



# Department of Revenue FY 2018 Year in Review





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## Message from the Revenue Commissioner

In FY18, the Department of Revenue made great strides meeting and exceeding its objectives:

- Collect all tax and water revenues for the City and School District of Philadelphia
- Collect all delinquent taxes and water debt
- Ensure that taxpayers and water customers are enrolled in programs for which they are entitled

I'm proud to report that the Department continued to exceed its on-time collection estimates, dramatically reduce tax delinquency, and expand the safety net for Philadelphians over the last fiscal year.

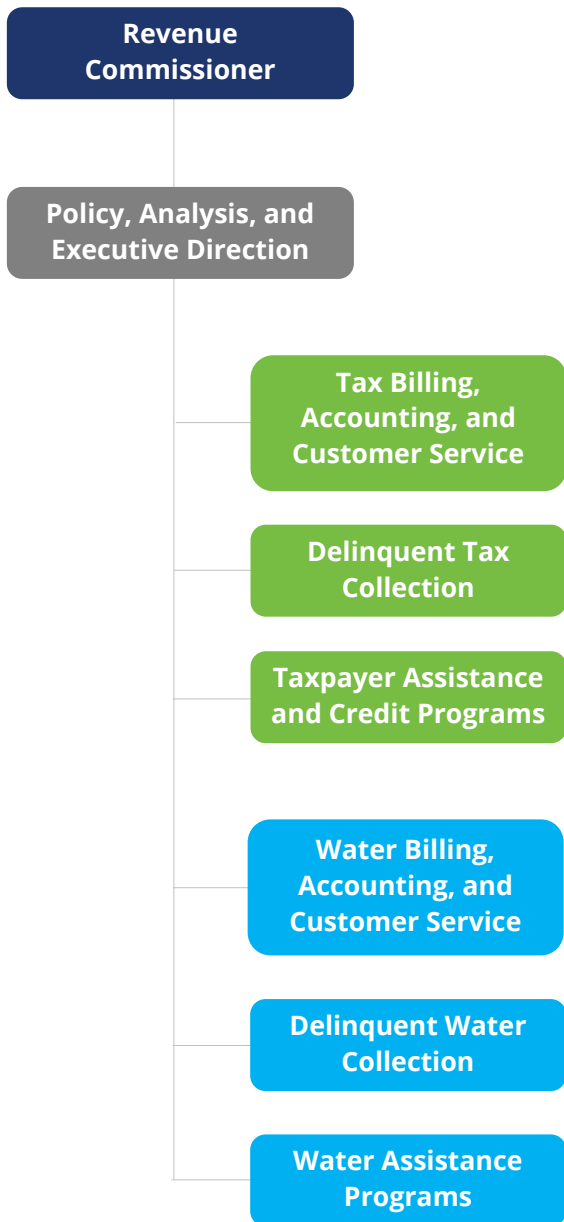
We accomplished this through a combination of business process and customer service improvements, tougher enforcement to collect delinquent debt, and improvements to our assistance programs.

The Department of Revenue is committed to improving our policies and procedures, making smart investments in technology, and working with our community partners. We anticipate that this success will endure into the future, maintaining a consistent flow of funds for the City and School District.



Frank Breslin, CPA  
Revenue Commissioner  
& Chief Collections Officer

# About the Department of Revenue



The Department of Revenue collects taxes, water and sewer charges, and other fees and fines to provide funding for the School District and City of Philadelphia. These funds support crucial services such as trash collection, water service, snow removal, police and fire protection, parks, libraries, and more. The Department of Revenue has 669 authorized employees with a FY18 operating budget of \$71.5 million.

In FY18, the Department of Revenue used program-based budgeting to organize its spending to seven areas:

- **Policy, Analysis and Executive Direction** - \$13.4 million. This program provides leadership for Revenue, conducts analyses, sets and informs policy, and ensures that Revenue has the resources it needs. This include fiscal and information technology functions and an outgoing mail processing center that handles over 10 million notices in a year. 83 employees.
- **Tax Billing, Accounting, and Customer Service** - \$12.8 million. This program determines which taxes, fees, and fines taxpayers owe, communicates how much is owed, and processes payments received. 256 employees.
- **Delinquent Tax Collection** - \$24.9 million. This program is a partnership with the Law Department to increase delinquent tax collection, streamline processes for lien and judgement payoffs, and represent the City in all collection proceedings, appeals and bankruptcy cases. 109 employees.
- **Taxpayer Assistance and Credit Programs** - \$1.2 million. Revenue provides tax relief to individual homeowners and business taxpayers through payment agreements, tax freezes, and credits. This program also helps taxpayers through the Earned Income Tax Credit (EITC) Campaign. 6 employees.
- **Water Billing, Accounting, and Customer Service** - \$7.8 million. This program determines which water, sewer and storm water charges customers owe, lets them know how much to pay, and processes payments received. 158 employees.
- **Delinquent Water Collection** - \$9.4 million. This program is a partnership with the Law Department to increase delinquent water collections, streamline processes for water lien payoffs, and execute Sheriff Sales of high-dollar water debt. 21 employees.
- **Water Assistance Programs** - \$2.0 million. Revenue provides affordable bills to vulnerable residential customers through this program. 36 employees.



# FY18 Highlights

Revenue collections continue to grow; exceeding estimates for the City and School District

- General Fund collections exceeded estimates for FY18 by more than \$60 million
- Over \$1 billion collected for the School District in FY18
- Strong Real Estate Tax, Use and Occupancy Tax, and Realty Transfer Tax collections drove a 10% gain in total tax revenue over FY17
- Exceeded estimates for Water Revenue collections by almost \$15 million in FY18

Revenue has dramatically reduced delinquency by improving collections and enforcement

- The number of delinquent tax accounts has been reduced by 43% and principal due for active periods\* has dropped by almost 50% in 10 years
- In the last five years, the outstanding Real Estate Tax principal for active periods\* declined by 31%, with nearly 40% of the remaining delinquent accounts under payment agreement
- On-time Real Estate Tax collection rate was 95.5% in FY16<sup>+</sup> up from 94.5% in FY15
- On-time water collection rate is almost 90% in FY18, up from 88.8% in FY17

Revenue increased the safety net for Philadelphians with expanded assistance programs

- In FY18, we launched the Tiered Assistance Program (TAP) for water customers and expanded the Owner-Occupied Payment Agreement (OOPA) for homeowners
- There were 12,031 water customers enrolled in TAP in FY18 and 13,161 enrolled in OOPA
- Of the total OOPA enrollees, 281 taxpayers had a \$0/month payment plan, since the launch of this new payment plan option in April 2018

Business process changes have enhanced the customer experience and improved productivity

- The mail center processed 95% of all projects within two business days, compared to FY16 when less than 50% of projects were processed within two business days.
- We saved over 25 hours of staff time each week and reduced processing time by 97% by replacing a manual process for looking up customers' payment histories
- We added barcodes to water bills so that customer payments are processed, posted, and deposited faster

\*Active periods refers to periods after January 1, 2008 for Real Estate Taxes and January 1, 2012 for other tax types.

<sup>+</sup> Most recent year of complete collections data.

# Overall Revenue Collections

With approximately \$5.4 billion collected in FY18, revenues increased by 8% across all funds compared to FY17 collections of \$5.0 billion.

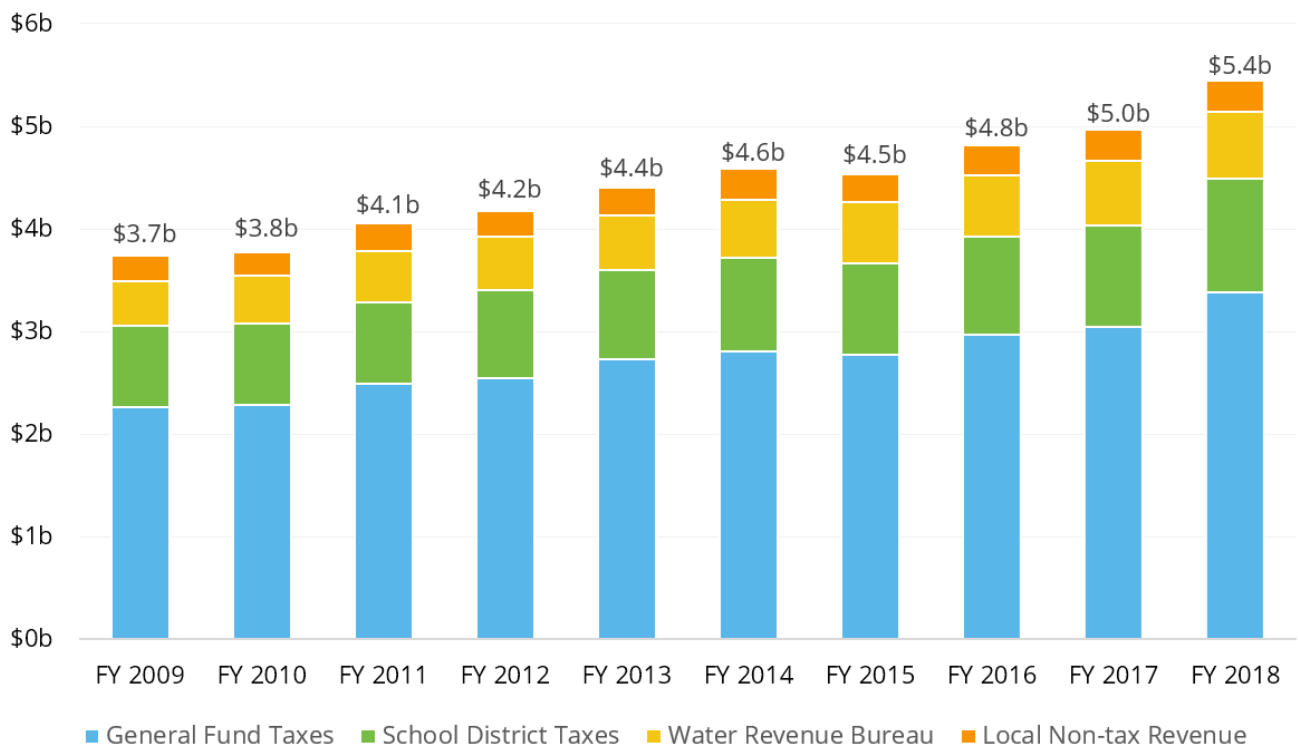
The trend of increased collections continues, exceeding estimates for the City and School District.

Total revenues have increased by almost 46% in the last ten years. The increase in collections is partly due to increasing real estate values and rate changes, which have increased collections of Use and Occupancy Tax, Realty Transfer Tax, and Real Estate Tax.

Wage Tax and other business tax collections also grew due to job growth and rising wages in Philadelphia, despite Wage Tax rate reductions. The Bureau of Labor Statistics reported a 2.9% increase in wages in Philadelphia in the last 12 months. In that time period, [Glassdoor Economic Research](#) also reported that Philadelphia's wages rose at the fastest pace among large cities in America.

## Ten-year trend, total collections

All FY2018 revenue collections data is preliminary.



