Business Privilege Tax Forecast FY2023 through FY2027 (with Bill Nos. 110554 & 110548-A)

FY	Tax Rate Gross Receipts	Tax Rate Net Income	Net Income % of Total	Gross Receipts % of Total	Gross Receipts (current year)	Gross Receipts (prior years)	Net Income (current year)	Net Income (prior years)	Prior Year as % of Total	Projected Gross Receipts Tax Base Growth (current year)	Projected Net Income Tax Base Growth (current year)	Projected Gross Receipts Tax Base	Projected Net Income Tax Base	Projected Gross Receipts Collections (current year)	Projected Net Income Collections (current years)	Total Collections (current year)	Projected Gross Receipts Collections (prior year)	Projected Net Income Collections (prior year)	Total Collections (prior year)	Total Collections	Less: Kenney Bill #110548-A	NEW Quarterly Billing Cycle	Manual Adjust. for Increased Revenue Dept. Collections in FY19-FY24	Health Stores Credit in FY19-24	Total Collections FY23-27 Adopted	Total Collections FY23-27 Proposed	Diff
FY22	0.1415	6.20%	73.0%	27.0%	154,130	17,119	416,722	46,285	10%	17.11%	17.11%	1,089,258	6,721,323	154,130	416,722	570,852	17,119	46,285	63,405	634,257	-	-	(15)	(1,000)	633,242	545,242	88,000
FY23	0.1415	5.99%	72.3%	27.7%	157,213	17,462	410,659	47,211	10%	2.00%	2.00%	1,111,044	6,855,750	157,213	410,659	567,872	17,462	47,211	64,673	632,545	-	-	(15)	(1,000)	631,530	611,120	20,410
FY24	0.1415	5.99%	72.3%	27.7%	161,300	17,916	421,337	48,439	10%	2.60%	2.60%	1,139,931	7,033,999	161,300	421,337	582,637	17,916	48,439	66,354	648,991	-	-	(15)	(1,000)	647,974	627,034	20,940
FY25	0.1415	5.99%	72.3%	27.7%	163,220	18,129	426,350	49,015	10%	1.19%	1.19%	1,153,496	7,117,704	163,220	426,350	589,570	18,129	49,015	67,144	656,714	-	-	-	(1,000)	655,712	634,523	21,189
FY26	0.1415	5.99%	72.3%	27.7%	168,606	18,727	440,420	50,633	10%	3.30%	3.30%	1,191,561	7,352,588	168,606	440,420	609,026	18,727	50,633	69,360	678,386	-	-	-	(1,000)	677,384	655,495	21,889
FY27	0.1415	5.99%	72.3%	27.7%	174,558	19,388	455,967	52,420	10%	3.53%	3.53%	1,233,623	7,612,134	174,558	455,967	630,525	19,388	52,420	71,808	702,333	-	-	-	(1,000)	701,331	678,669	22,662
																											195,090

History	Tax Rate Gross Receipts (1st half)	Tax Rate Net Income (1st half)	Net Income % of Total	Gross Receipts % of Total	Gross Receipts (current year)	Gross Receipts (prior years)	Net Income (current year)	Net Income (prior years)	Prior Year as % of Total	Actual Gross Receipts Tax Base Growth (current year)	Actual Net Income Tax Base Growth (current year)	Implied Gross Receipts Tax Base	Implied Net Income Tax Base		Total BPT Collections (current year)	Total BPT Collections (prior year)	Total BPT Collections (current & prior)	% Growth	
FY05	0.2100	6.50%	69.0%	31.0%	101,261	16,370	225,387	36,438	14%	32.53%	21.01%	482,195	3,467,494		326,648	52,808	379,456	22.73%	
FY06	0.1900	6.50%	71.0%	29.0%	113,234	7,262	277,229	17,779	6%	23.60%	23.00%	595,970	4,265,057		390,463	25,041	415,504	9.50%	
FY07	0.1665	6.50%	75.0%	25.0%	100,478	8,612	301,433	25,835	8%	1.26%	8.73%	603,470	4,637,435		401,911	34,447	436,358	5.02%	
FY08	0.1540	6.50%	75.0%	25.0%	94,033	5,674	282,100	17,021	6%	1.18%	-6.41%	610,606	4,339,996		376,133	22,694	398,827	-8.60%	
FY09	0.1415	6.45%	75.0%	25.0%	91,769	4,729	275,306	14,187	5%	6.21%	-1.65%	648,541	4,268,302		367,074	18,916	385,990	-3.22%	
FY10	0.1415	6.45%	74.0%	26.0%	85,612	9,211	243,664	26,217	10%	-6.71%	-11.49%	605,028	3,777,729		329,275	35,428	364,703	-5.51%	
FY11	0.1415	6.45%	74.0%	26.0%	87,099	10,907	247,897	31,043	11%	1.74%	1.74%	615,540	3,843,365		334,996	41,950	376,946	3.36%	
FY12	0.1415	6.45%	74.0%	26.0%	96,249	4,991	273,940	14,206	5%	10.51%	10.51%	680,206	4,247,130		370,189	19,197	389,386	3.30%	
FY13	0.1415	6.45%	74.0%	26.0%	107,050	10,187	304,681	28,993	9%	11.22%	11.22%	756,538	4,723,736		411,731	39,180	450,911	15.80%	
FY14	0.1415	6.43%	74.0%	26.0%	109,477	10,553	311,589	30,036	9%	2.27%	2.59%	773,690	4,845,861		421,066	40,589	461,655	2.38%	
FY15	0.1415	6.41%	74.0%	26.0%	104,551	9,390	297,570	26,724	8%	-4.50%	-4.20%	738,880	4,642,271		402,121	36,114	438,235	-5.07%	
FY16	0.1415	6.39%	74.0%	26.0%	111,055	12,230	316,079	34,807	10%	6.22%	6.55%	784,840	4,946,466		427,134	47,037	474,171	8.20%	
FY17	0.1415	6.35%	73.0%	27.0%	107,091	5,641	289,544	15,250	5%	-3.57%	-7.82%	756,830	4,559,741		396,635	20,891	417,526	-11.95%	
FY18	0.1415	6.30%	73.0%	27.0%	115,792	4,647	313,069	12,563	4%	8.12%	8.98%	818,321	4,969,342		428,861	17,210	446,071	6.84%	
FY19	0.1415	6.25%	73.0%	27.0%	136,797	9,239	369,857	24,981	6%	18.14%	19.08%	966,760	5,917,719		506,654	34,220	540,874	21.25%	3.26% 5 Yr Avg.
FY20	0.1415	6.20%	73.0%	27.0%	133,620	10,625	361,268	28,726	7%	-2.32%	-1.53%	944,309	5,826,907		494,888	39,351	534,239	-1.23%	4.09% 10 Yr Avg.
FY21	0.1415	6.20%	73.0%	27.0%	131,613	14,618	355,844	39,524	10%	-1.50%	-1.50%	930,130	5,739,413		**487,457**	**54,142**	541,599	1.38%	2.13% 15 Yr Avg.
															Fill in Actual Amounts				

