail and restaurant industries, which combined made up 47 percent of the City's sales tax revenue in fiscal year 2018, are projected to drop between 50 and 70 percent in the short term.

"While it's clear that the current crisis will have a major impact on the City's tax revenue, in both the moderate and severe scenarios, we anticipate that the economy should rebound in calendar year 2021," added Controller Rhynhart. "My office will continue to ensure the City is operating efficiently and effectively as we recover from this unprecedented crisis."

The analysis does not include costs related to the City's response to the COVID-19 crisis or the possible impact of state or federal aid. As this information becomes available, the Controller's Office will update its projections in the analysis. Read the full report [here](#).