Fund type	FY17 Collections (millions)	FY18 Collections (millions)	Percentage Growth
General Fund Taxes	\$3,040.0	\$3,383.6	11%
School District Taxes	\$974.1	\$1,100.8	13%
Water Revenue Bureau	\$631.8	\$652.3	3%
Local non-tax Revenue	\$309.7	\$312.9	1%

# General Fund Collections

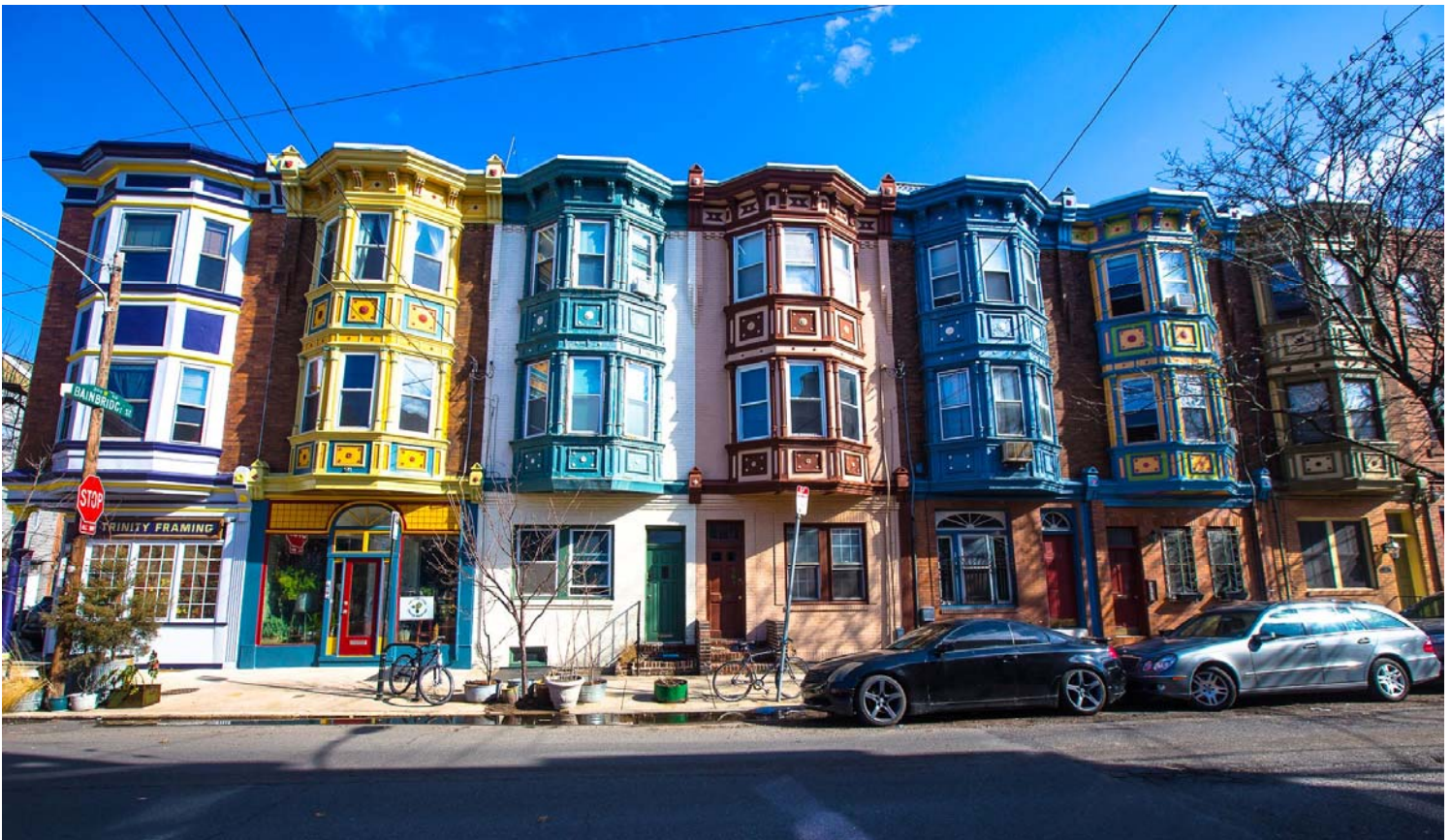
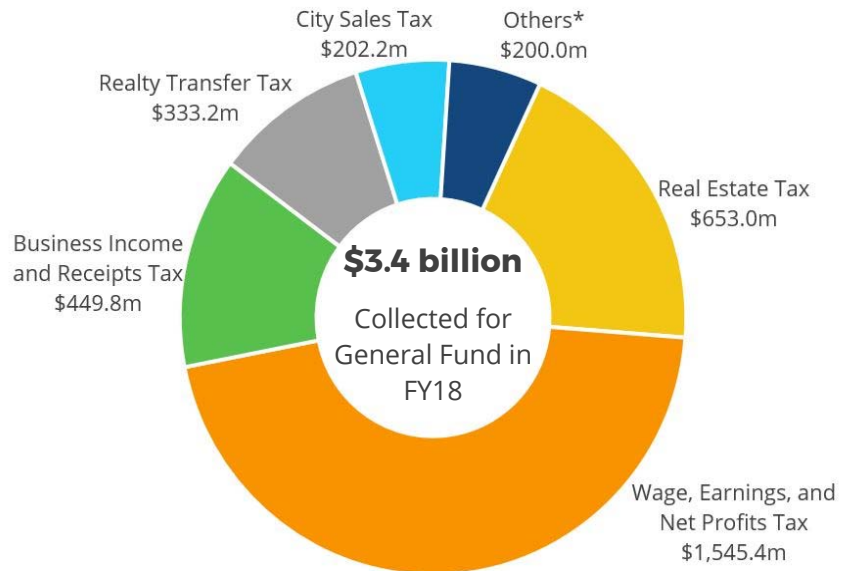
With about \$3.4 billion collected in FY18, General Fund tax revenues increased by 11% compared to FY17 collections of \$3.0 billion.

Rising real estate values and closing tax loopholes increased the contribution of property taxes to the General Fund.

Business Taxes (Wage Tax and Business Income and Receipts Tax) make up 59% of General Fund Tax collections, but the share of Realty Transfer Tax and Real Estate Tax to the General Fund Tax collections grew from 27% in FY17 to 29% in FY18. The share of Business Income and Receipts Tax in the General Fund declined from 15% in FY17 to 13% in FY18.

Other taxes in the graph include Parking Tax, Valet Parking Tax, Amusement Tax, Outdoor Advertising Tax, Smokeless Tobacco Tax, Philadelphia Beverage Tax, and miscellaneous revenues.

**FY18 Total revenue collected that supports the General Fund**



# Wage Tax and Net Profits Tax collections increased by 6.1% from FY17 to FY18, even with tax rate reductions.

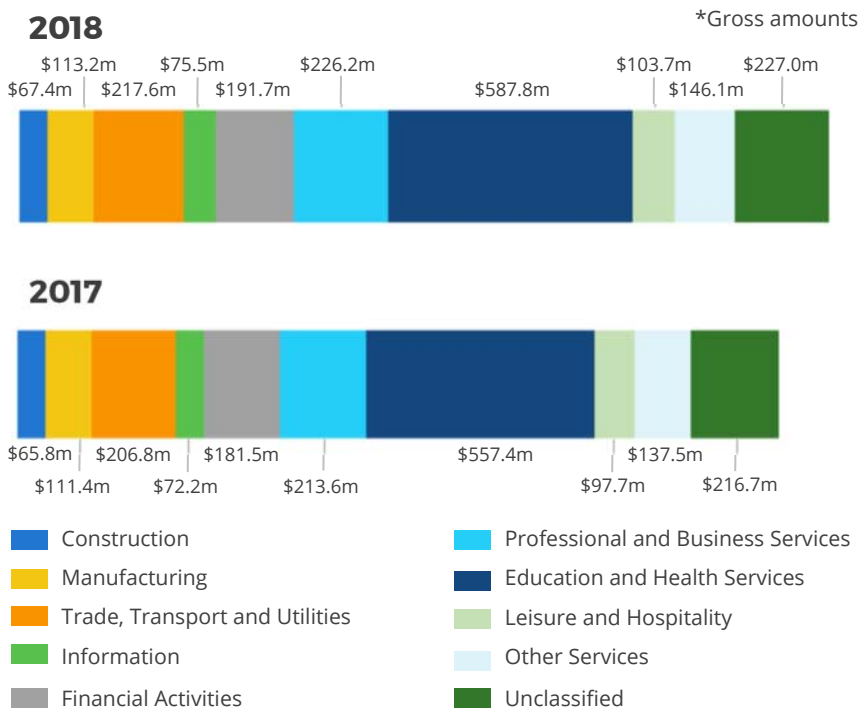
Wage Tax and Net Profits Tax collections continues to grow. Education and Health Services is the single largest industry paying Wage Tax.

From FY17 to FY18, Wage Tax contributions by the Education and Health Services sector grew by almost 5.5% from \$557.4 million to \$587.8 million.

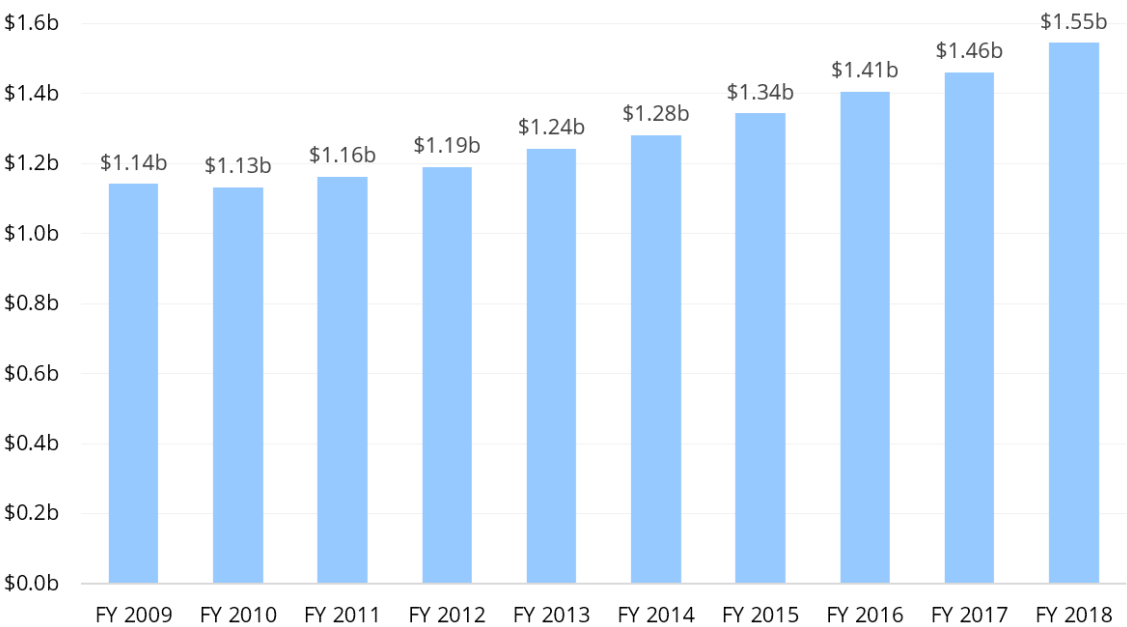
The industries with the highest rates of Wage Tax growth in the same time period were Leisure and Hospitality and Professional and Business Services. Manufacturing saw the slowest growth in Wage Tax collections, 1.6%, from FY17 to FY18.

Even with tax rate reductions from 3.8907% to 3.8809% for residents and from 3.4654% to 3.4567% for non-residents from FY17 to FY18, collections increased by 6.1% during the same time period. This was the sixth consecutive year of Wage Tax rate reductions and collections have increased in each of those years.

Change in Wage Tax collections, by industry\*



Ten-year trend, total Wage Tax and Net Profits Tax collections





With an 8.7% growth from the prior year, Business Income and Receipts Tax (BIRT) collections continue to be volatile.

Today, only about 30,000 businesses have a BIRT liability because businesses that have less than \$100,000 in Philadelphia sales do not have to pay the tax.

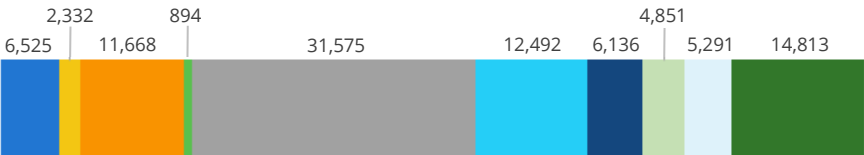
Ten years ago, almost 100,000 businesses owed BIRT. Legislative changes that created a \$100,000 exemption took full effect in 2016. This change reduced the number of businesses required to pay BIRT by over 200%. All businesses still file a return.

The largest reduction in the number of businesses that owed BIRT from 2009 to 2016 was in the Financial Activities sector, from 31,595 to about 6,800 businesses (-78%). In the same time period, the amount owed by businesses in Financial Activities rose by 17%, from \$64 million to \$75 million.

