

Department of Revenue FY 2020 Year in Review





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Message from the Revenue Commissioner

For the first three quarters of the 2020 fiscal year (July 2019 — March 2020), the Department of Revenue saw strong revenue collections and continued to reduce overall delinquency. Following the City's stay-at-home order in mid-March due to the COVID-19 coronavirus pandemic, Revenue faced extraordinary challenges to maintain and adapt our services. The health of our employees and taxpayers became our biggest concern. In the final quarter, we witnessed a drastic shortfall in collections, unprecedented in recent memory and with stark repercussions for the City of Philadelphia.

We will bring Revenue back to full capacity, as soon as its safely possible, while following local and state safety guidelines. Working towards our mission, we will focus on:

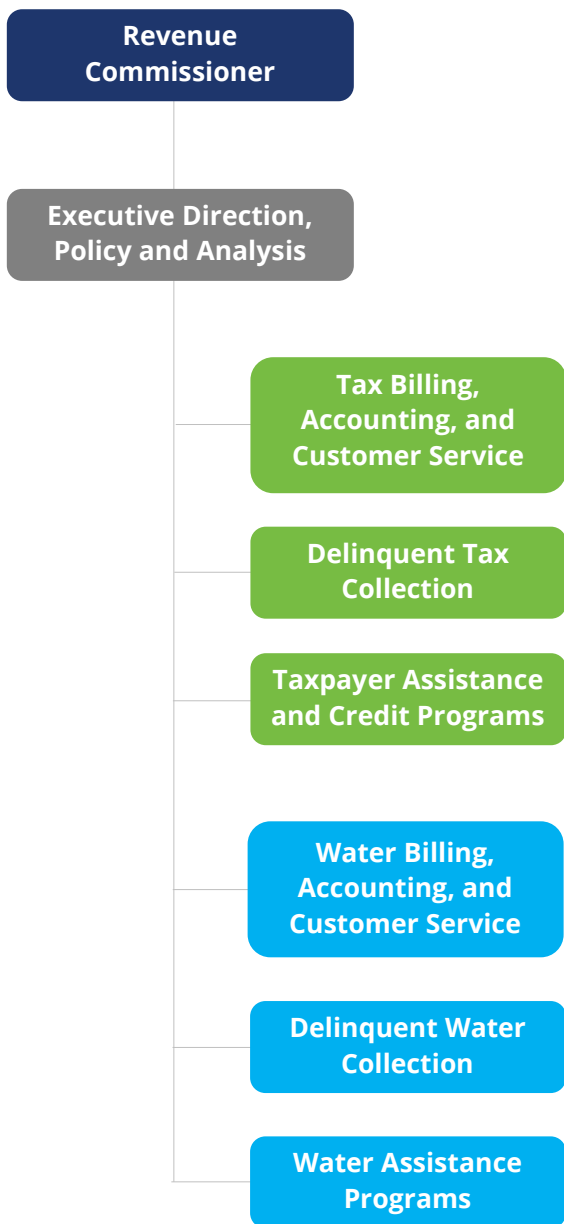
- Compassionate enforcement that is tailored to the unique needs of businesses, taxpayers, and water customers.
- Replacing our current tax system of record. The new system will help us tackle operational challenges, make it easier for taxpayers to pay and apply for assistance, and increase transparency.
- Keeping inclusion and equity at the forefront of our outreach, customer service and technology investments.

I know that we can build upon the progress of the past decade and overcome this recent setback. The Department of Revenue remains committed to improving on-time collection, reducing delinquency, expanding outreach and enhancing our portfolio of assistance and payment options. We will do our part to ensure that not just some, but all of Philadelphia's neighborhoods and business corridors enjoy recovery.



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 critical services such as trash collection, water service, pre-K, snow removal, police and fire protection, parks, libraries, and more. In FY20, the Department of Revenue had 690 authorized employees with an operating budget of \$76.8 million.

In FY20, Revenue used program-based budgeting to organize its spending into seven areas:

- **Executive Direction, Policy and Analysis** - \$14.4 million. This area provides leadership for Revenue, conducts analysis, sets and informs policy, and ensures that Revenue has the resources it needs. This includes fiscal and information technology functions and an outgoing mail processing center that handles over 10 million notices a year. 90 employees.
- **Tax Billing, Accounting, and Customer Service** - \$13.9 million. This area determines which taxes, fees, and fines taxpayers owe, communicates how much is owed, and processes payments received. 271 employees.
- **Delinquent Tax Collection** - \$26.0 million. This area works as 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. 107 employees.
- **Taxpayer Assistance and Credit Programs** - \$1.6 million. Revenue provides tax relief to individual homeowners and business taxpayers through payment agreements, tax freezes, and credits. This area also helped taxpayers through the Earned Income Tax Credit (EITC) campaign. 8 employees.
- **Water Billing, Accounting, and Customer Service** - \$8.7 million. This area determines which water, sewer and storm water charges customers owe, bills them, and processes payments received. 156 employees.
- **Delinquent Water Collection** - \$10.3 million. This area works as 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. 23 employees.
- **Water Assistance Programs** - \$1.9 million. Revenue provides affordable bills to vulnerable residential customers through this area. 36 employees.

FY20 in Review

Revenue worked to meet operational challenges of the COVID-19 pandemic

- Despite the COVID-19 pandemic, Revenue never halted essential services, such as payment processing, tax clearance and communications.
- From April 2020 onwards, we released timely and responsive guidance for taxpayers about tax policy changes on our website.
- By leveraging existing technology, we quickly developed a virtual call center and resumed email correspondence with taxpayers.

As we move to the green phase of Philadelphia's reopening, compassionate enforcement is our priority

- In mid-March 2020, Revenue temporarily suspended all tax and water debt enforcement actions.
- We focused on developing a new collection strategy that keeps businesses and taxpayers' difficulties and needs in mind, while continuing to pursue enforcement against chronically delinquent accounts.
- We increased our promotion of payment plans for Real Estate Taxes, programs that reduce water bills, while developing a new flexible payment agreement for business taxes.

We continue to set the stage for a new Integrated Tax System (ITS), that is essential to improving services.

- A new tax system will transform the way taxpayers interact with Revenue, from an improved web experience to easy-to-apply assistance programs.
- In FY20, we selected a vendor and continued streamlining internal operations to successfully transition to the new tax system.
- We also successfully launched e-billing for water as part of a new web portal: MyPhillyWaterBill. More than 23% of customers signed up for the service in FY20, exceeding the first year industry standards by 14 percentage points.

We are committed to fostering equity through outreach, communication, and technology.

- In FY20, Revenue managed around 252,650 tax assistance program beneficiaries and more than 40,000 water assistance program beneficiaries. Overall, Philadelphians saved close to \$190 million on their tax and water bills.
- Although we paused outreach in mid-March, we attended 222 events in FY20, most of them in low-income neighborhoods.
- Through new partnerships, we expanded outreach among Philadelphia's hard-to-reach Chinese and West African communities.

Overall Revenue Collections

Despite the impact of the COVID-19 pandemic, Revenue collected approximately \$5.7 billion in FY20, about the same as FY19 collections.

However, collections for the School District saw drops from FY19 to FY20, as did the Water Revenue Bureau.

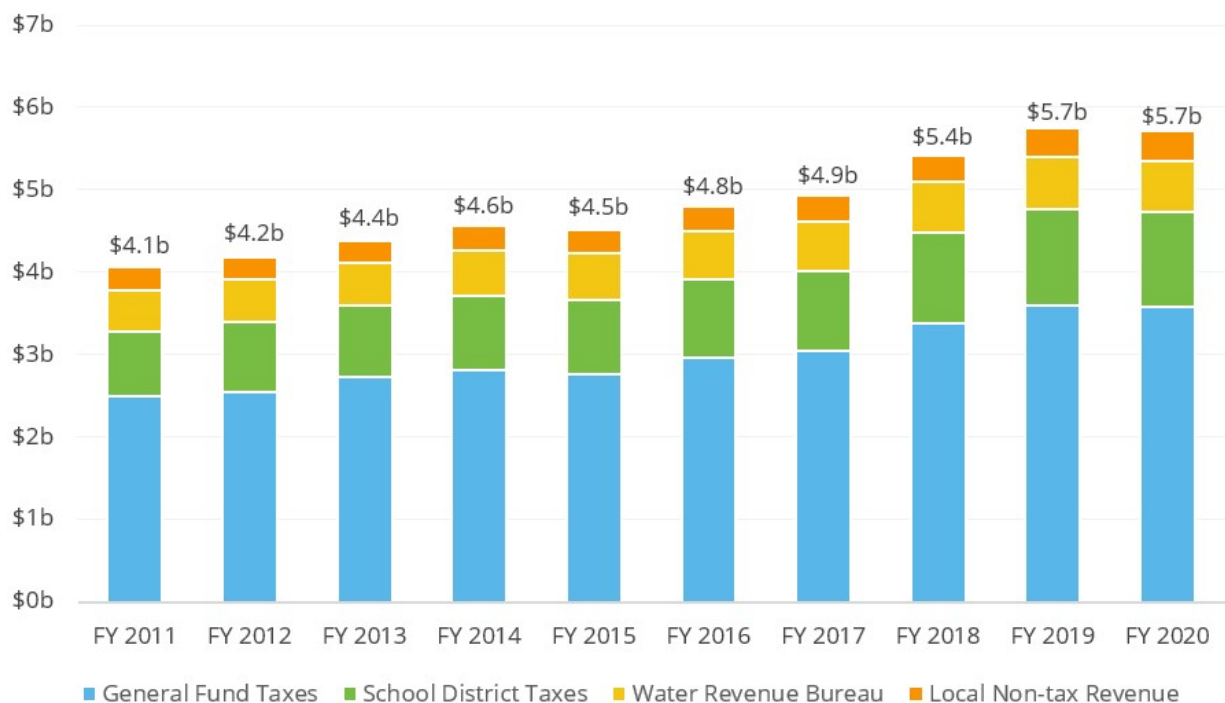
Although overall revenue collections have grown in the last ten years, we are uncertain if this trend will continue in FY21, as taxpayers and water customers cope with the economic fallout of the COVID-19 pandemic.

This report breaks down taxes that support the City's General Fund, the School District, and the amounts collected by the Water Revenue Bureau.

