



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

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Controller's Office Releases Report on the On-going Impact of COVID-19 on Tax Revenues

Philadelphia, PA – The Office of the City Controller released a report estimating the impact of the COVID-19 pandemic on the City of Philadelphia's tax revenues through fiscal year 2022. Using data from the last 12 months, the report found that the pandemic will continue to impact the City's revenue, with a potential revenue shortfall of up to \$284 million in fiscal years 2021 and 2022. This revenue shortfall is in addition to the \$454 million in total revenue losses between April 2020 and January 2021, which is in line with previous forecasts from an April 2020 [report](#) by the Controller's Office.

"COVID's impact on our city's finances has been significant and as this analysis shows, this will continue through fiscal year 2022," said City Controller Rebecca Rhynhart. "Understanding the severity of these shortfalls is important as we plan for the future. Philadelphia is expecting a substantial aid package through the American Rescue Plan Act that will help stabilize our economy and the City's finances. My office plans to conduct additional analysis on the ARPA funding, which will be released in the coming weeks and months, including how the spending can best support our city."

The projections consider the short-term effect of the pandemic to the City's finances through fiscal year 2022 under optimistic and pessimistic scenarios relative to the City's latest budget projections released in February 2021. Both scenarios assume widespread vaccine distribution in the summer of 2021 that results in increased economic activity and a full recovery for most revenue streams in fiscal year 2022. However, employment is not expected to fully recover to pre-COVID levels until June 2023 in the optimistic scenario and December 2023 in the pessimistic scenario.

The wage tax is the City's largest tax revenue source and is particularly sensitive to unemployment levels. Since the beginning of the pandemic, declines in wage tax revenue have accounted for more than half of the City's total shortfall through January 2021. Additionally, while the analysis does account for the effects of non-resident remote workers leaving the wage tax base during the pandemic, the long-term impact on the wage tax remains unclear due to the potential shift to more permanent remote work in certain sectors.

The analysis focuses only on the City's tax revenues and does not include costs related to the City's response to the COVID-19 crisis or the additional federal funding from the ARPA, which is expected to be more than \$1 billion. The Controller's Office will continue to monitor and update its projections as this information becomes available.

Read the full report [here](#).