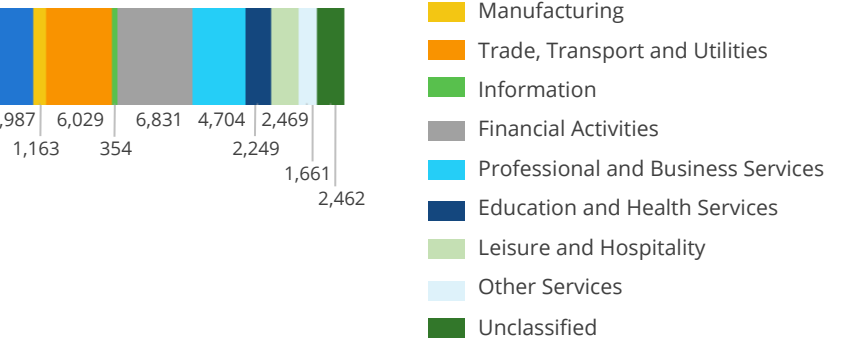
Professional and Business Services saw a similar trend, where the number of businesses that owed BIRT from 2009 to 2016 shrunk by 62% in ten years, but the amount owed increased by 12%.

Change in BIRT payments, by industry

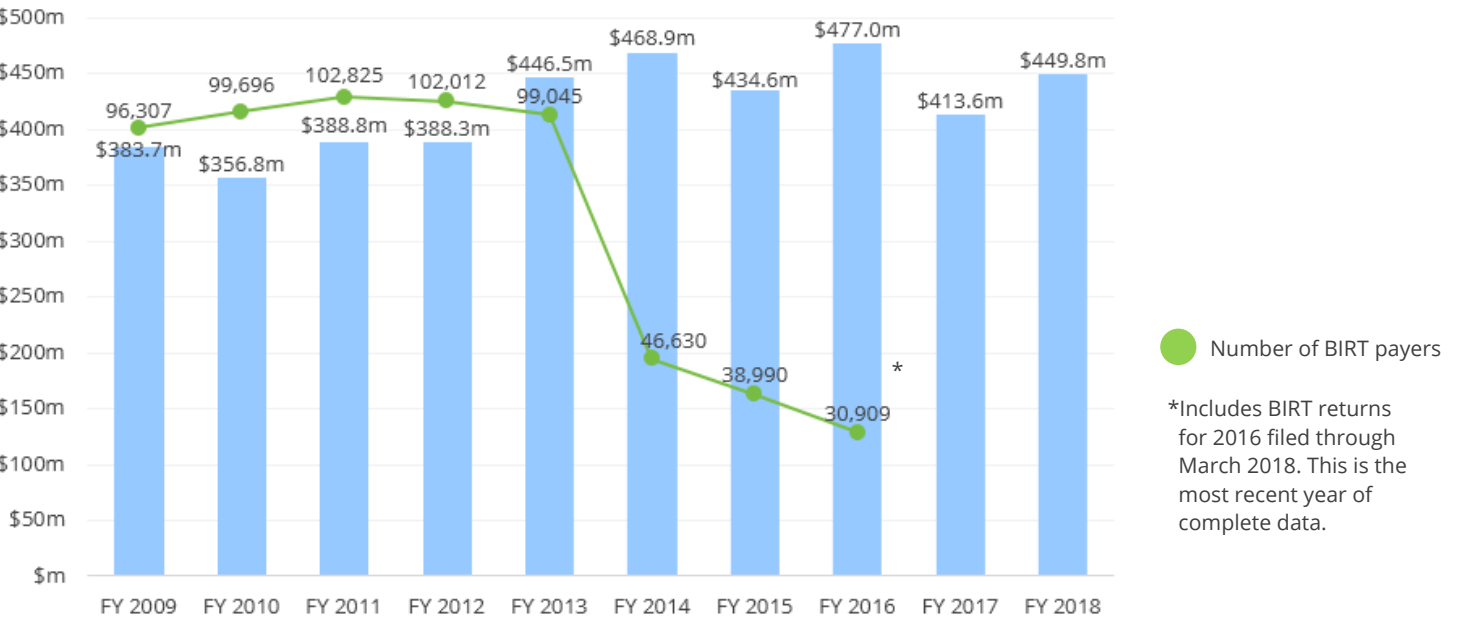
2009 - 96,307 payers



2016\* - 30,909 payers



Ten-year trend, total BIRT collections and number of accounts with a BIRT liability



\*Includes BIRT returns for 2016 filed through March 2018. This is the most recent year of complete data.

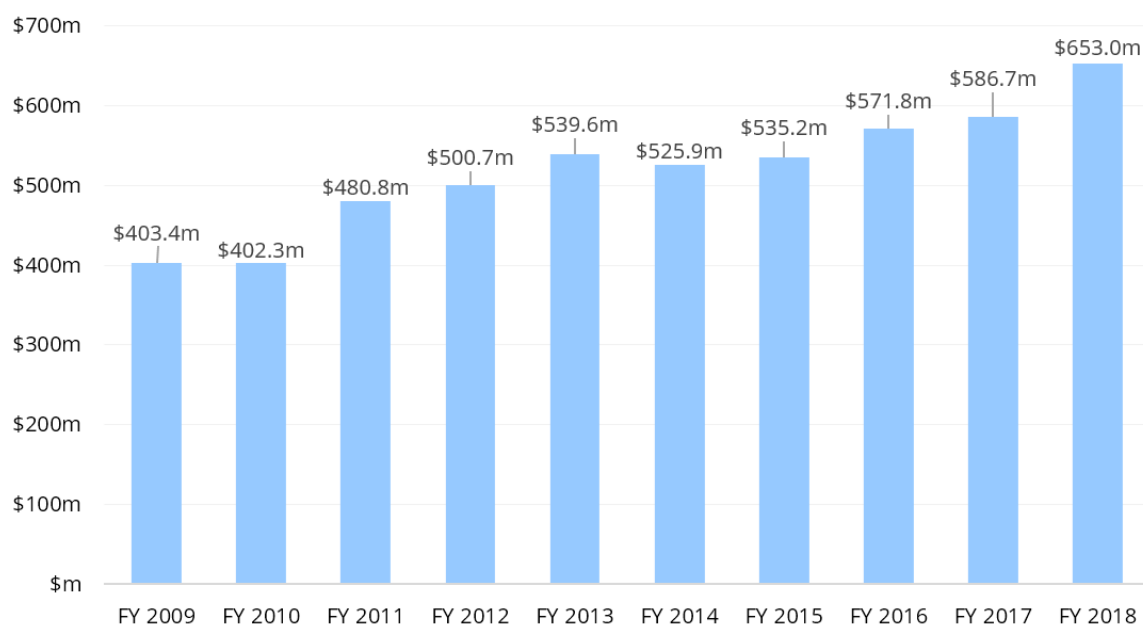
Real Estate Tax collections for the General Fund increased by 11% from FY17 to FY18, and is the highest collected ever at \$653 million.

Increases in Philadelphia property assessments, more on-time collections, and increased compliance have driven the growth in Real Estate Tax collections.

For every \$1 collected in Real Estate Tax, the School District receives 55 cents (0.6317% for the City + 0.7681% for the School District = 1.3998%). Three strategies we used to increase on-time collections are:

- **Frequent billing** – Revenue moved from a 60-day billing cycle to a 30-day billing cycle, increasing the frequency that customers receive a statement. Revenue adopted more frequent billing following a joint study with researchers from the University of Pennsylvania in 2017, which demonstrated that the costs of more frequent billing were greatly exceeded by the revenue collected.
- **Placement of past due accounts with a collection firm** – this enhances the Department's capacity to contact accounts that are overdue but not yet delinquent. In 2018, over 23,000 past due accounts were placed with a collection agency, representing \$36.9 million in past due Real Estate tax debt.
- **Expanding assistance programs:** Last year, we also improved the safety net for homeowners by expanding the Owner-Occupied Payment Agreement program. This is in addition to other programs that keep vulnerable homeowners in their homes such as the Low-Income Senior Citizen Real Estate Tax Freeze, and the Long-time Owner-Occupants Program.

Ten-year trend, General Fund Real Estate Tax collections



## Realty Transfer Tax (RTT) collections nearly doubled in the last ten years, exceeding budget estimates by more than \$45 million.

The City experienced a dramatic increase in RTT collections, despite a decrease in the number of transfers.

Effective July 1, 2017, Revenue closed a Real Estate Transfer loophole that allowed large real estate transactions to underpay this tax. With this change and the rebounding real estate market, collections have nearly doubled in the last ten years.

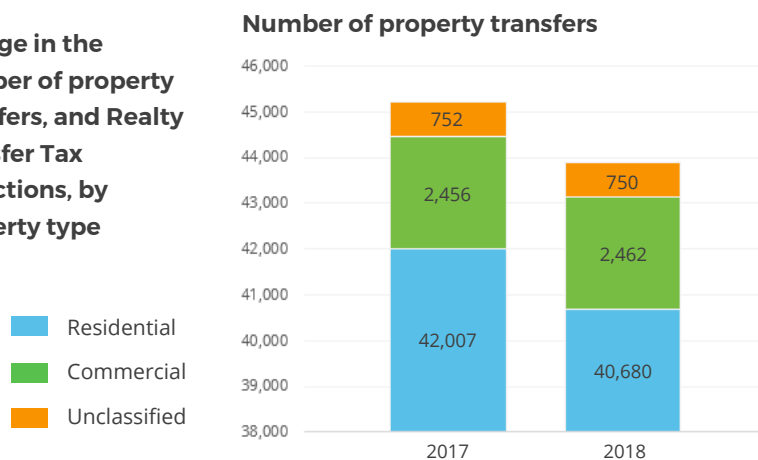
Between FY17 and FY18, the number of properties transferred declined by 2.9%, but collections increased by 37%. In the

same time period, the tax rate increased from 3.00% to 3.10%.

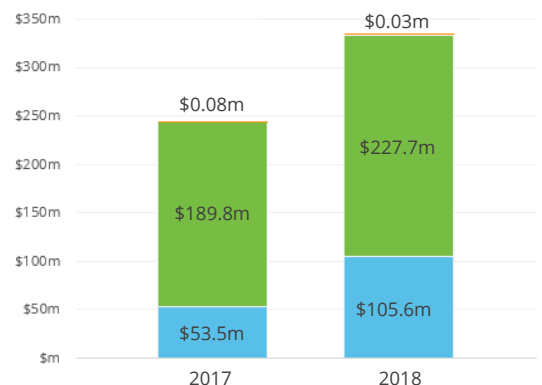
Residential property transfers dropped by 3.2% from FY17 to FY18, but RTT collections increased by almost 98%. In the residential category, collections increased by 130.7% for apartments.

Commercial property transfers increased by 0.2% from FY17 to FY18, and RTT collections grew by 20%. In the commercial properties category, collections increased by 190.7% for office buildings, hotels and garages.

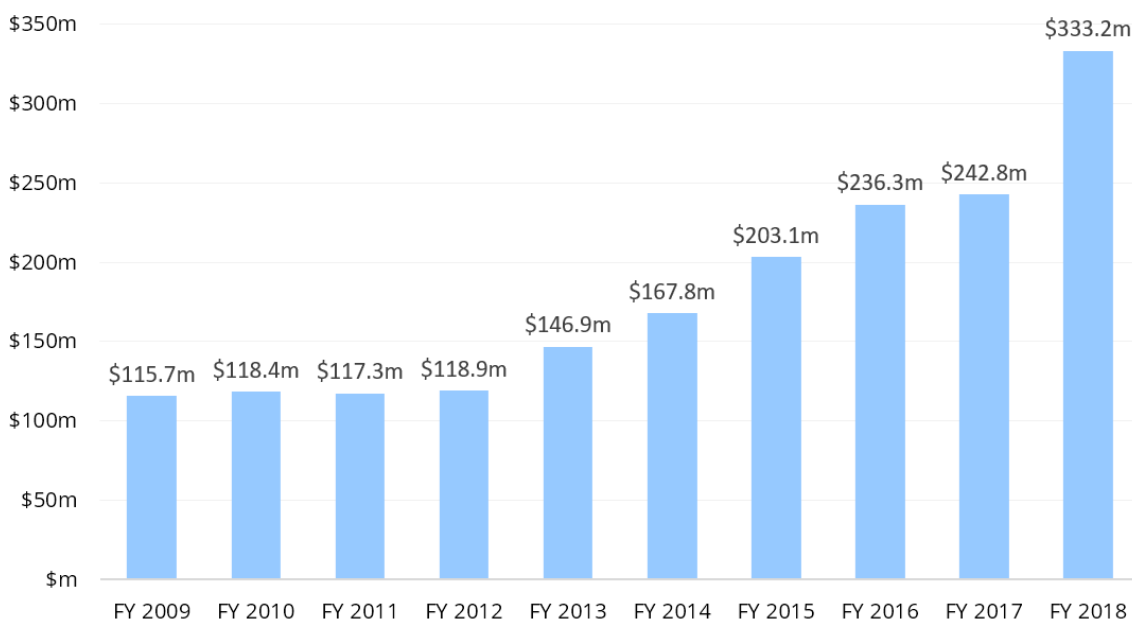
### Change in the number of property transfers, and Realty Transfer Tax collections, by property type



### Realty Transfer Tax collections



### Ten-year trend, total Real Estate Transfer Tax collections



Collections from all other tax types increased by nearly 20% from FY17 to FY18, largely due to the full year of Philadelphia Beverage Tax (PBT) operation.