Because of the due date extension to July 15, 2020 for the Business Income and Receipts Tax, Net Profits Tax, Earnings Tax and the School Income Tax, this report accrues some FY21 collections to FY20.

Ten-year trend, total collections

All FY20 revenue collections data is preliminary. Data does not include revenue from other governmental units, PICA, or special taxes (ex. Hospitality and Tourism Tax).



Fund type	FY19 Collections (millions)	FY20 Collections (millions)	Percentage Growth
General Fund Taxes	\$3,597.7	\$3,579.3	-0.5%
School District Taxes	\$1,169.2	\$1,146.2	-2%
Water Revenue Bureau	\$627.9	\$623.7	-1%
Local non-tax Revenue	\$351.0	\$362.7	3%

General Fund Collections

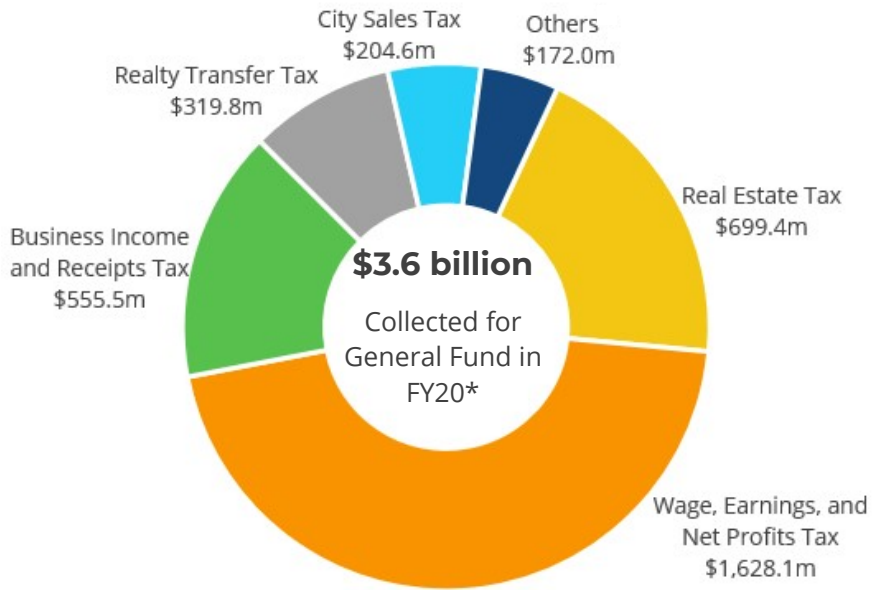
With around \$3.6 billion collected in FY20, General Fund tax revenues were similar to FY19 collections, falling slightly by 0.5%.

The majority of General Fund revenue is from Wage, Earnings, and Net Profits Tax (45%), followed by Real Estate Tax (20%) and Business Income and Receipts Tax (16%).

Monthly collections for the Business Income and Receipts Tax, Net Profits Tax, and the Earnings Tax saw a dramatic change from prior years because of the due date extension to July 15, 2020.

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.

FY20 Total revenue collected that supports the General Fund



*Does not include revenue from other government units, PICA, or special taxes



Wage and Net Profits Tax

Tax collections increased modestly by 1% from FY19 to FY20, primarily due to strong economic growth prior to the COVID-19 pandemic.

Through the COVID-19 pandemic, Revenue published regular tax guidance to help businesses and taxpayers understand changes to city and federal tax policies.

First, Revenue honored the U.S. federal government's due date extension to July 15, 2020 for the **Earnings Tax** and **Net Profits Tax** (NPT). Secondly, we published updated **apportionment and nexus policies** for the NPT and clarified that the federal **Economic Impact Payments** were not subject to the Wage Tax. Finally, we made it clear that non-resident employees **were not subject to the Wage Tax** during the time they were required to work outside the city.

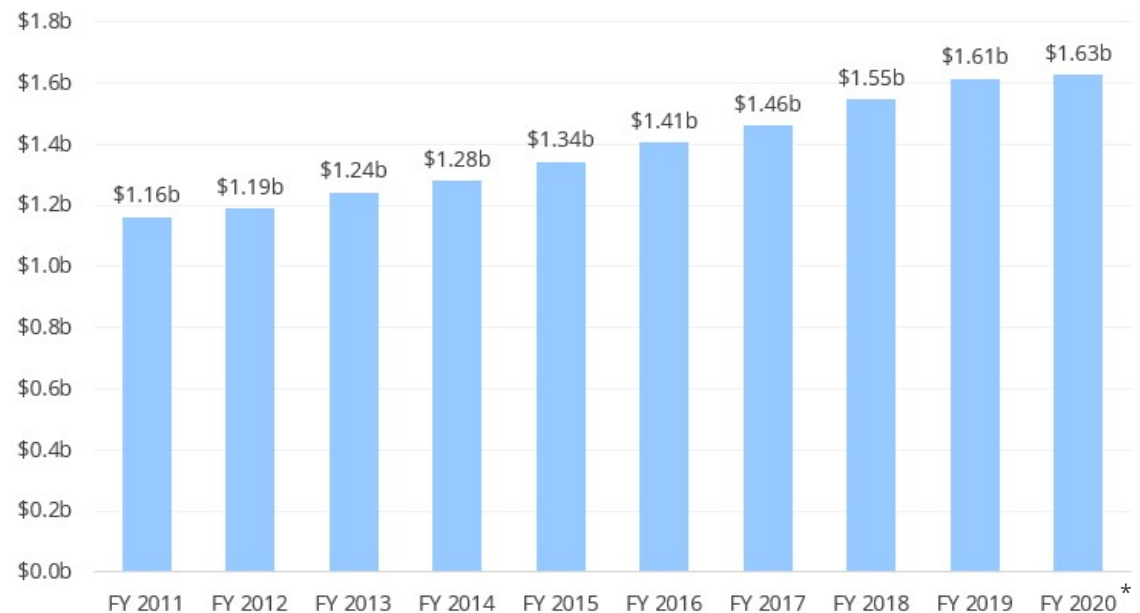
In FY20, City Council also passed bill **200016** that reduces the city-portion of the resident and non-resident Wage and NPT rate for eligible low-income taxpayers to zero from FY21. Taxpayers who are eligible for the credit will continue to pay 1.5% towards the

Pennsylvania Intergovernmental Cooperation Authority (PICA) until its planned expiration in FY24.

Due to the reliance of Wage and NPT on Philadelphia's economic strength, we expect collections to contract in FY21. Philadelphia may also face additional challenges. For example, the City is experiencing increases to unemployment: data from the **Bureau of Labor Statistics** shows a 11.3 percentage point increase in unemployment, from 5.2% in FY19 to 16.5% in FY20.

To help close our expected FY21 future budget gap, City Council passed bill **200291** that increased the Wage Tax rate for non-residents from 3.4481% to 3.5019% for FY21. The City also temporarily paused the planned reduction of the Wage Tax rate for residents.

Ten-year trend, total Wage Tax and Net Profits



* Preliminary revenue collections. Earnings and Net Profits Tax collections through July 15 2020.

Business Income and Receipts Tax

COVID-19 related Business Income and Receipts Tax (BIRT) changes increased tax volatility. Sensitivity to economic conditions make future collections difficult to predict.

To offer relief to business owners during the COVID-19 pandemic, and honor the IRS' extension, Revenue changed the BIRT due date from April 15, 2020 to July 15, 2020.

Similar to the Net Profits Tax, Revenue also **updated** BIRT policies to temporarily waive the legal nexus threshold for employees from out-of-Philadelphia businesses who were working from home within Philadelphia. Non-resident employees who were working from outside Philadelphia due to the COVID-19 pandemic continued to be included as taxable services for BIRT.

As part of a strategy to close our FY21 budget gap, City Council passed bill **200290** that froze the planned reduction of the net

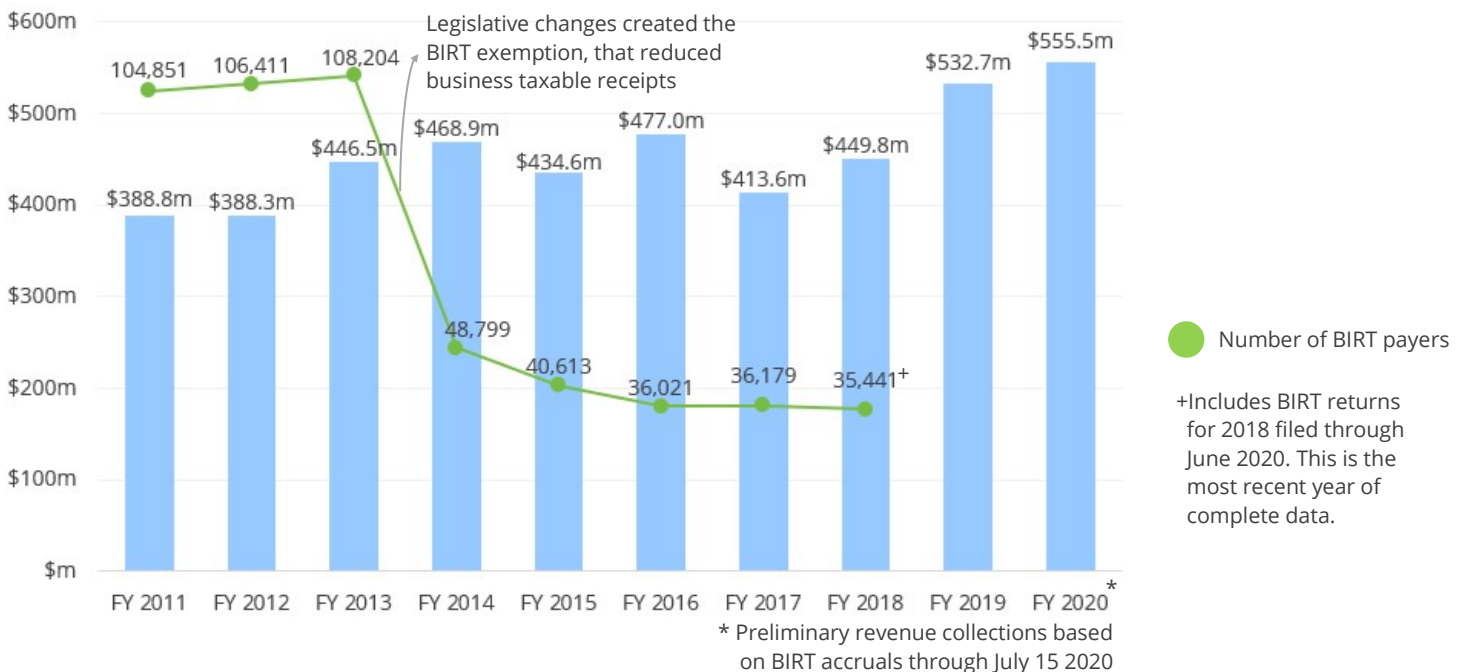
income portion of BIRT from its 2020 rate of 6.20% to 6.15%. The net income rate will now remain 6.20% until TY22, after which the planned reductions will resume.