Prior Year	5 Yr Avg.	33,163
Prior Year	10 Yr Avg.	34,793

BIRT Tax Rates per Bill No. 110554

FY	Tax Rate Gross Receipts	Tax Rate Net Income
FY14	0.1415	6.43%
FY15	0.1415	6.41%
FY16	0.1415	6.39%
FY17	0.1415	6.35%
FY18	0.1415	6.30%
FY19	0.1415	6.25%
FY20	0.1415	6.20%
FY21	0.1415	6.15%
FY22	0.1415	6.10%
FY23 & thereafter	0.1415	6.00%

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Harvey Rice, Executive Director
Pennsylvania Intergovernmental Cooperation Authority
Via Email – Hrice@picapa.org

June 30, 2022

Dear Mr. Rice.

Please find attached the FY23-27 Five Year Plan, incorporating the FY23 Adopted Budget, passed by City Council and signed by the Mayor on June 27, 2022.

This Five Year plan was prepared during an ongoing global pandemic, paired with economic disruption, and ongoing calls for racial equity. These events are layered on top of Philadelphia's persistent challenges: intergenerational poverty, the need for an improving education system, and violence and public safety crises that threaten lives and disrupt our cherished communities. Even against this backdrop, the Plan has been updated to reflect more revenues, based on FY 22 collections, more reserves for future labor costs, more reserves for inflation and a potential recession, a significant increase in deposits into the Budget Stabilization Reserve, expanded investments in areas including public safety, community quality of life and public health, and a slightly higher ending fund balance than the original FY23-27 Plan and the PICA-approved FY22-26 Plan.

This Five Year Plan reflects evolving needs and changes to the resources available to serve Philadelphians. It demonstrates an improved revenue outlook compared to the version released in March, based on strong actual collections in FY22. As we anticipate that some of that strength is a one-time spike, this version of the Plan lowers growth rates for some tax types compared to the estimates presented that were generally accepted at the Economist Meeting convened by PICA. These changes are based on input from IHS Markit and updated collection figures to ensure reasonable revenue projections. Additionally, the updated Plan reflects property assessments released after March 31st, which enabled reductions to the Wage and Business Income and Receipts Taxes, as well as expansions of property tax relief and rental assistance to offset the impacts of the assessments on Real Estate Tax bills.

The spending side of this Plan is updated to reflect the adopted amendments to the FY23 budget and their impact across the Five Year Plan, as some of those increases will lead to recurring expenditures. Spending changes include increases for programs to address violence and community safety, including lighting, a new forensics lab, abandoned car removal, and police recruitment. Community and cultural facilities will be boosted with additional funds for Free Library materials and executive staff, expanding Rec Center hours to weekends, and expanded support for organizations including the Dell, Mann, Art Museum, Zoo, and African American Museum of Philadelphia.

This revised Five Year Plan also includes increasing allocations to support 3.25% raises for exempt employees, something not contemplated in the original FY23-27 proposal that creates parity with incorporated raises for represented non-uniform employees and non-represented civil servants. The Labor Reserve has been increased to reflect expected needs related to the outstanding contract for corrections officers and new contracts for all represented employees in the later years of the Plan. In response to inflation and supply chain pressures that have worsened since March, the Plan adds funding for fuel, utilities and adds $12M per year to the Recession and Reopening Reserve, an amount roughly equal to 5% of the General Fund's Class 300/400 budget.

Through this careful approach of monitoring revenues and conservative revisions based on actual collections and stewardship of federal relief funds, this Five Year Plan makes sustained investments in the areas that matter most to Philadelphians while ensuring adequate reserves to weather expected and unexpected disruptions and economic trends. Revenue growth will average 3.9%. The level of revenue growth would be unachievable without the draw downs of American Rescue Plan funds that replace lost revenues. Absent these funds, the City would not be able to sustain needed services and fiscal stability.

This Plan will end with an $86 million fund balance, nearly $20 million more than the ending fund balance in the Plan most recently approved by PICA. In addition to this improvement, the revised FY23-27 Plan includes deposits into the Budget Stabilization Reserve in four of the five years. If untapped throughout the Plan, more than $165 million will be available to the City in the event of future distress.

We look forward to working with you and your team as you review the Plan. Please reach out if we can be of any assistance.

Sincerely,

Marisa G. Waxman, AICP
Budget Director