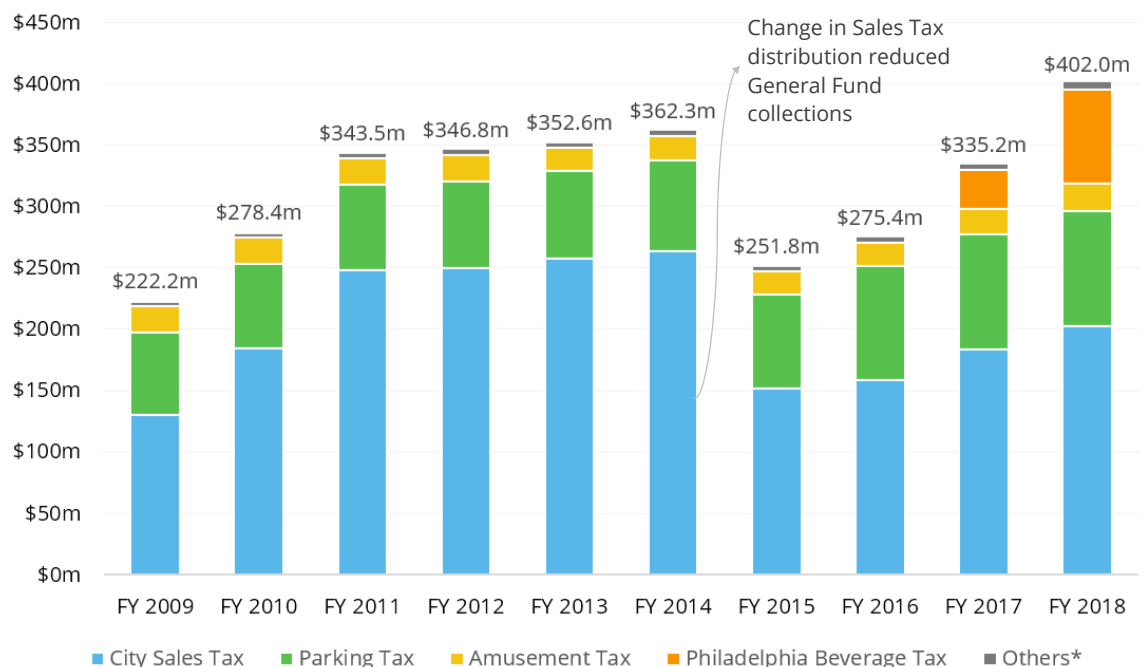
In the last ten years, collections from all other tax types have grown by 81%, from \$222 million to \$402 million.

The PBT generated about \$77 million in FY18. More than 600 taxpayers registered with the City and PBT investigators have made over 4,800 audit visits to local businesses since May 2017.

In FY16, a change in state law about the Sales Tax distribution sent more money directly to the School District and reduced General Fund collections. However, since then, the City Sales Tax collections has also increased steadily.



**Ten-year trend, all other tax collections**



\*Others includes Valet Parking Tax, Outdoor Advertising Tax, and Smokeless Tobacco Tax.



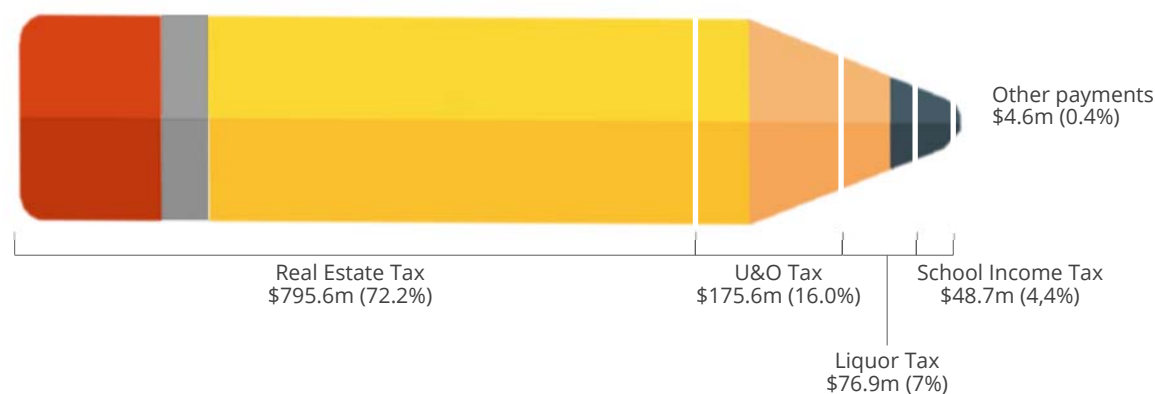
# School District Taxes Collections

Collections of \$1.1 billion for the School District in FY18 represents an increase of \$113 million from FY17, or almost 13%.

Rising real estate values increased revenues of Real Estate Tax and Use and Occupancy Taxes to the School District.

Over the last ten years, School District taxes collections increased by 40%, with the largest growth in School Income Tax and Liquor Tax collections.

We improved School Income Tax collections by 94% and Liquor Tax collections by 88% in the same time period by improving data sharing with Pennsylvania, IRS, and the Liquor Control Board to uncover underreported sales and early placement of accounts with collection agencies.



School District Real Estate Tax collection trends mirror the General Fund, with over \$80 million increase in collections from FY17 to FY18.

**Ten-year trend, total Real Estate Tax collections that support the School District**



The Department of Revenue exceeded budget estimates for School District Real Estate Tax collections by almost \$10 million.

For every \$1 collected in Real Estate Tax, the School District receives 55 cents.

## About 30% of School District tax collections are from School Income Tax, Liquor Tax, and Use and Occupancy Tax.

School Income Tax collections rose by almost 16% from FY17 to FY18.

Improved data sharing with the Commonwealth of Pennsylvania and the IRS allows the City to identify taxpayers who claimed dividend income to the IRS, but not the City. Income from dividends and S-corp distributions contributed the largest portion to School Income Tax collections.

In FY18, the Law Department successfully defended the School Income Tax regulations in court and preserving roughly \$2 million in additional School District revenue.

Use and Occupancy Tax collections increased by \$37 million from FY17 to FY18, or 26.6%, largely due to rising property values.

In the last ten years, Use and Occupancy Tax collections have increased by 43% from \$112.7 million to \$175.6 million.

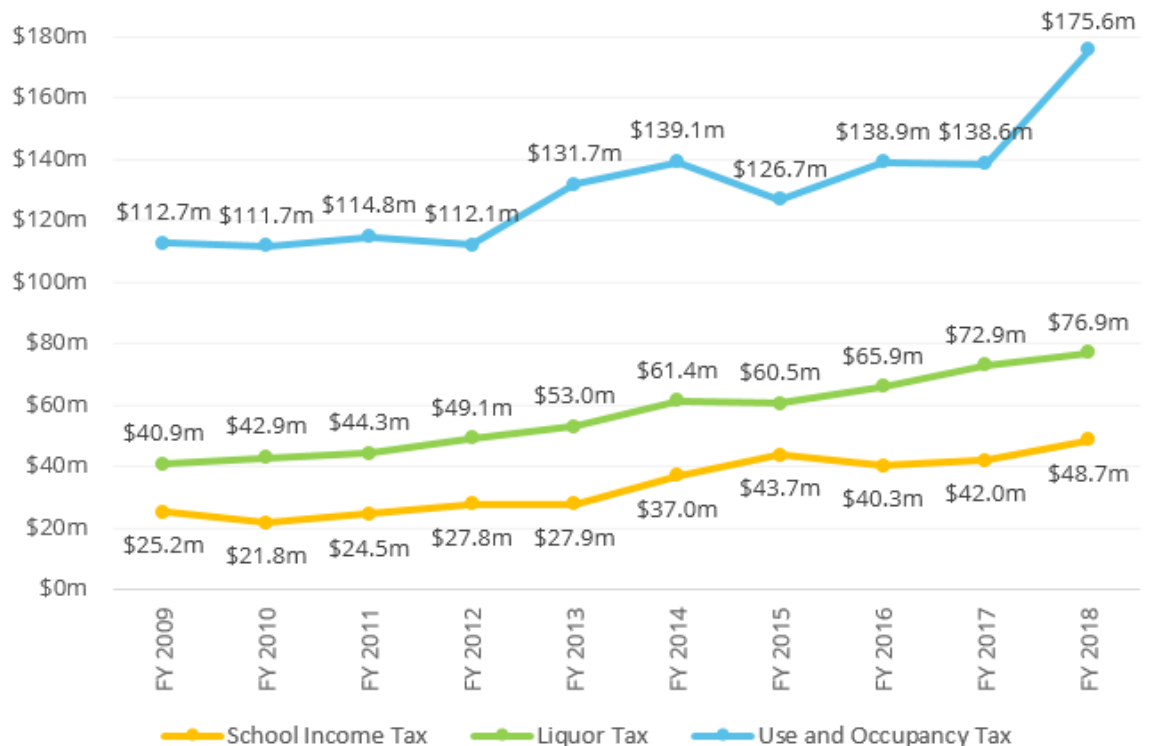
The Department of Revenue increased Liquor Tax collections by 6% from \$72.9 million in FY17 to \$76.9 million in FY18.

In the last 10 years, Liquor Tax collections have increased by nearly 90%. We achieved this by using the Commercial Activity License Revocation Program which threatens to close businesses that fail to pay, and new audit procedures supported by access to Pennsylvania Liquor Control Board data and the Data Warehouse that verified prior tax records. The Data Warehouse is an internal research team that uses technology to consolidate information about anyone who has a financial obligation to the City.

Both strategies generated almost \$5 million of the \$72.9 million in Liquor Tax collections last year.

An analysis of the increase in Liquor Tax collections in the last ten years is available on our blog at [www.phila.gov/revenue](http://www.phila.gov/revenue).

**Ten-year trend, total School Income Tax, Liquor Tax, and Use & Occupancy Tax collections**



# Water Revenue Collections

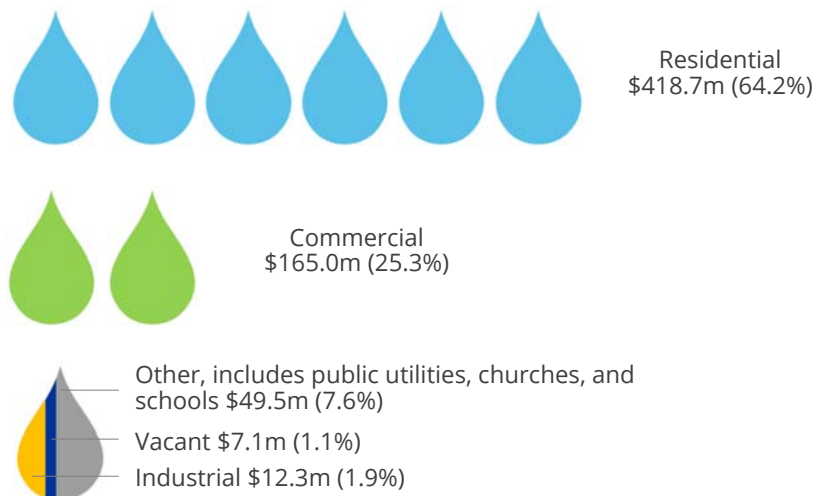
Water revenue collections (includes water, sewer, and storm water) increased by 3% from FY17 to FY18, growing steadily in the last ten years.