To help businesses struggling to pay their City taxes, Revenue also developed a new payment agreement that gives taxpayers 12 months to clear their principal debt, without any interest or penalty. In FY21, we will be reaching out to businesses who haven't filed or paid their taxes about our new payment agreement terms.

While collections may contract in the future due to uncertain economic conditions, we will work to increase the number of businesses enrolled in payment agreements.

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

Data for number of accounts may change yearly to include owners filing amended returns.



Real Estate Tax

Real Estate Tax collections for the General Fund remained stable from FY19 to FY20, increasing by about 0.4%.

Preliminary CY19 on-time Real Estate Tax payments held steady at 96.2% from CY18. For FY20, Real Estate Tax collections exceeded our revised budget estimates by a slight margin.

Revenue **extended** the deadline to pay 2020 Real Estate Tax to Jun 15, 2020 in light of the COVID-19 pandemic. Apart from providing flexibility to struggling taxpayers, the deadline extension also gave us time to reach vulnerable residents, especially after we were forced to stop in-person outreach events in mid-March 2020.

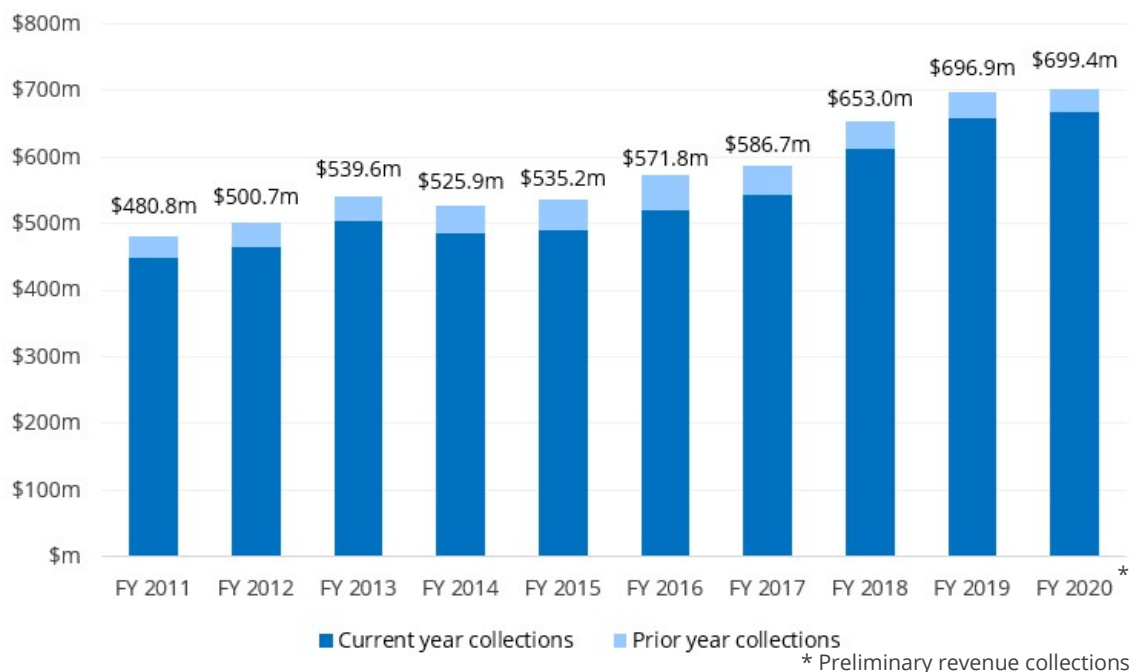
Despite the challenges of socially distanced outreach, we have partnered with City Council since mid-May 2020 to participate in virtual events that promote our assistance programs. In addition to outreach, we also paused enforcement on taxpayers who couldn't pay their Real

Estate Tax. Instead, we prioritized making our assistance program unit operational as soon as possible.

In response to the dramatic revenue losses due to the COVID-19 pandemic, City Council passed Bill **200292**, which eliminates the 1% Real Estate Tax discount for taxpayers who pay their Real Estate Tax bill before the last day of February.

For every dollar collected in Real Estate Tax, the School District receives 55 cents. Of the total Real Estate Tax rate of 1.3998%, 0.6317% of the tax goes to the City and 0.7681% goes to the School District.

Ten-year trend, General Fund Real Estate Tax collections



Realty Transfer Tax

Realty Transfer Tax (RTT) collections fell more than 3% from \$330 million in FY19 to \$320 million in FY20, falling short of our revised budget estimate of \$344 million by about 10%.

RTT revenue showed strong growth through March but began to decline starting in April as construction paused and the COVID-19 pandemic caused an economic recession.

Despite a large commercial transaction in June that drove up overall collections, RTT revenue for the months of March - June were 17% lower in 2020 than 2019. In the same time period, residential transactions (21.5% decline) took a larger hit than commercial (12% decline). Apart from economic decline, one reason for the drop in the number of transactions was the shut down of the real estate industry for some time during this period.

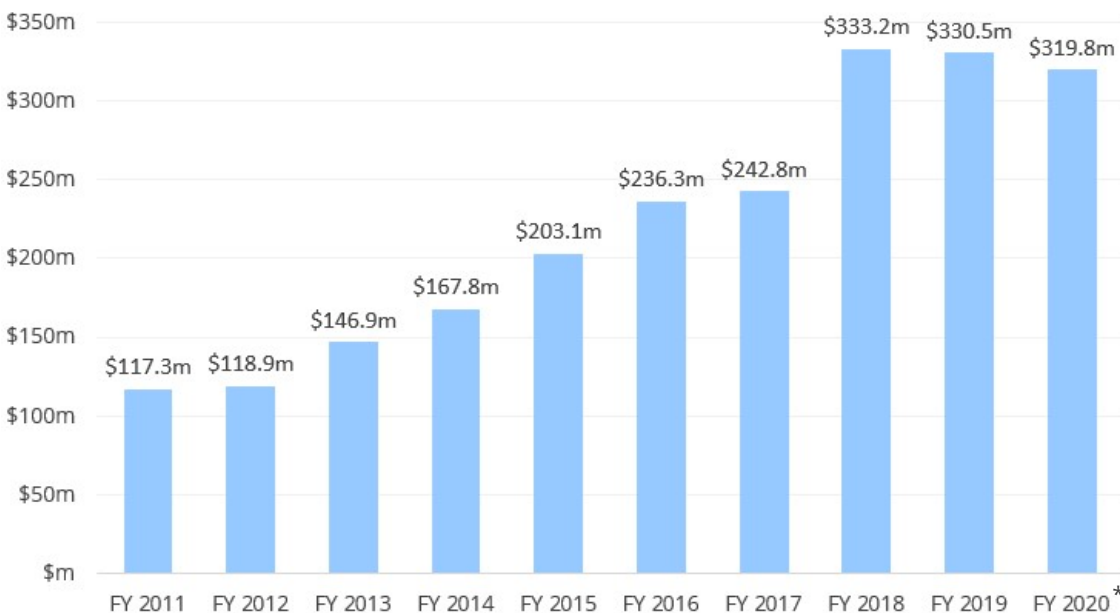
In FY21, RTT is estimated to contract by 6.59%, following a stronger than expected FY20 through March. RTT can be difficult to predict because of its vulnerability to large

swings, due to high dollar transfers of commercial properties.

On the commercial side, JLL's [quarterly insights](#) report on Philadelphia's office space shows a dramatic slowdown in leasing activity and limited new construction.

However, there seems to be some pent-up construction demand from the City's stay-at-home order. For example, Zillow's [weekly market report](#) shows that as of July 2020, new for-sale housing inventory in Philadelphia is up almost 9% from the same time last year.

Ten-year trend, total Realty Transfer Tax collections



* Preliminary revenue collections

Other Taxes

Collections from all other tax types fell from \$424 million in FY19 to \$377 million in FY20 (-11%), with Amusement Tax showing the largest decline.

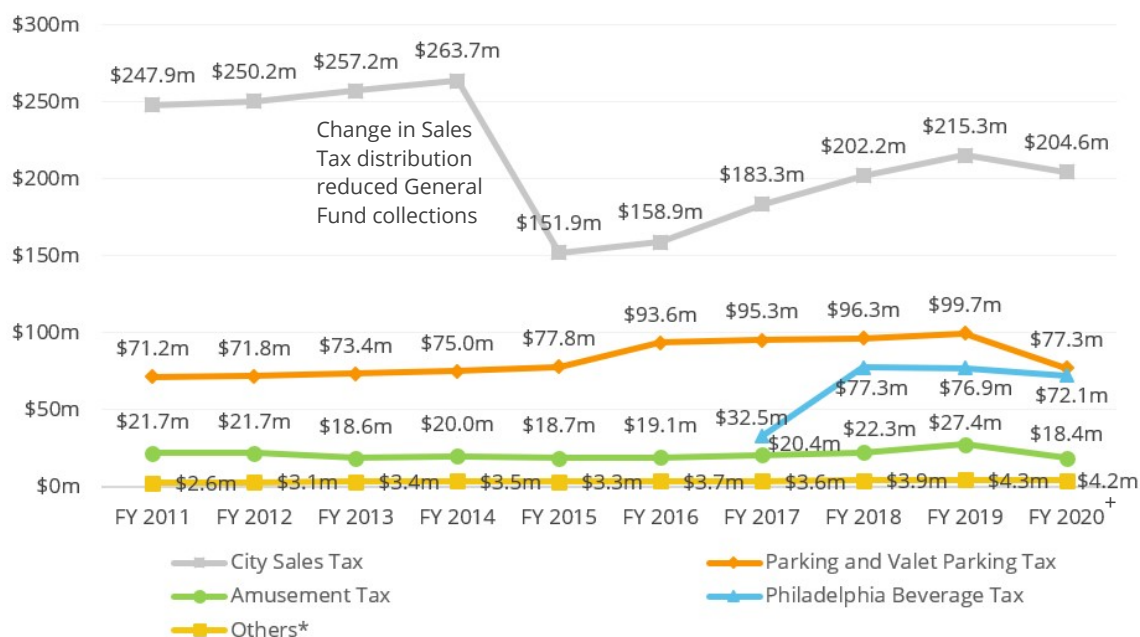
Collections for the Parking and Valet Parking Tax (-23%), Philadelphia Beverage Tax (-6%), and Outdoor Advertising Tax (-6%) decreased from FY19 to FY20.

