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PRESS RELEASE

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City Gets \$167M Tax Revenue Boost Over Last Year, Signals Strengthening Economy

City Controller's Office issues analysis of city's Q3 cash report

PHILADELPHIA – As part of the Office of the City Controller's ongoing monitoring of the city's revenues and expenditures, the office today issued an analysis of the City of Philadelphia's Cash Report through the third quarter of the fiscal year (FY2023) that indicates tax revenues are projected to generate \$167 million more in collections over last year.

By examining current cash collections along with projections for the remaining quarter, the city's major taxes will provide the General Operating Fund with almost \$4.8 billion by the end of the current budget year, an almost four percent increase compared to the end of FY2022. The fiscal examination is part of the FY24 budget planning and review of the upcoming Five-Year Plan. The current projected differences over last year include:

Tax	\$ Diff.	% Diff.
Wage, Earnings & Net Profits	\$151.3 million	+6.9%
Real Estate	\$98.6 million	+13.8%
Amusement, Parking, Other	\$25.2 million	+22.2%
Business Income & Receipts	\$23.7 million	+3.4%
Sales	\$7.3 million	+2.7%
Beverage	-\$7.4 million	-9.7%
Realty Transfer	-\$132.2 million	-24.9%
Total	\$166.5 million	3.6%

Other than the Beverage Tax, all business-related taxes are projected to realize year-over-year increases. The two major types of business taxes, Wage, Earnings and Net Profits and Business Income and Receipts, combined are projected to generate more than \$3 billion of the total projected tax revenues for the year.

Real Estate tax collections are projected to increase by 14 percent, a result of the citywide update to property assessments. The total amount reflected in the General Fund excludes the amount remitted to the School District of Philadelphia. Realty Transfer tax collections are projected to decrease significantly by 25 percent over the prior year due to housing sales returning closer to normal following an unprecedented housing demand and policy changes to the 10-year tax abatement.

Tax collections are the primary source of revenue for the city's \$6.2 billion in projected spending for the current year. Non-tax city revenues along with state and federal funding, which includes the remaining American Rescue Plan dollars, make up the other source of revenue for the city's cash spending.

The strong revenue growth, combined with the pandemic relief funds, have contributed to high cash balances. The city expects to end FY2023 with a cash balance of nearly \$1.5 billion in its General Operating Fund, allowing the city to start the new budget year with a significant cash surplus.

The full analysis of the Cash Report for Fiscal Year 2023 Q3 can be viewed at <https://controller.phila.gov/philadelphia-audits/cash-report-fiscal-year-2023-q3/>

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