Water revenue collections in FY18 exceeded budget estimates by \$14.7 million.

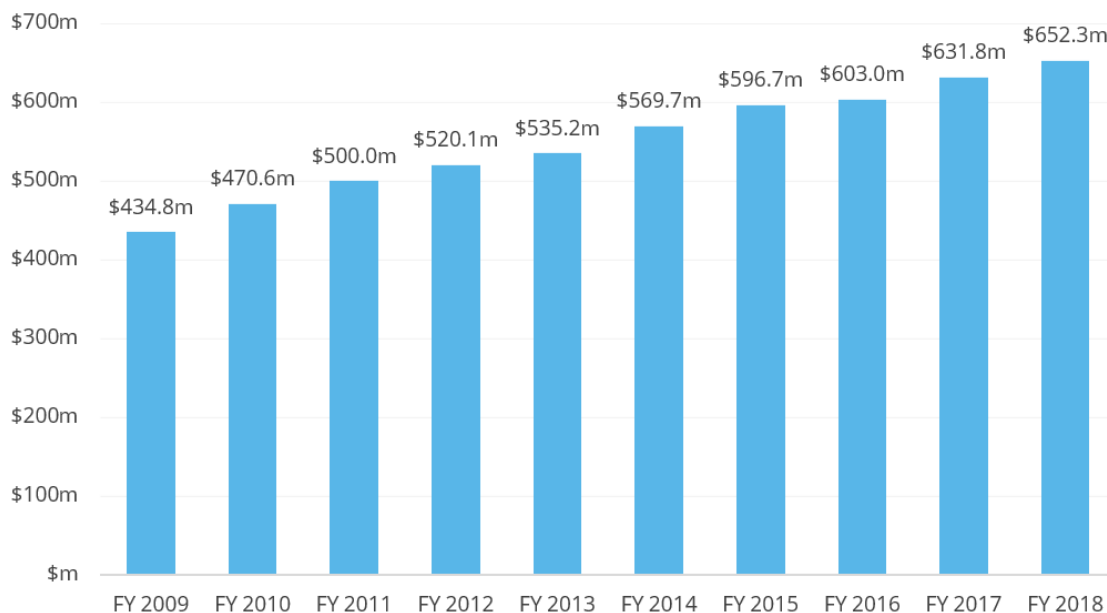
In FY17, 66.4% of billed water amounts were paid within 30 days. In FY18, 67.9% of billed water amounts were paid within 30 days, an increase of 1.5% from the previous year.

There is a similar increase in the number of bills paid within 60 and 90 days. In FY17, 81.8% of bills were paid within 60 days and in FY18, the percentage increased to 83.3%. In FY17, 85.5% of water bills were paid within 90 days and in FY18, the percentage increased to 86.8%.

## Water revenue collections by property type



## Ten-year trend, total Water Revenue Collections



# Local non-tax collections

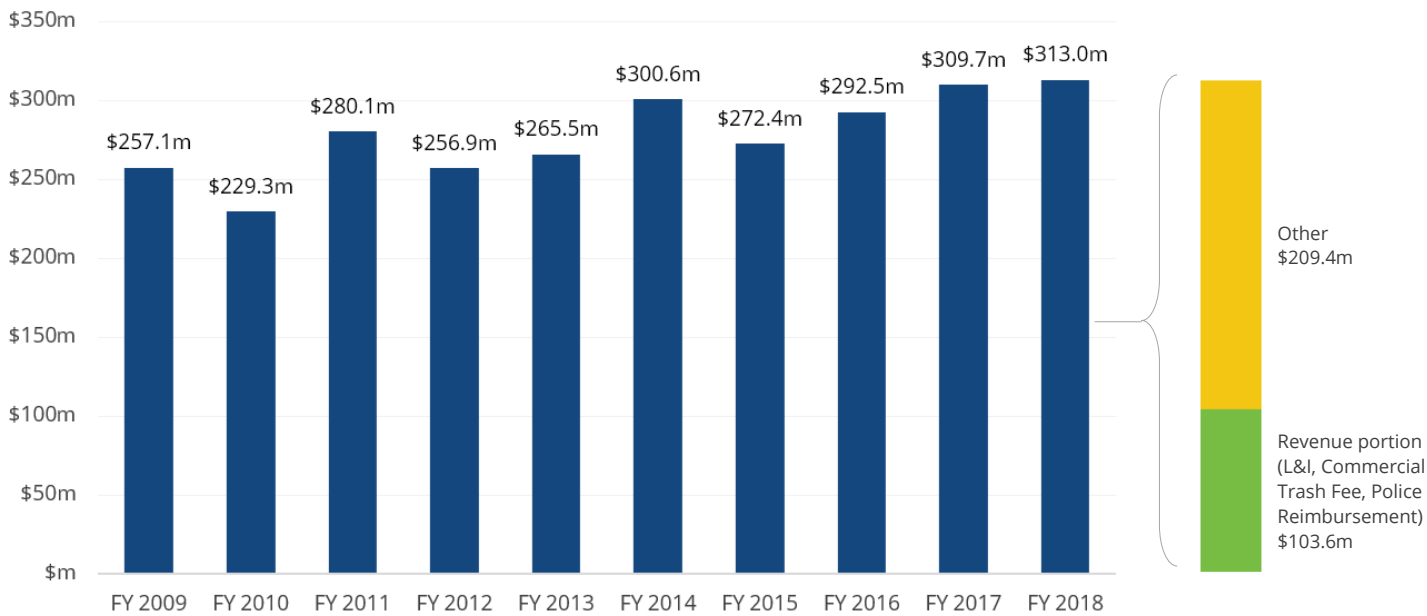
Non-tax revenue collections increased by almost 22% in the last ten years. L&I, Commercial Trash Fee and Police Reimbursements increased by 9% from FY17 to FY18.

Non-tax revenue collections in FY18 exceeded budget estimates by \$1.6 million.

Although local non-tax collections include amounts collected by other City departments and fines and fees that are credited to the General Fund, Revenue is only responsible for income from L&I, Commercial Trash Fee and Police Reimbursements (33% of total local non-tax collections).

In FY18, the Department began enforcement efforts to increase local non-tax collections through an L&I billing project. When L&I performs work on a property, they bill the owner for the service. If the bill is left unpaid, a lien may be entered against the property and it is the Department of Revenue’s responsibility to collect the obligation. With the Data Warehouse, we are identifying property owners who have outstanding L&I obligations and billing them directly. So far, we have billed 1,745 properties and have collected \$1.8 million (17% of debt due) in a three-month period.

Ten-year trend, local non-tax collections





# Delinquency and Enforcement

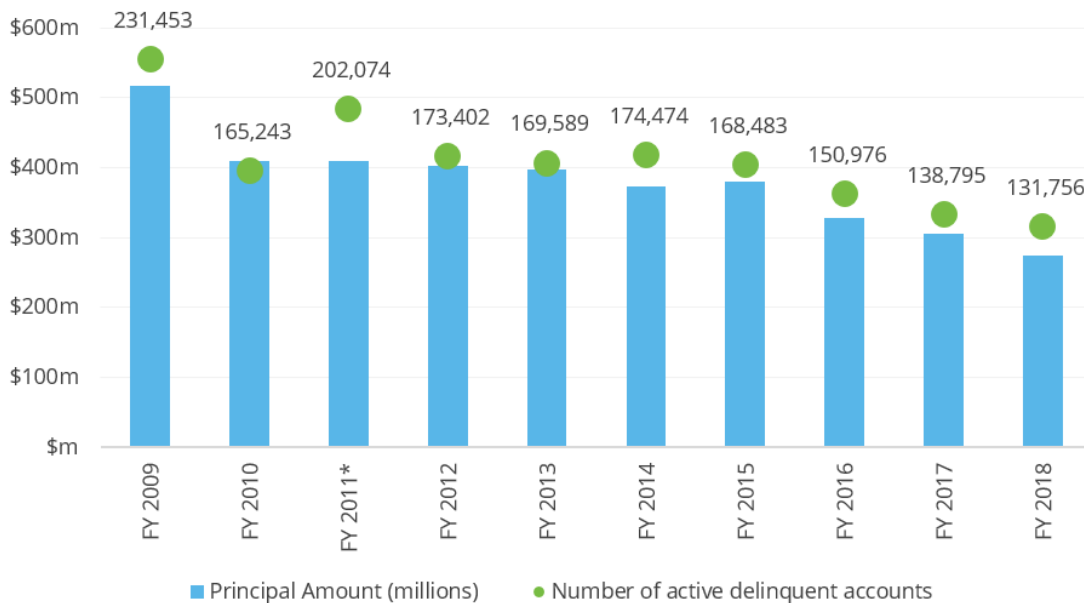
The Department of Revenue has been making it easier for taxpayers and water customers to pay on time, and about 9 out of 10 do. For customers who are behind, Revenue is getting smarter and faster with enforcement—collecting nearly \$175 million in delinquent taxes and more than \$40 million in delinquent water, sewer, and storm water in FY18.

Across all taxes, the number of delinquent tax accounts fell by 43% and principal dropped by almost 50% in ten years.

Although there is still work to do, the number of delinquent accounts and amounts owed will likely continue to decline as Revenue increases on-time collections for all tax types. The shrinking pools of delinquent accounts and amount owed will also lower delinquent collections in the future, leaving only the most challenging accounts. However, the expected increase in on-time collections and smaller pool of delinquent accounts may offset the reduction in delinquent collections.

Tax delinquency for all tax types continues to hit record lows

Ten-year trend, tax delinquency, all types



\*Revenue changed the definition of active periods from all amounts due to amounts due in the past ten years only

Real Estate Tax delinquency has declined by 31% in the last five years and the number of delinquent accounts has declined by almost 28%.

In FY18, the Department collected more than \$95 million in delinquent Real Estate Tax, reducing delinquent accounts and amount due to record lows.

To reduce delinquency, we use collection strategies such as more frequent and earlier billing, Sheriff Sales, improving taxpayer assistance programs, and by increasing outreach. We use data analytics and behavioral economics to determine the most effective tools to encourage compliance. Some of the tools we use are:

**Sheriff Sales:** Sheriff Sales are public auctions where properties can be sold to collect unpaid debt, including water bills and taxes.

- In FY17, we sold one in twenty of all delinquent properties at Sheriff Sales.
- Approximately 50% of the properties

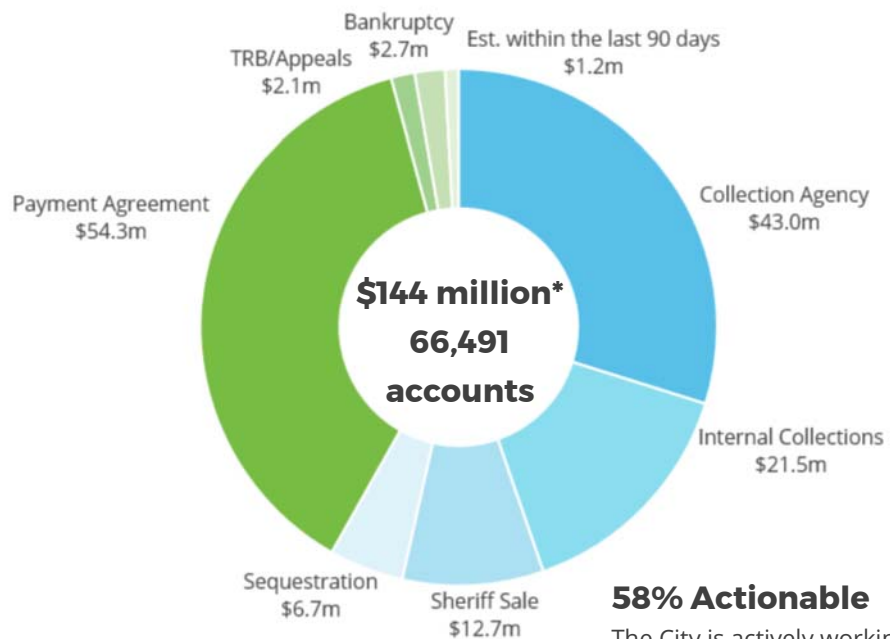
that were listed for sale were not sold because the property owner paid in full, entered into a payment agreement, or filed an administrative appeal. This demonstrates that the threat of Sheriff Sales motivates payment.