The City Sales Tax (-5%) saw the smallest drop in collections from FY19 to FY20 while the Smokeless Tobacco Tax saw a 10% increase in the same time period.

In FY20, City Council passed Bill [200288](#) that increases the rate of the Parking & Valet Parking Tax from 22.5% to 25% for FY21. The bill also outlines a path towards reducing the tax rates to 17% by FY22 if a newly established “Good Parking Jobs for Philadelphia Review Committee” finds that the parking industry creates stable jobs.



Ten-year trend, all other tax collections



*Others includes Outdoor Advertising Tax and Smokeless Tobacco Tax.

+ Preliminary revenue collections

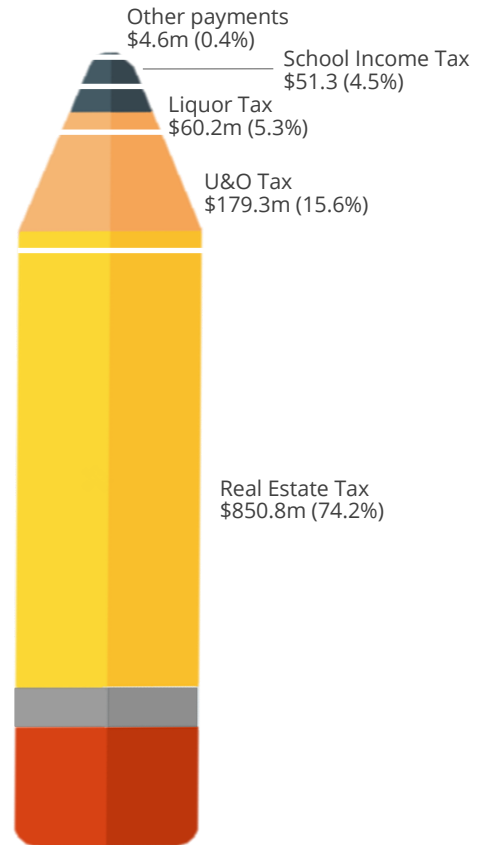
School District Taxes Collections

Revenue collected \$1.15 billion for the School District in FY20, a decrease of \$23 million from FY19, or about 2%.

Along with collecting tax revenue on behalf of the School District, the City also makes a local non-tax contribution.

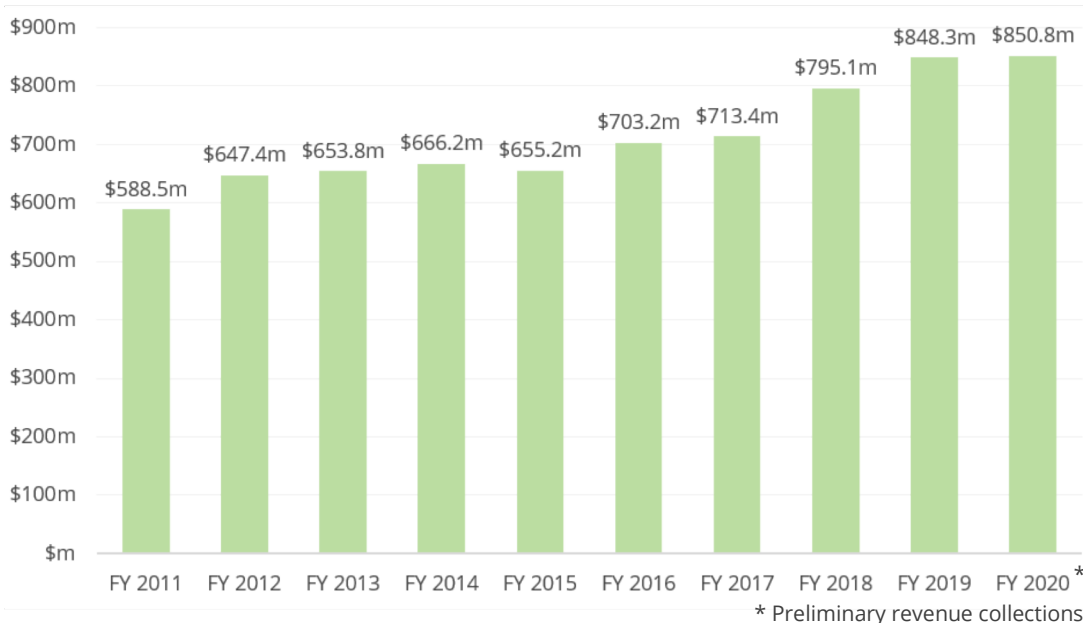
The table below shows the contribution of each tax type to the School District in FY19 and FY20. Overall, Real Estate Tax collections for the School District remained about the same but Liquor Tax and Use & Occupancy Tax contributions fell by 23% and 2% respectively from FY19 to FY20.

Tax type	FY19 Collections (millions)	FY20 Collections (millions)	Percentage Growth
Real Estate Tax	\$848.3	\$850.8	0.3%
Use and Occupancy Tax	\$182.5	\$179.3	-2%
Liquor Tax	\$78.3	\$60.2	-23%
School Income Tax	\$49.5	\$51.3	4%
Other payments	\$10.5	\$4.6	-57%



Total Real Estate Tax collections surpassed \$850 million in FY20, forming three-quarters of the City's tax collections for the School District.

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



For every dollar collected in Real Estate Tax, the School District receives 55 cents.

About 25% of the City's tax collections for the School District are from School Income Tax, Liquor Tax, and Use & Occupancy Tax.

School Income Tax rose by almost 4% from FY19 to FY20.

In FY20, Revenue collected 100% of the revised budgeted School Income Tax collections, partly due to an increase in the number of taxpayers using an **extension payment coupon** to pay their 2020 School Income Tax. In the first two weeks of July 2020, collections jumped by more than 30% from about \$39 million to \$51 million

Revenue has collected 98%, or \$179.3 million, of Use & Occupancy Tax (U&O) budgeted collections, despite business closures due to COVID-19.

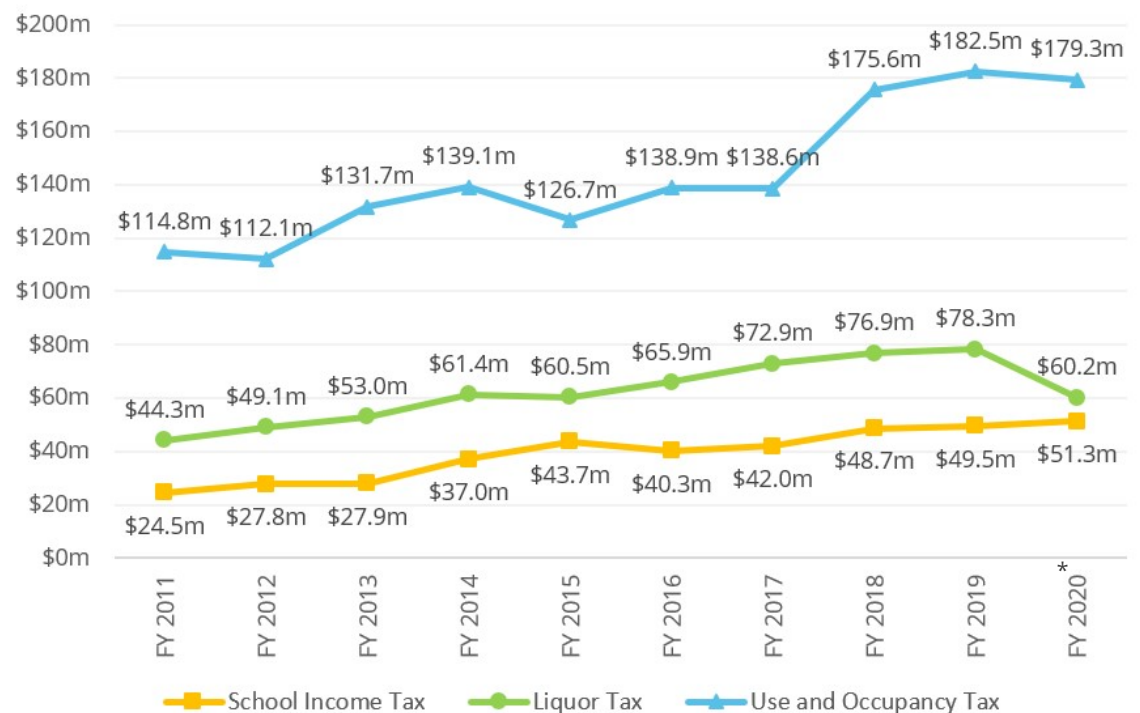
In April 2020, we published new guidance for U&O taxpayers regarding **exemptions** and **tax refunds** for businesses affected by the City's stay-at-home order. For many businesses, these exemptions **lapsed**

when Philadelphia moved to the yellow phase in early June. Despite the re-opening, U&O Tax collections may be low in FY21 if businesses are forced to close again and exemptions are reinstated.

Liquor Tax collections saw a 23% decline from FY19 to FY20, largely due to COVID-19 related business closures from mid-March to early-June 2020.

About 71% of Liquor Tax revenue is from restaurants, bars and other types of breweries. Although these industries saw dramatically lower Liquor Tax payments compared to FY19, supermarkets and grocery stores saw a 28% increase from FY19 to FY20. Unfortunately, supermarkets and grocery stores only contribute 5% of total Liquor Tax revenue.

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



* Preliminary revenue collections

Local Non-tax Collections

Non-tax revenue collections increased by a modest 3% from FY19 to FY20. L&I, Commercial Trash Fees and Police Reimbursements fell by 7% from FY19 to FY20.

In the past few years, Revenue has made significant strides using pilot projects and collaboration with other departments to increase non-tax collections.

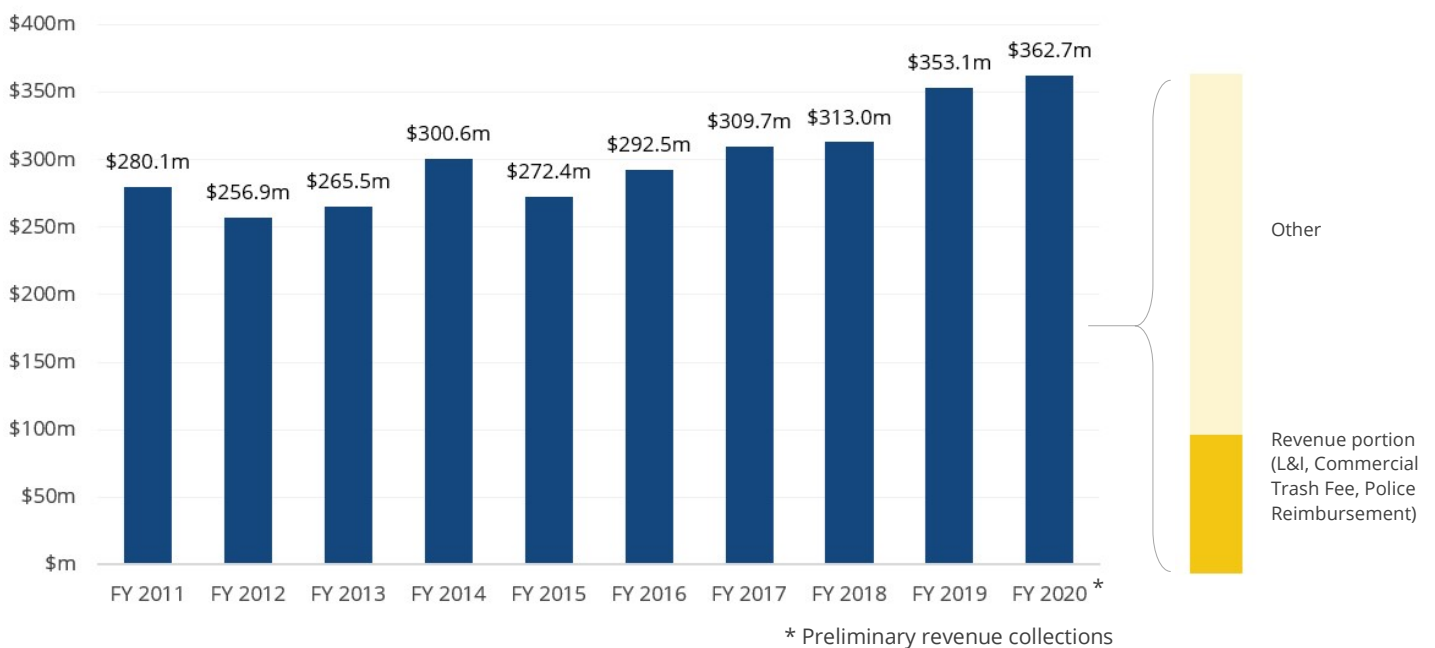
Generally, local non-tax collections include amounts collected by other City departments, and fines and fees credited to the General Fund.

In FY20, the Law Department began filing consolidated lawsuits against landlords with multiple delinquent properties. A single lawsuit is filed for all Real Estate Tax, water debt, and nuisance liens on the landlord's properties. Traditionally, this exercise was time and labor intensive. Leveraging Revenue's Data Warehouse allows the City to pursue consolidated lawsuits effectively.

The Data Warehouse is an internal system that consolidates federal, state, and local information about businesses and taxpayers. This system allows our research team to analyze and report tax data far more quickly.

In its limited run before collection activity was paused due to the COVID-19 pandemic, this project has helped the City collect over \$400,000. We expect to resume filing consolidated lawsuits in early FY21.

Ten-year trend, local non-tax collections



Tax Delinquency and Enforcement

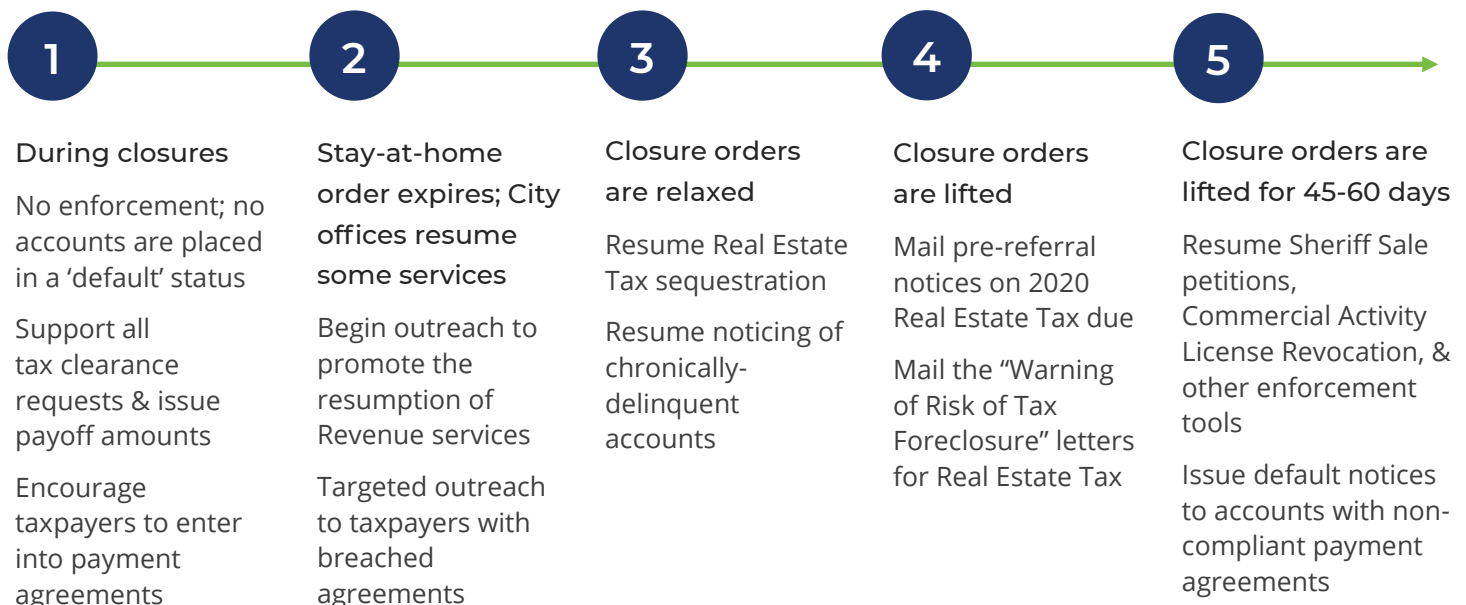
Over the past five years, the Department of Revenue has made tremendous progress in reducing tax delinquency and improving on-time collections. However, as the City faces new challenges and severe economic disruptions as a result of the COVID-19 pandemic, we are adjusting our enforcement strategy to help taxpayers, water customers and businesses get back on their feet.

The nature of the economic recovery in Philadelphia will shape future enforcement strategies by Revenue.

In March 2020, Revenue paused all enforcement activity due to the City's stay-at-home order. As of June 2020, most enforcement actions were still on hold. In that time, Revenue has worked to strengthen our safety net and create new payment plans for businesses. We also created a modified, compassionate enforcement strategy, offering assistance to struggling taxpayers, while continuing enforcement against chronically delinquent accounts.

Although we expect a short-term increase in delinquency, we have made great strides towards smarter enforcement, over the past 10 years. We've learned to better direct resources, improve our communications, and apply the right enforcement tactic for the right type of account. In addition, we are proactively working with taxpayers to boost enrollment in payment agreements.

Revenue's phased resumption of enforcement activities will coincide with the City's reopening plan



Across all taxes, the number of delinquent tax accounts fell by 45% and outstanding principal balances decreased by nearly 35% in 10 years.

In FY20, the Department collected more than \$138 million in delinquent taxes, about 12% less than FY19.

Revenue's delinquent tax collection strategy focuses on reducing the size of the delinquent portfolio and choosing the right type of enforcement tool for the right type of account.

To reduce the size of the delinquent portfolio, we've:

- Re-written non-compliance letters in plain language,
- Included multiple ways to file and pay taxes,
- Expanded work hours during the tax season when possible, and
- Encouraged compliance through flexible payment plans.

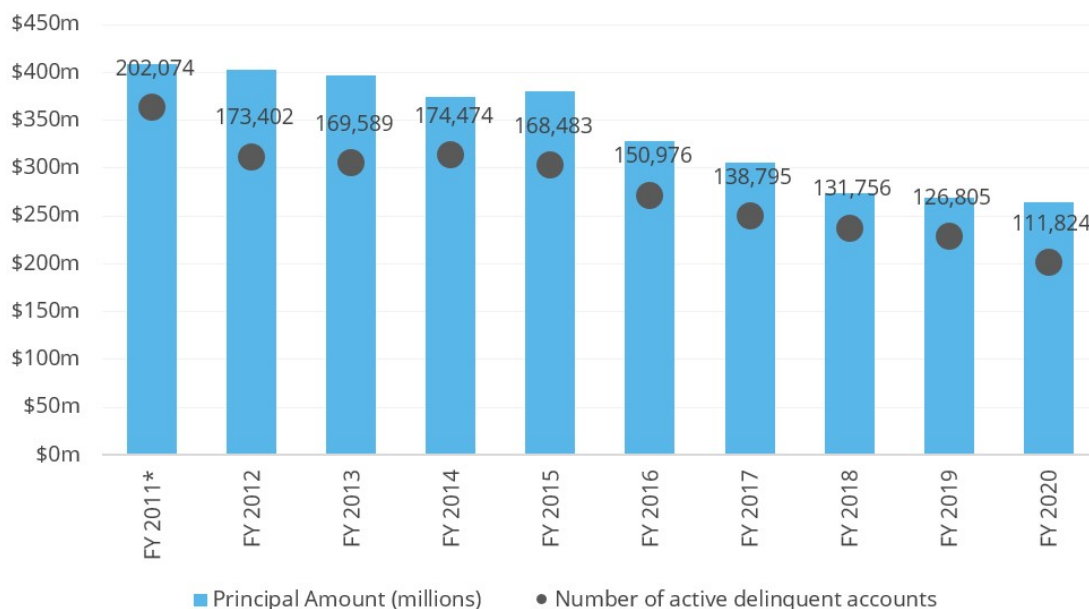
Future improvements in preventing delinquencies will result from replacing our current, outdated system of tax record.