- Of the 3,962 properties sold at Sheriff Sale, only 4% were likely owner-occupied properties. Homeowners can stop a Sheriff Sale at any time during the foreclosure process. Our goal is for homeowners to pay rather than to have a property go to sale.
- Revenue also worked closely with the Land Bank and other stakeholders to

#### FY18 Real Estate Tax delinquency by collection status

#### 42% Non-actionable

These accounts require no further action on the part of the City or the City is barred from taking action.



#### 58% Actionable

The City is actively working to collect these accounts.

\*

\*Principal for active periods: refers to periods after January 1, 2008

help the Land Bank acquire delinquent properties at Sheriff Sale.

- A detailed analysis of Sheriff Sales is available at [www.phila.gov/revenue/delinquency-reports](http://www.phila.gov/revenue/delinquency-reports).

**Data-driven targeted outreach:** In FY18, we brought Real Estate Tax relief to homeowners' doorsteps by using data to inform outreach strategies. We identified areas of high tax delinquency and partnered with City Council to host "on the spot" sign-up events for assistance programs at familiar meeting places such as neighborhood churches and libraries.

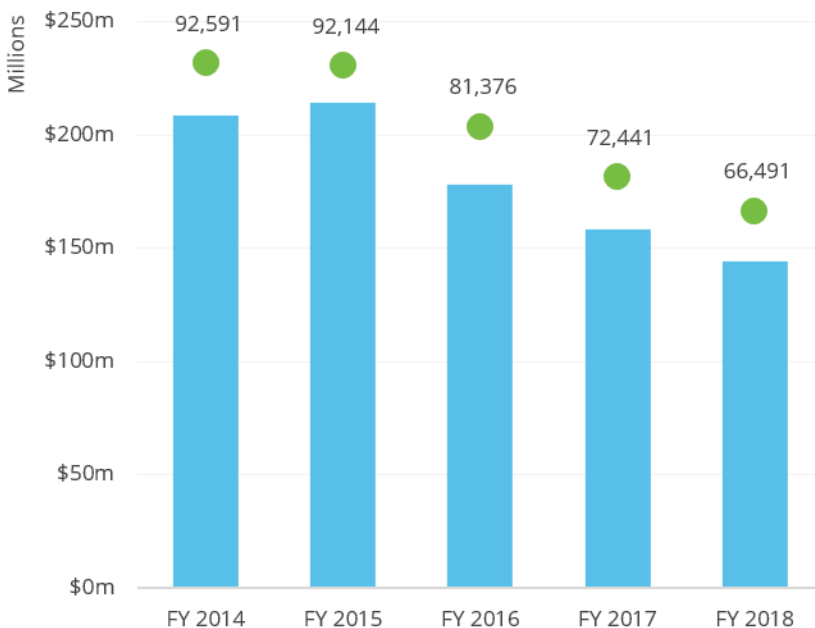
We wanted to find out what motivates people to respond. Half the delinquent residents within a mile received letters of invitation, and the other half received flyers. Both mailings included the same information. Everyone was encouraged to schedule an appointment and we found appointments were a driver for attendance. In addition, residents who received letters were more likely to show up to the event and get into a payment agreement.

**Sequestration:** Sequestration is a legal process for delinquent rental properties by which the City can request that the court appoint a "sequestrator" to collect, rent, manage a property and pay its expenses until any debts to the City are paid off. Similar to Sheriff Sales, taxpayers are motivated to pay once they begin the sequestration process, before the property is assigned a sequestrator. In FY18, one in fifteen of all delinquent properties were in sequestration, and we collected almost \$15 million in delinquent Real Estate Taxes.

**More frequent and earlier billing:** Revenue moved from a 60-day billing cycle to a 30-day billing cycle, increasing the frequency that customers receive a statement.

**Expanded efforts to enroll homeowners into payment plans:** In collaboration with City Council, Revenue, expanded the Owner-Occupied Payment Agreement to offer \$0 payment plans for very low-income taxpayers. We also made it easier for low-income taxpayers to add their current year taxes to their OOPA, and apply for Pennsylvania's Property Tax and Rent Rebate program.

**Five-year trend, total active Real Estate principal due, and number of delinquent accounts**



### Did you know?

Older debts, interest and penalties are much less likely to be collected and are often reduced or waived when payment does occur. Presenting the active, principal delinquency is reflective of reasonable expectations for collections.

More information about Real Estate Tax delinquency is available at [www.phila.gov/revenue/delinquency-reports](http://www.phila.gov/revenue/delinquency-reports)

Business Income and Receipts Tax (BIRT) delinquency has declined by 36% in the last five years and the number of delinquent accounts has been reduced by almost 50%.

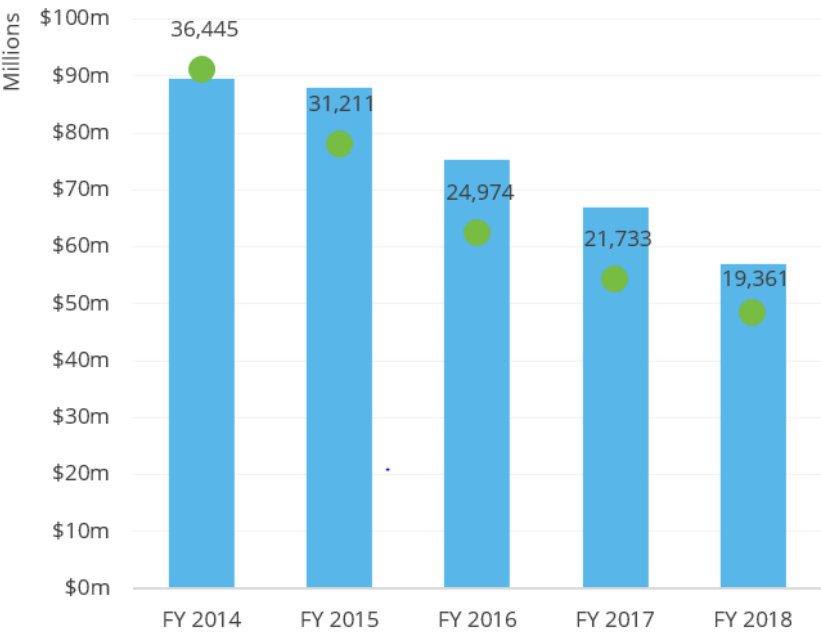
In FY18, the Department of Revenue collected almost \$35 million in delinquent BIRT, an increase of 65% from FY18.

The Department increased collections by:

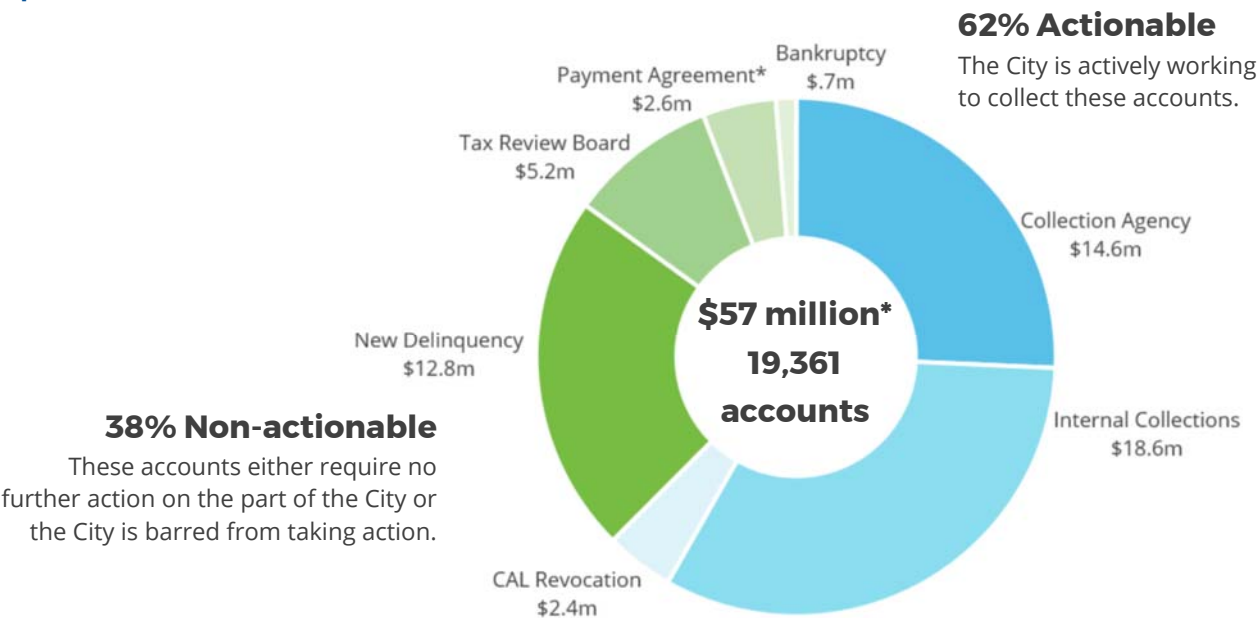
- Expanding efforts to enroll businesses in new and flexible payment plans. In FY18, we introduced payment agreement options for businesses that offer terms from 12 to 60 months and significant penalty discounts from 20% to 100% based on the duration of the plan
- Utilizing the Data Warehouse to improve collection tools like Commercial Activity License (CAL) Revocation
- Improving discovery and audit procedures to uncover previously unidentified debt
- Earlier placement of accounts with collection firms

More information about BIRT delinquency is available at [www.phila.gov/revenue/delinquency-reports](http://www.phila.gov/revenue/delinquency-reports).

Five-year trend, total active BIRT principal due, and number of delinquent accounts



FY18 BIRT delinquency by collection status



\*Principal for active periods: refers to periods after January 1, 2012

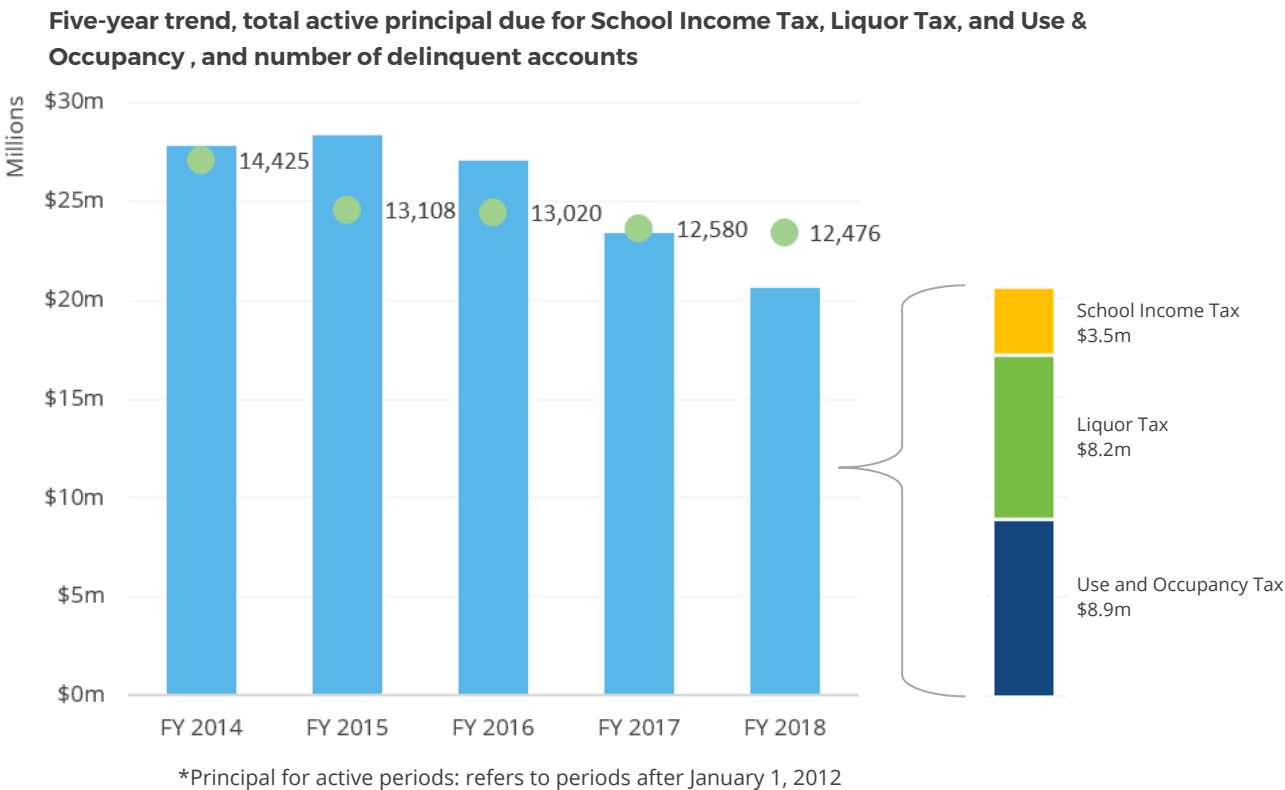


The Department reduced delinquent taxes that support the School District by 27% in the last three years, using audit and discovery tools.

Collections from the Liquor Tax, School Income Tax (SIT), and Use & Occupancy (U&O) Tax and 55% of the collections from the Real Estate Tax support the School District.

We decreased delinquency by improving data sharing with the Commonwealth of Pennsylvania, IRS, and Liquor Control Board to uncover underreported sales. We also use the Data Warehouse to identify CAL Revocation candidates.

More information about delinquency for taxes that support the School District is available at [www.phila.gov/revenue/delinquency-reports](http://www.phila.gov/revenue/delinquency-reports).



In FY18, the Department of Revenue collected more than \$76 million in delinquent BIRT, Liquor Tax, and other non-Real Estate Taxes.

Some enforcement tools we use are:

**Commercial Activity License (CAL)**

**Revocation:** The CAL Revocation program revokes the activity licenses of businesses that fail to pay the City despite repeated warnings, forcing the businesses to stop operations. Most taxpayers opt to comply rather than close. In FY18, almost 80% of delinquent businesses complied and paid \$22 million to the City.

**Data Warehouse:** Since its inception, the Data Warehouse has generated \$25.5 million in delinquent revenue to the City and School District. FY18 projects included:

- Identifying and placing liens on property owners that had not filed U&O Tax.

- Using IRS data we identified, billed and tracked Philadelphia residents who reported wage income to the IRS but not the City.

**Data sharing with state and federal governments:**

In FY18, Revenue collaborated with the Commonwealth of Pennsylvania to analyze liquor licenses and purchasing data to identify Liquor Tax non-filers and under reporters. Using IRS data, we also identified, billed, and tracked Philadelphia residents who reported wage or unearned income to the IRS, but not the City or School District of Philadelphia.

Water Delinquency remains steady, but may decline in the future as we improve assistance programs and enforcement.

Limitations on enforcement hamper dramatic reductions.

The City bills over 575,000 accounts in water, sewer, and storm water charges monthly and approximately 87% of water customers pay within 90 days. The biggest challenge to water collections is slow payers, customers who pay after 90 days, not non-payers.

In the last 10 years, water rates have increased, while average water usage has remained the same. Despite rate increases, water delinquency is flat. Revenue is doing a better job at providing water assistance and managing delinquency, however the number of accounts and amount due remains unchanged.

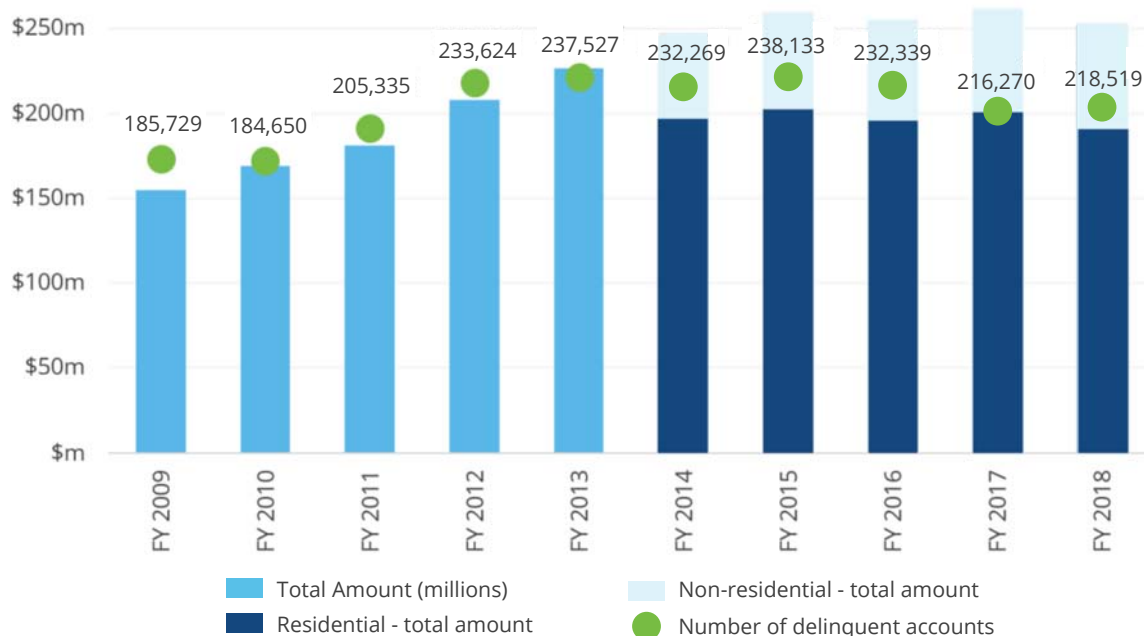
More than a third of all delinquent accounts owe less than \$75 and 45% of accounts are delinquent for three months or less. However, water delinquency is similar to making minimum payments on a

credit card: customers who are delinquent owe more, even if they are making payments.

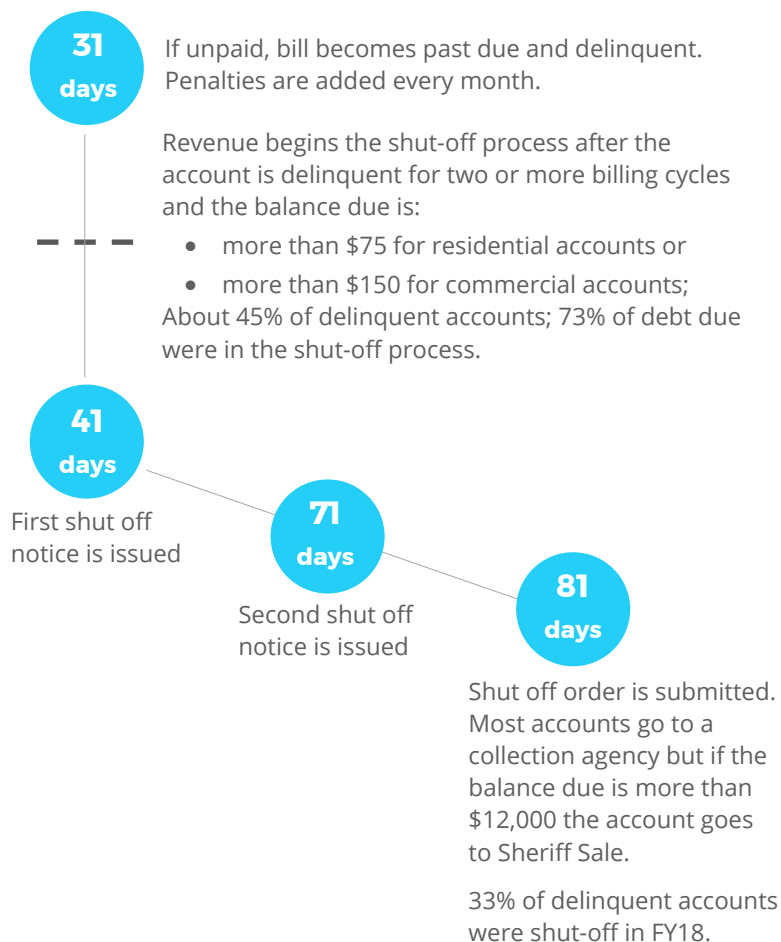
Additionally, the winter moratorium on water shutoffs for residential customers reduces the effectiveness of enforcement.

In FY18, the Department of Revenue launched a new assistance program - the Tiered Assistance Program (TAP) - for low-income taxpayers who cannot afford to pay the higher water bills and other vulnerable customers. The monthly income of customers enrolled in TAP determines their monthly payments. As of the end of FY18, 12,031 customers are enrolled in TAP, and nearly an additional 24,000 seniors are enrolled in the Senior Citizen Water Discount. As we expand the safety net for water customers through TAP, the moratorium on water shutoffs will become less necessary.

**Ten-year trend, total water delinquency, and number of delinquent water accounts, by property type** (Property type breakdown only available from FY 2014 onwards)



## Collection Process for Water Customers



In FY18, in addition to shut-off, we also used a variety of enforcement tools to improve delinquent collections such as:

**Utilizing outside collection agencies:**  
Collected \$21.4 million

**Using the Data Warehouse for focused call campaigns:** We used the Data Warehouse to identify and prioritize accounts that have the highest probability of payment for phone calls. Collected \$7.5 million from 23,426 calls

**Taking commercial properties to Sheriff Sale for water debts:** Collected \$9.1 million

**Sending warning letters through Data Warehouse:** We identify eligible customers for Municipal Court referral and create an automatic input file for the Court IT system. Collected \$3.8 million from 98,387 letters

**Informal hearing process:** We offer an informal hearing within the Department of Revenue to quickly resolve delinquent water disputes when possible and received nearly 2,000 requests in FY18.

More information about water delinquency is available at [www.phila.gov/revenue/delinquency-reports](http://www.phila.gov/revenue/delinquency-reports).

# Assistance Programs & Initiatives

The Department of Revenue helps Philadelphia's most vulnerable residents by offering tax and water discounts, payment plans, and connections to other forms of assistance.

In FY18, there were 250,000 enrollees in some form of taxpayer assistance program, providing \$110 million in tax relief. In the same time period, we also automatically cross-enrolled 3,643 homeowners into the Homestead Exemption through their OOPA application and an additional 344 taxpayers into the Homestead Exemption through their Senior Citizen Real Estate Tax Freeze application.

The Department expanded several taxpayer assistance programs in FY18:

**Owner-Occupied Payment Agreement (OOPA):** Revenue, in collaboration with City Council and community stakeholders, revamped the OOPA terms to reduce the risk of tax foreclosure and increase the percentage of eligible homeowners receiving tax relief.

**Long-time Owner-Occupants Program (LOOP):** Previously, taxpayers whose income fell between 80-150% of Area Median Income could enroll in LOOP for ten years, after which the tax exemption was removed. In FY18, Revenue, in collaboration with City Council, expanded LOOP so that those taxpayers could remain enrolled in LOOP, for as long as the taxpayer remains eligible.

A training video of our taxpayer assistance program changes is on our YouTube channel, [www.youtube.com/PhilaRevenue](http://www.youtube.com/PhilaRevenue).

## Water Assistance Programs

In FY18, the Water Revenue Bureau received 23,275 applications for water assistance, of which around 12,000 water customers were enrolled in the new Tiered Assistance Program (TAP). TAP is for residents whose income falls below 150% of the Federal Poverty Level (FPL). For example, a household of five people with an annual household income of \$28,000 could lower their monthly bill from \$89 to \$58 through the program. However, higher household incomes with a Special Hardship, may still qualify.

Similar to OOPA, TAP offers income-based monthly bills to water customers. In addition, customers do not have to be behind on their water bill to apply. In addition, past due amounts are suspended and not enforced upon while enrolled in TAP. Water customers can apply online, in-person and by mail.

In addition to TAP, around 23,866 water customers were enrolled in the Senior Citizen Water Discount. Approximately 2,000 water customers enrolled using the new customer service application.