To pick the right enforcement tools, we adopt a strategy based on the type of delinquent account:

Early intervention. Revenue alerts taxpayers quickly and clearly about their debt and what they need to do to resolve it. This ensures that debts are the most manageable for the taxpayer to address, improves our ability to locate the taxpayer, and increases the likelihood of compliance.

Data-driven tactics. While all accounts receive baseline enforcement in the form of delinquent billing, additional enforcement treatments are prescribed based on the characteristics of the debtor and the debt. This maximizes the probability of payment and minimizes the time and effort required to collect.

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 for Real Estate Tax.

Real Estate Tax principal debt has declined by 22% in the last five years. The number of delinquent accounts has decreased by about 31%.

In FY20, the Department collected about \$61 million in delinquent Real Estate Taxes, 31% less than delinquent collections for FY19.

A major cause for the decline in delinquent collections for FY20 was the pause in Real Estate Tax enforcement at the beginning of the COVID-19 pandemic (mid-March). Revenue will progressively restart enforcement measures as closure orders are lifted in FY21, keeping taxpayer hardships in mind.

A secondary cause for the decline in delinquent collections is our prior success at reducing delinquency. Through early intervention programs and data-driven tactics, we have reduced the number of delinquent accounts from 14.2% of all Real Estate Tax accounts in FY16 to a little over 9.5% in FY20.

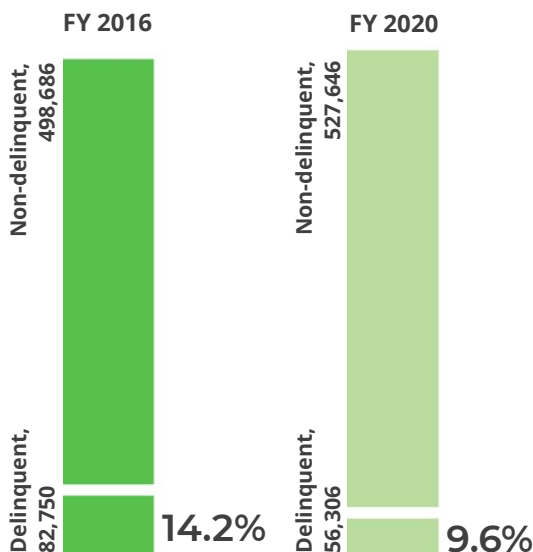
In FY20, the amount of delinquent Real Estate Tax debt went up by about 5% from FY19. Although this was expected, we plan to increase the number of taxpayers in payment agreements, to help them get back on track.

Towards the end of FY19, Revenue moved the operation of the Real Estate Tax sequestration program to GRB (collection agency), while continuing in-house water debt sequestration. **Sequestration** is a legal process by which a “sequestrator” is appointed by the court to collect rent, manage a property and pay its expenses until any debts to the City are paid off. The program is an important part of our data-driven enforcement tactics and raised \$11 million in FY20.

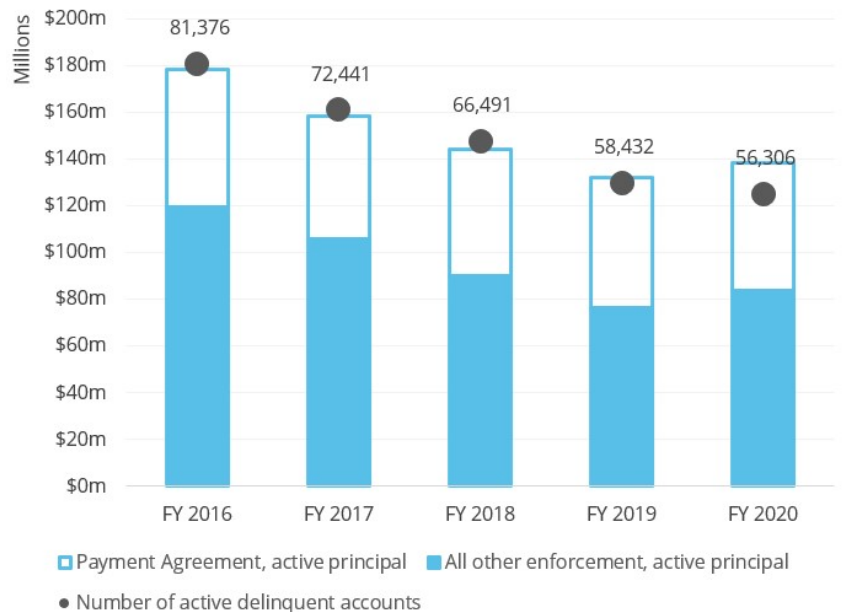
Another example of a data-driven enforcement tactic is our **pensioner indebtedness project**. Using data matching capabilities through the Data Warehouse, we matched delinquent accounts to former City employees and garnished pension payments.

The City mailed 979 city pensioners who owed about \$5.3 million in delinquent taxes from March to June 2019 and 648

Delinquent Real Estate Tax accounts, to total Real Estate Tax accounts, FY16 and FY20



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



made payments for \$1.3 million as of August 2020. About 71% of payments-to-date were from pensioners making voluntary payments, either in the form of an agreement or payment in full. The remainder, were from involuntary pension deductions. Pensioners who are in a payment agreement or those with involuntary pension deductions are continuing to pay their delinquent taxes.



Across all business taxes, delinquent principal debt has fallen by almost 17% in the last five years.

For delinquent principal other than Real Estate Tax, over half is in BIRT (30%) and Wage Tax (26%).

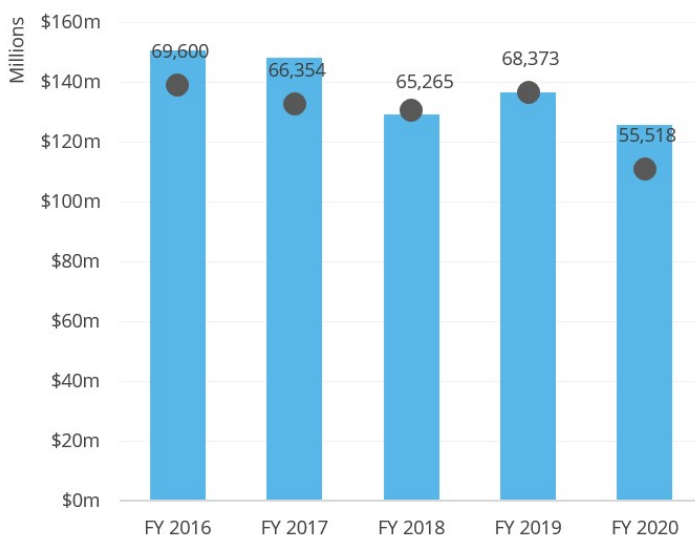
Typically, Revenue sends notices to taxpayers about missing tax returns or payments as quickly as possible. Although we continued sending notices through the COVID-19 pandemic, we did not place any accounts in a 'default' status from mid-March to the end of the fiscal year in June.

As part of our compassionate enforcement strategy, we developed a **targeted payment agreement program** for businesses with delinquent debt. This

program provides businesses that could not meet their tax obligations due to COVID-19 up to 12 months to pay without interest or penalty.

An important data-driven tactic in FY20 was the **Commercial Activity Revocation (CAL) Program**. The program revokes the activity licenses of businesses that fail to pay the City, forcing the business to stop operations. Most taxpayers opt to comply rather than close. Despite the pause in CAL Revocation due to the COVID-19 pandemic, the City collected over \$18 million in FY20.

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



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.

Water Revenue Collections

Although collections (includes water, sewer, and storm water) decreased by 1% from FY19 to FY20, two out of three water customers paid on time.

In FY20, Revenue successfully launched e-billing for water as part of a new web portal: MyPhillyWaterBill. Instead of receiving monthly paper bills in the mail, Philadelphians can now get electronic bills, pay online, and schedule automatic payments.

As of June 2020, more than 23% of customers signed up for the service, exceeding the first year industry standards by 14 percentage points. The new functionality reduces Revenue costs by decreasing billing and postage. Our current adoption rate yields an approximate annual savings of almost \$800,000.

The new **e-billing website** also offers customers the ability to schedule payments, manage billing options and research account history. Along with launching e-billing, we also **published** two YouTube videos to help customers register for an account and sign up for AutoPay.

FY20 Water e-billing successes

1 in 5

MyPhillyWaterBill subscribers are enrolled in **paperless billing**

\$66,000

Per month in postage savings

1 in 20

Water e-billing subscribers are enrolled in **AutoPay**

26,794

Water customers

1,700

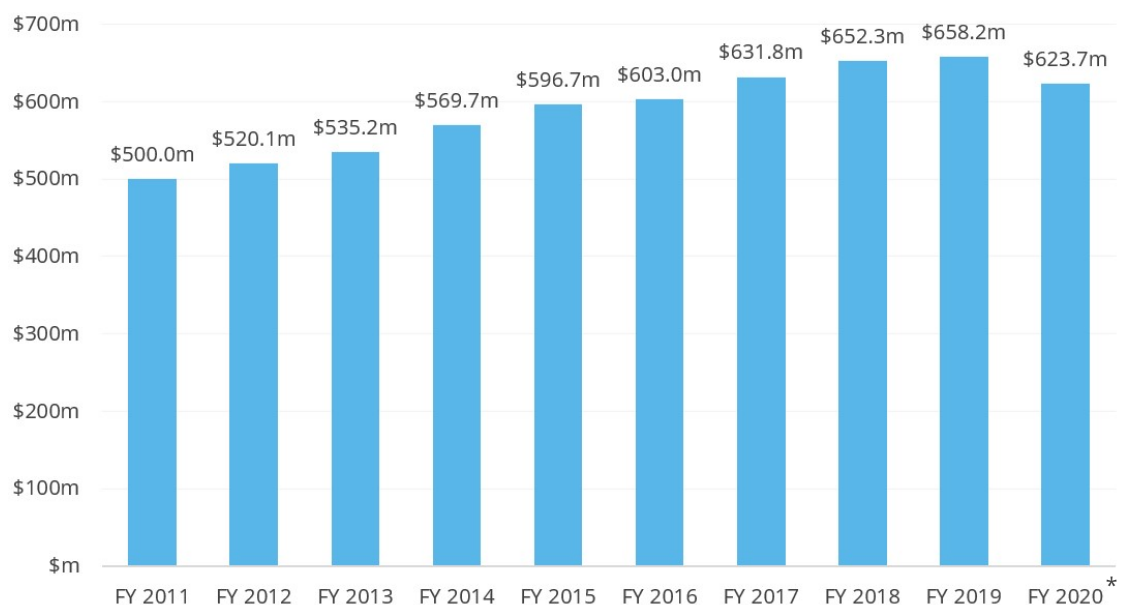
New enrollments in **AutoPay** each month

&

7,300

New enrollments in **paperless billing** each month

Ten-year trend, total Water Revenue Collections



* Preliminary revenue collections

Water Delinquency

Water delinquency increased by 10% from FY19 to FY20, largely due to the shut-off moratorium and pause in enforcement.

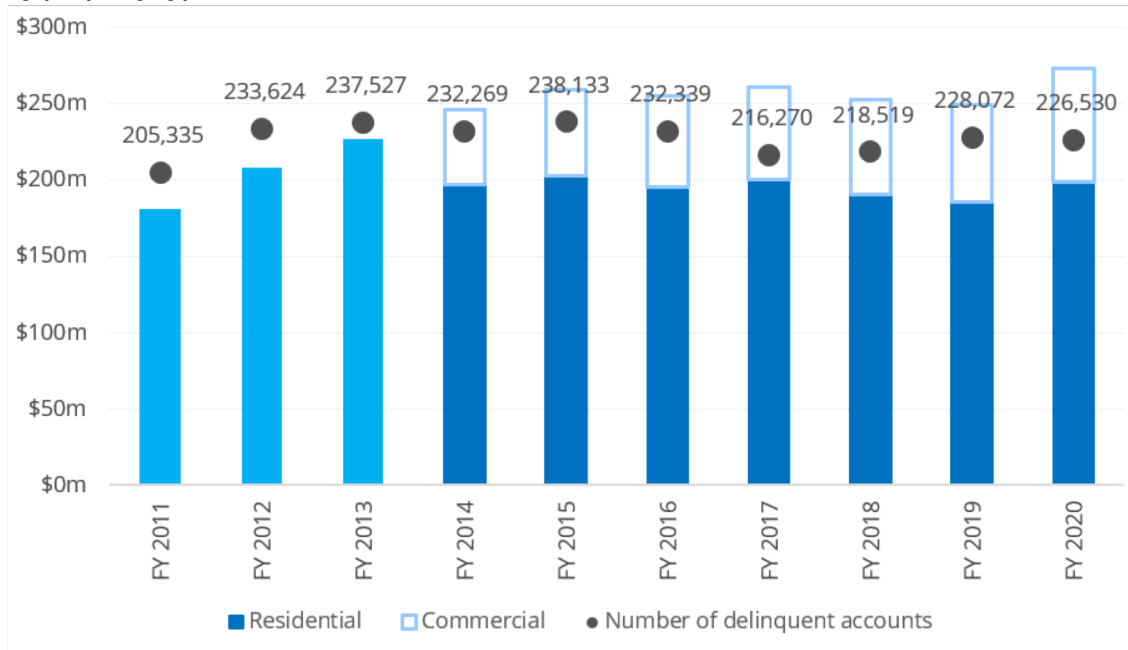
Due to the COVID-19 pandemic, the shut-off moratorium was extended from its original end date in March 2020 to beyond the end of the fiscal year in June 2020, limiting enforcement.

In mid-March 2020, the City restored water services to all delinquent residential and commercial customers. In addition, the City did not shut off any water accounts for non-payment through the end of FY20.

The remote working mandate and the pause in enforcement also halted Revenue’s usual methods of water debt collection in the fourth quarter of FY20. This typically includes focused call campaigns, initiating Sheriff Sales for commercial landlords and utilizing outside collection agencies.

One enforcement tool that Revenue continued in FY20 despite the City’s stay-at-home order was **sequestration** for water debt. We added sequestration as an enforcement tool for water debt in FY19 because it’s difficult for the City to collect water debt from landlords due to stringent utility regulations in the Commonwealth of Pennsylvania. In FY20, we collected \$5.6 million in delinquent water debt through sequestration. Even during the COVID-19 pandemic, Revenue managed to collect more than \$87,000 each week.

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



Assistance Programs & Initiatives

In FY20, there were around 252,650 enrollees in some form of taxpayer assistance program, providing over \$171.1 million in tax relief.

Major projects to improve enrollment in tax assistance programs were:

Automated Homestead Exemption enrollment. In prior years, a taxpayer needed to file a separate application for each assistance program. In FY18, we made IT changes to automatically enroll eligible Owner-occupied Payment Agreement (OOPA) applicants into Homestead if they weren't already enrolled. Last year, we expanded cross-enrollment to the Senior Tax Freeze (SCTX) program and we began applying Homestead to homeowners that applied for, but were ineligible for the Long-time Owner-Occupants Program (LOOP).

In FY20, Revenue automatically enrolled 1,053 applicants from other programs into the Homestead Exemption program:

- 814 OOPA enrollees
- 180 LOOP denials
- 59 SCTX enrollees

Improving SCTX enrollment using external data. A common denial reason for SCTX is the lack of supporting documentation. About 90% of the applicants that were denied for in FY19 did not submit proof of age. Last year, Revenue subscribed to TransUnion's TLOxp, which allowed us to match ID information from a taxpayer's application to their age. Partly due to this practice, denial rates have been cut in half. Only 12% of SCTX applicants in FY20 were denied due to lack of age information.

Similar to enforcement, major changes to taxpayer assistance programs, such as setting up auto-pay for payment agreements or completing online multi-lingual applications will only be possible with a new tax system.

The Water Revenue Bureau had more than 40,000 enrollees in water assistance programs in FY20, saving customers about \$17.5 million on their water bills.

Water customers apply for assistance through a unified customer assistance application that determines the program that offers the most benefit based on a customer's income and eligibility.

The application includes the Tiered Assistance Program (TAP), for residents whose income falls below 150% of the Federal Poverty Level; and the Senior Water Discount, for low-income senior citizens in Philadelphia. Customers also receive help through [UESF](#) and other charity programs.

Similar to OOPA, TAP offers income-based monthly bills to water customers. While enrolled, past due amounts are suspended and Revenue does not take enforcement action. More than 10% (\$1.26 million) of the TAP benefits granted are to customers who have earned penalty forgiveness by making 24 full payments towards their water bills.

Revenue partnered with Campaign for Working Families and Pathways PA to provide Philadelphians with free tax preparation services and encourage residents to take advantage of the federal Earned Income Tax Credit.

In TY20, over 16,278 tax returns were prepared for free at 23 city-sponsored sites, generating \$26.8 million in total refunds. Since the tax filing date was extended to July 15, 2020 due to the COVID-19 pandemic, tax preparation continued through the summer and the number of prepared tax return will increase.

In lieu of in-person services, Revenue's partners began virtual tax prep in April 2020. Our partners completed about 1,800 tax returns for TY20 through the online system.

More than 80% of owner-occupied properties in Philadelphia are enrolled in a Real Estate Tax assistance program.

Revenue's most widespread assistance program is the Homestead Exemption, which provides taxpayers more than \$140 million in savings each year.

The **Homestead Exemption** reduces the assessed value of a property for homeowners. Anyone who owns and lives in their home is eligible. Most homeowners save up to \$629 a year on their Real Estate Tax bill.

Other assistance programs are:

Low-income Senior Citizen Tax Freeze. 18,267 enrollees; \$6.2 million in tax relief. Revenue stops increasing - or freezes - the Real Estate Tax bill for enrolled taxpayers.

Long-time Owner-Occupants Program. 15,910 enrollees; \$24.3 million in tax relief. This program limits a property's assessment increase to 50% and locks in that assessment for as long as the owner qualifies. Homeowners who fall within income limits and have lived in their home

for at least 10 years are eligible. Taxpayers cannot enroll in LOOP and Homestead at the same time.

Active Duty Tax Credit. 6 enrollees; \$5,696 in tax relief. This 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.

Real Estate Tax Installment Plan. 14,998 enrollees. This program allows all senior citizens and low-income taxpayers who own and live in their home to pay their current-year Real Estate Tax in monthly installments.

Owner-Occupied Payment Agreement. 10,093 enrollees; \$61.4 million under agreement. This program allows residents who own and live in their home to make affordable monthly payments on past due property taxes.

Total Real Estate Tax savings from taxpayer assistance programs, by City Council District, FY20.

Council District	Homestead enrollment	Homestead tax benefit	LOOP enrollment	LOOP tax benefit	SCTX enrollment	SCTX tax benefit
1	21,933	\$13,678,164	5,590	\$10,241,152	2,297	\$2,021,302
2	21,366	\$13,351,260	2,962	\$5,340,642	1,889	\$1,176,373
3	16,055	\$9,813,430	1,187	\$1,733,817	1,953	\$353,694
4	24,218	\$14,897,273	970	\$735,290	1,845	\$326,066
5	16,482	\$9,450,038	2,365	\$4,515,635	1,770	\$926,878
6	27,744	\$17,396,427	347	\$315,018	1,436	\$291,743
7	18,674	\$10,866,633	1,287	\$720,324	1,281	\$118,660
8	22,663	\$13,865,631	931	\$532,242	2,256	\$228,737
9	27,065	\$16,914,785	232	\$128,772	2,027	\$161,981
10	32,631	\$20,426,366	39	\$30,151	1,513	\$549,020

Business Tax Credits: More than \$4.5 million in tax relief to businesses in calendar year 2019



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 businesses with non-profit partners enrolled, 4 new and 38 renewals
- \$3.76 million in credits to business sponsors in 2019



Job Creation Tax Credit

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

- 7 applications approved in 2019, promising 13,003 jobs
- Almost 20% of the 2019 promised jobs have been certified
- \$662,000 in credits claimed on BIRT returns in 2019



Green Roof Tax Credit

Tax credit against BIRT for constructing a green roof.