The Department of Revenue also provides Philadelphians with free tax preparation services and encourages the residents to take advantage of the federal Earned Income Tax Credit, which offers an average refund of \$2,500.

In FY18, 26,222 tax returns were prepared for free at 20 city-sponsored sites, an increase of almost 10% from FY17. The program saved taxpayers \$7.2 million in services fees and \$36 million in total refunds.



## Taxpayer Assistance Programs for homeowners - 250,000 enrollees, \$110 million in tax relief

### Owner-Occupied Payment Agreement (OOPA) - 13,161 enrollees; \$86 million under agreement

Allows residents who own and live in their home to make affordable monthly payments on past due property taxes.

There is no down payment and monthly payments are based on a percentage of the households monthly income.

#### What changed in FY18?

- Some taxpayers will qualify for \$0/ month payment agreements. At the end of FY18, 281 homeowners enrolled since the program's expansion in April 2018, with about \$2.7 million under agreement.
- Some agreements will automatically have current year taxes rolled in. These taxpayers no longer need an installment plan for the current year taxes and their monthly bill doesn't change.
- Some agreements will have payments applied to current principal first. These taxpayers will be able to maximize their Pennsylvania Property Tax and Rent Rebate.
- If requested, OOPA applicants have the right to meet with a housing counselor.
- We redesigned the application, including plain language to make it more understandable.

### Homestead Exemption - 215,597 enrollees; \$89 million in tax relief

Reduces the assessed value of a property for homeowners. Anyone who owns and lives in their home is eligible. Most homeowners will save up to \$559 a year on their Real Estate Taxes in 2019 – a \$140 increase from 2018.

### Long-time Owner-Occupants Program - 16,247 enrollees, \$16 million in tax relief

Real Estate Tax abatement for homeowners who have had their property taxes triple from one year to the next. The taxpayer must also have lived in their home for 10 years or more, and meet the income requirements, and be current on their Real Estate Taxes. Taxpayers cannot enroll in LOOP and Homestead at the same time.

### Real Estate Tax Installment Plan - 17,984 enrollees

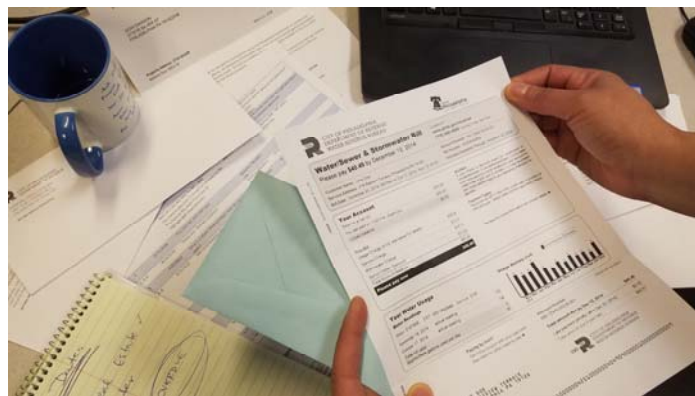
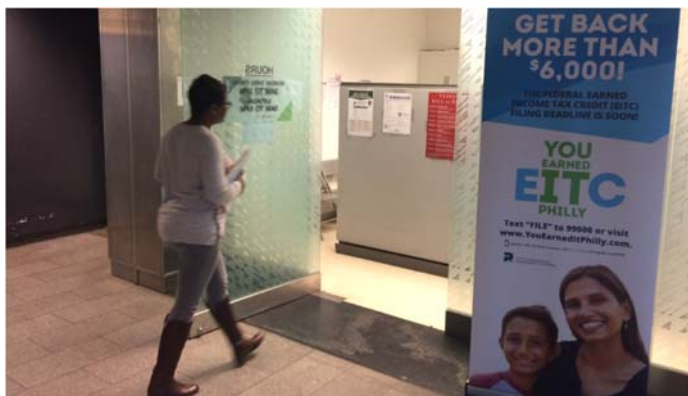
Low-income homeowners can pay their current year Real Estate Tax in monthly installments. With the expansion of OOPA benefits, fewer taxpayers will need an installment plan for their current year taxes.

### Active Duty Tax Credit - 61 enrollees; \$32,592 in tax credits

The credit excuses Reserve/National Guard military service members from paying the city portion Philadelphia property taxes while they are called to Active Duty outside of Pennsylvania.

### Low-income Senior Citizen Real Estate Tax Freeze - 13,663 enrollees; \$5 million in tax relief

Real Estate Taxes will not increase on the homes of enrolled low-income senior citizens. If the tax liability decreases due to a lower assessment or a tax rate decrease, Revenue will reduce the amount of Real Estate Tax to the new amount.





#### Community Development Corporation (CDC) Credit

Tax credit to a business against the BIRT obligation that contributes to economic development efforts in distressed parts of the City.

- 42 non-profits enrolled
- \$3.7 million in credits received by non-profits in 2017
- \$2.6 million in credits to business sponsors in 2017



#### Job Creation Tax Credit

A tax credit against BIRT for businesses that increase the number of jobs available in Philadelphia.

- 16 applications approved in 2017, promised 1,460 jobs
- Almost 20% of the 2017 promised jobs were created in the same year
- \$2.2 million in credits awarded to businesses in 2017



#### Green Roof Tax Credit

Tax credit against BIRT for constructing a green roof.

- Five applications approved in 2017
- \$220,206 in credits claimed on BIRT returns in 2017

## Business Tax Credits: More than \$5 million in tax relief to businesses in calendar year 2017

The Department of Revenue administers tax credits that reduce the cost of conducting business in Philadelphia.

Some of our other credit programs are:

**Jump Start Philly:** Two year exemption of NPT and BIRT for new businesses who meet hiring requirements.

**Sustainable Jump Start:** Three year exemption of BIRT for businesses that are environmentally, economically, and socially sustainable, and that meet hiring requirements.

**Sustainable Business Tax Credit:** Two year exemption of BIRT for businesses that are environmentally, economically, and socially sustainable.

**Veterans Employment Tax Credit:** Tax credit against the BIRT for hiring a returning Veteran (full or part-time).

**Life Partner and Transgender Health Care Benefits Tax Credit:** Tax credit against BIRT for extending health care to life partners and offering health insurance coverage for transgender health care.

**Philadelphia Re-entry Program Tax Credit:** Tax credit against the BIRT for businesses that support hiring of returning citizens who are certified by the Mayor's Office of Re-Integration Services.

**Distressed Business Tax Credit:** Tax credit against BIRT liability for businesses experiencing loss of sales and profits due to a public works project blocking access to their location.

**Healthy Beverages Tax Credit:** Tax credit available to businesses against BIRT to offset any increased amounts paid to purchase healthy beverages for sale.

# Improving Efficiency



## Business process changes have enhanced the customer experience and improved productivity at the Department of Revenue

In FY18, we used the Continuous Improvement business philosophy to improve processes at Revenue. Continuous Improvement emphasizes incremental improvements of a process by eliminating or reducing non-value-added activities to improve customer satisfaction faster and deliver higher quality work at the same or less cost.

**Correspondence and Research:** We replaced a manual process for looking up customers' payment histories with a faster automated process that saves us over 25 hours of staff time each week and reduces processing time by 97%. We also started using a customer relationship manager to track email correspondence to more effectively manage and consistently meet service level times.

### **Trauma-informed Customer Service**

**Training:** Many of our taxpayers and water customers have likely suffered from or

been exposed to some form of trauma. For some, those experiences affect how they interact with others. In FY18, all front-line staff and supervisors were offered trauma-informed customer service training to raise awareness about the behavioral and emotional impact trauma has on taxpayers and water customers in Philadelphia.

**Mail center:** In FY16, only 50% of projects processed by the mail center were completed within two business days. Through workflow changes, we improved processing time. In FY18, 95% of all mailings were completed within two business days.

**Water billing:** We added 2D barcodes to our water bills to increase productivity and accuracy rates. The barcodes decrease the need for manual operator review and data entry, which can cause errors and delays. As a result, payments are processed, posted, and deposited faster.

## Customer service metrics in FY18



**+10 million** Letters sent



**248,812** Calls received



**151,420** In-person visits



**11 million+** Website visits



**217** Outreach events attended for businesses and residents



**1,000+** tax professionals reached through seminars



**147,106** taxpayers filed their taxes online



**363,729** taxpayers paid their taxes online; **\$3.3 million**

### Did you know?

More tax types can be filed and paid online and taxpayers are increasingly choosing this option:

- In FY18, almost 150,000 taxpayers filed their taxes online, which is a 10% increase in the number of online filers from FY17.
- In FY18, almost 363,000 taxpayers paid their taxes online, which is almost 50% of all tax accounts; 70% of all tax payments.

The Department of Revenue is making information easier to find and bills easier to pay for smooth customer experiences online, on the phone, by mail, and at our offices.

**Customer satisfaction survey:** Overall, our customer satisfaction metric improved by 34% from FY17 to FY18, with 40% of customers responding that they would recommend us to a friend or colleague. The percentage of customers who are satisfied and very satisfied with our service improved by 57% from FY17 to FY18. Over 50% of customers reported that they were very satisfied with the Department of Revenue. In the next year, we hope to improve our overall customer satisfaction by 70%.

### Online tax filing and paying:

Taxpayers can file six out of eight tax types online. From FY17 to FY18, the number of taxpayers who filed their taxes online, increased by 10%. Taxpayers can pay 14 out of 18 tax types online. In FY18, we received over \$3.3 million electronically from about 363,000 accounts. Overall, 47% of all tax accounts paid online; almost 70% of all tax payments. These transactions are faster and less costly to process.

**Language access:** In FY18, we evaluated census language data and calls made to the language lines. This data will inform our translations and outreach strategy in the future. In FY18, we also expanded language services on our YouTube channel by posting videos of the Homestead Exemption in multiple languages and translations of the Warning of Risk of Tax Foreclosure on the website. We also posted blogposts on our website in Spanish and English to extend our reach.

**Data Warehouse:** We used real time tax data to produce custom reports for taxpayers about their tax balance and how their payments have been applied. Historically our staff had to manually enter data from our tax system of record screens into a spreadsheet. Now, these reports are generated and shared with taxpayers instantly.

**Redesigned forms:** In FY18, Revenue redesigned the OOPA application and the back of the water bill in plain language to make them more user-friendly and understandable.

**Social media:** In FY18, the Department of Revenue created a YouTube channel, [www.youtube.com/PhilaRevenue](https://www.youtube.com/PhilaRevenue), to inform taxpayers and water customers about Revenue's many services, programs and events. The Department also began using Facebook Live video streaming to expand taxpayer engagement.



# Moving forward

The City projects over \$5.7 billion in collections in FY19 for the General Fund and the School District of Philadelphia. The Department's planned projects will continue to improve on-time payments and reduce delinquency to meet these projections, while providing assistance to taxpayers before delinquency occurs.

The Department will also continue to leverage technology to improve customer service and communication.

Planned projects include:

**ePay/eFile:** The Department will expand or upgrade electronic services for all tax types by FY22 to making it easier for taxpayers to do business with the Department.

**eBilling for water customers:** The Department of Revenue plans to launch ebilling as an alternative to mailed monthly bills at the end of CY18. The service will allow customers to set up auto-payments, manage notifications, pay by text, and see payment history. Internally, the system has improved reporting and management tools for better response to water customers and staff management.

**Replacing the current tax system of record:** The Department will begin improvements to its internal systems and procedures which include receiving strategic guidance for the replacement of its nearly 35-year-old tax system with a modern system. The new system will have greater flexibility, lower maintenance costs, and many functional upgrades - such as online account information look-up - which will improve performance for staff and taxpayers alike.

## FY19 Revenue Projections



### General Fund Taxes: \$3.4 billion

- Wage and Earnings Tax: \$1.6 billion
- Real Estate Tax: \$669.1 million
- Business Income and Receipts Tax: \$425.2 million
- All other Taxes: \$731.7 million



### School District Taxes: \$1.1 billion

- Real Estate Tax: \$876.7 million
- School Income Tax: \$42.8 million
- Use and Occupancy Tax: \$175.6 million
- Liquor Tax: \$80.3 million



### Water Revenue collections: \$645.8 million



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**Notes about the data:**

This report includes preliminary revenue collections data for FY2018.

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