- No applications approved in 2019
- \$69,479 in credits awarded in 2019, but less than \$1,000 claimed on BIRT returns in 2019

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 that 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.

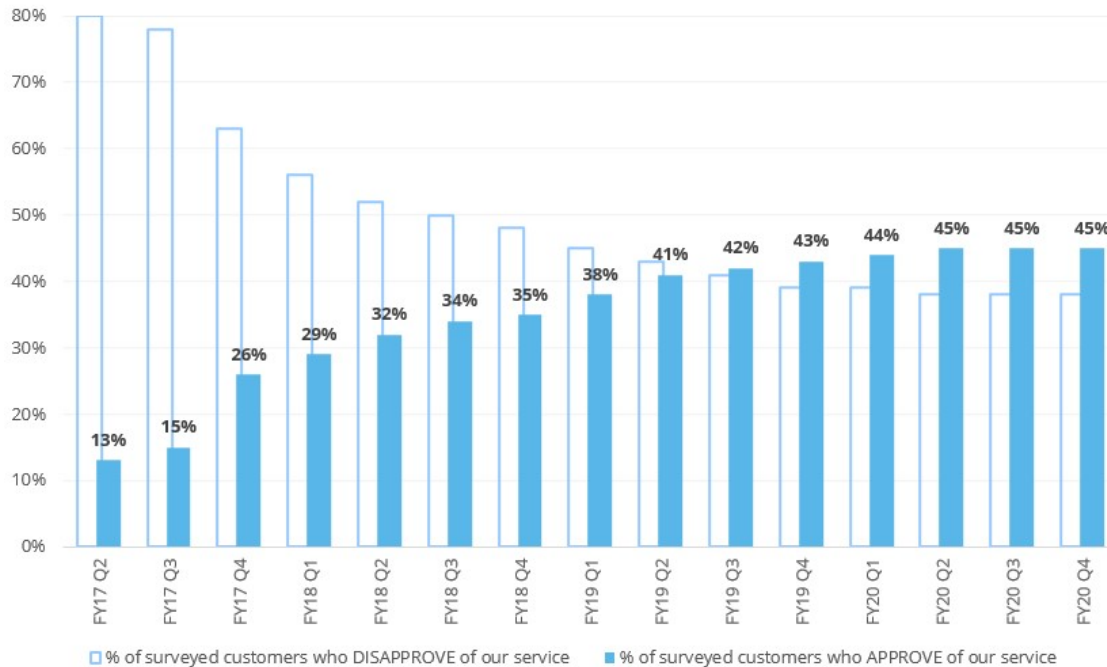
Philadelphia Re-entry Program Tax Credit: Tax credit against the BIRT for businesses that support hiring of returning citizens who are certified by the Mayor's Office of Re-Integration Services.

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

Rising customer satisfaction reflects our dedication to inter-department improvements. Internal changes make it easier for taxpayers and water customers to interact with Revenue.



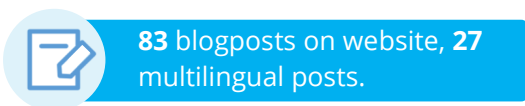
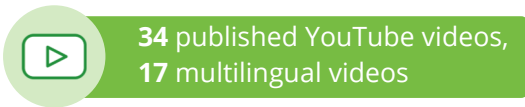
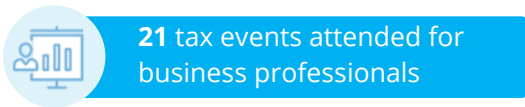
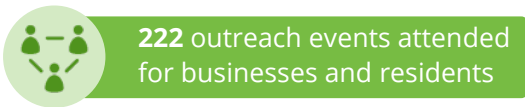
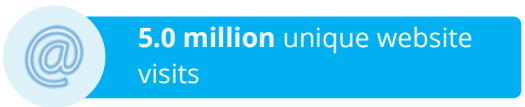
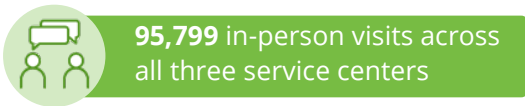
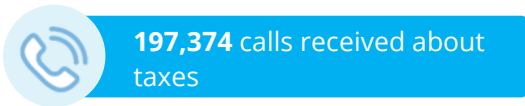
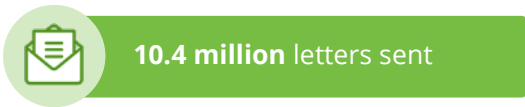
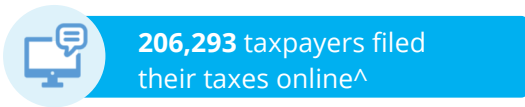
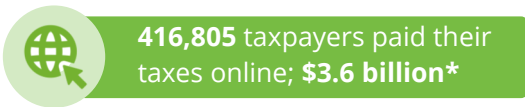
Since we began measuring customer satisfaction in FY19, the percentage of customers who approve of Revenue and would recommend our services to grew from 13% to 45%. This was accompanied by a sharp decline in the percentage of customers who disapproved of Revenue service.

Despite the challenges of social distancing, Revenue maintained crucial services such as payment processing, tax clearance, and communications throughout the crisis. We also resumed responses to customers who contacted us via email in mid-April 2020 and launched a virtual call center in May 2020. Although we're leveraging existing technology to resume as many services as possible, a new tax system will allow us to quickly meet the operational challenges of remote working.

Prior to the COVID-19 pandemic, we continued to improve internal efficiency in FY20. For example, we **moved the Tax Clearance unit to the Tax Collections division**. Since tax collections and compliance are complimentary Revenue functions, pulling the clearance unit to collections will improve internal coordination and make it easier to work with other City departments. Revenue will also use this opportunity to improve email and case management for the tax clearance unit, using lessons learned from tax collections.

Revenue also piloted a new **mentorship program** in January 2020, which matches Revenue employees with supervisors and executive staff to foster leadership development. There are currently six candidates in the program who will receive mentorship for the remainder of this calendar year.

Customer service metrics in FY20



*Does not include payments made for BIRT, NPT, and Earnings Tax from June 30 - July 15 2020, the extended deadline for 2020.

^Includes TY18 filings for Wage Tax, NPT, BIRT, and SIT, last year of complete data.

Through the COVID-19 pandemic, Revenue maintained communication with taxpayers and water customers via mail, our website and social media. We resumed other methods - such as email and the call center - as quickly and safely as we could.

In early April, Revenue **created a new webpage** that aggregated all COVID-19 related tax guidance. It included extensions of due dates for BIRT, NPT, Earnings Tax, and the Real Estate Tax, refund instructions for U&O Tax, and BIRT and NPT nexus policy updates. We also resumed email and phone services starting in mid-April.

As part of our goal to **improve immigrant outreach** in FY20, Revenue partnered with two outside vendors to produce language-specific, culturally-relevant messages for Philadelphia's Chinese, as well as West-African and Haitian communities. The goal was to help Mandarin, Cantonese and French speakers save money on property taxes and prevent foreclosure. We worked together to create materials such as videos, radio messages, a WhatsApp group in French, a WeChat group in Mandarin, flyers and posters.

In May 2020, Revenue piloted **SMS texting as a new method of outreach** with the Law Department. We launched the service to alert taxpayers who applied for an OOPA of their application status. Of the 39 taxpayers who applied for an OOPA without a housing counselor from May to June 2020, we successfully enrolled about 41% through texting. In FY21, we plan to text taxpayers whose prior OOPAs have been reinstated by the Tax Review Board.

In FY20, Revenue **received two awards** from the **Federation of Tax Administrators** for our innovative strategy to reach delinquent homeowners in their neighborhoods and our expanded video communications, that includes a YouTube channel and a Facebook LIVE series. Moving forward from the COVID-19 pandemic, our prior outreach and communications work will be useful in developing safe and meaningful ways to reach taxpayers and businesses.

In terms of online tax filing and payments, a record 60% of taxpayers **paid their taxes online** in TY20. That represented an almost 11 percentage point jump from TY19 to TY20, compared to a modest 2 percentage point increase from TY18 to TY19. Taxpayers can file six of our eight tax types, and pay 14 out of 18 tax types online. In the last three years, online payments have risen from 69% of all payments that Revenue processes to almost 76% of all payments. These transactions are faster and less costly to process.

Moving Forward

Despite continuing challenges ahead, FY21 presents new opportunities to modernize and adapt our services to better reach and serve our communities. The kickoff of our new Integrated Tax System (ITS) project is a significant step in this direction.

Revenue is committed to keeping taxpayer, water customers, and business needs at the forefront by providing timely information, expanding outreach methods, and pursuing compassionate enforcement.

Some of this work has already begun. Immediately following the City's COVID-19 stay-at-home order in mid-March, we launched a dedicated webpage for tax guidance related to the pandemic, began an SMS texting campaign to expand outreach, and worked with two vendors to conduct targeted immigrant outreach.

In response to the sudden economic hardship faced by many, we paused all tax and water enforcement, launched a new business payment agreement plan, reworked our collection strategies and promoted water programs that lower bills for customers facing a loss of income.

In FY21, we will continue to work with our partners in City government, external stakeholders, and Philadelphia's diverse

communities. We will strive to leverage technology and improve customer service and outreach, while ensuring adequate tax collections.

A major project will be building and implementing a new ITS. Given the scale of this project, significant emphasis will be placed on maintaining existing operations while transitioning to the new system as seamlessly as possible.

We also remain committed to helping Philadelphians who have fallen behind, or are at-risk of falling behind, on their tax and water bills. A few planned FY21 changes to provide tax and water relief include expanding the low-income Wage Tax refund amount and removing the BIRT filing requirement for small businesses.

Revenue Commissioner, with the Tax Discovery Unit





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Notes about the data:

This report includes preliminary revenue collections data for FY2020.

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