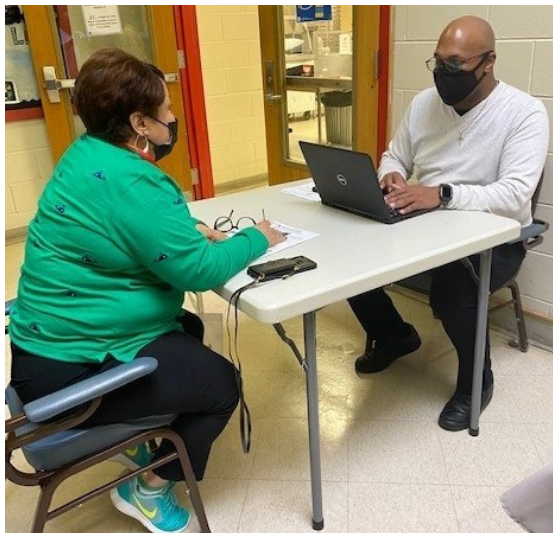


Department of Revenue FY 2021 Year in Review





Contents

About the Department of Revenue	2
FY21 in review	3
Which taxes fund the City, School District, and water?	4
Overall Revenue Collections	6
Tax Revenue, Delinquency, and Enforcement	
Tax types that support the General Fund	7
Tax types that support the School District	13
Local non-tax Collections	15
Tax Delinquency and Enforcement	
Real Estate Tax	18
Business Taxes	19
Water Revenue, Delinquency and Enforcement	
Water Collections	20
Water Bill Delinquency and Enforcement	21
Assistance Programs & Initiatives	
Taxpayer Assistance Programs	23
Water Assistance Programs	24
Business Tax Credits and Refunds	25
Improving Efficiency & Customer Service	
Business Process Improvement	26
Customer Experience	27
Moving Forward	28



Message from the Revenue Commissioner

The last year was tough for Philadelphians. The COVID-19 coronavirus pandemic continued to hurt our health and safety, and we faced the economic repercussions of business closures and job loss. As a result, the City's fiscal health also suffered.

In FY21, the City experienced the impact of the first full year of reduced tax collections due to the pandemic. Although we increased our support to the School District, collections for the General Fund – which support crucial City services – declined by almost \$130 million.

At the Department of Revenue, we remained focused on finding ways to improve on-time payments, reduce delinquency, and expand outreach. While our actions were limited by the pandemic, we successfully:

- Reopened in-person service to help customers pay their bills and sign up for assistance.
- Attended virtual outreach events year-round, and in-person events in the summer.
- Led innovative mail, phone, and email projects to promote enrollment in payment agreements and programs.

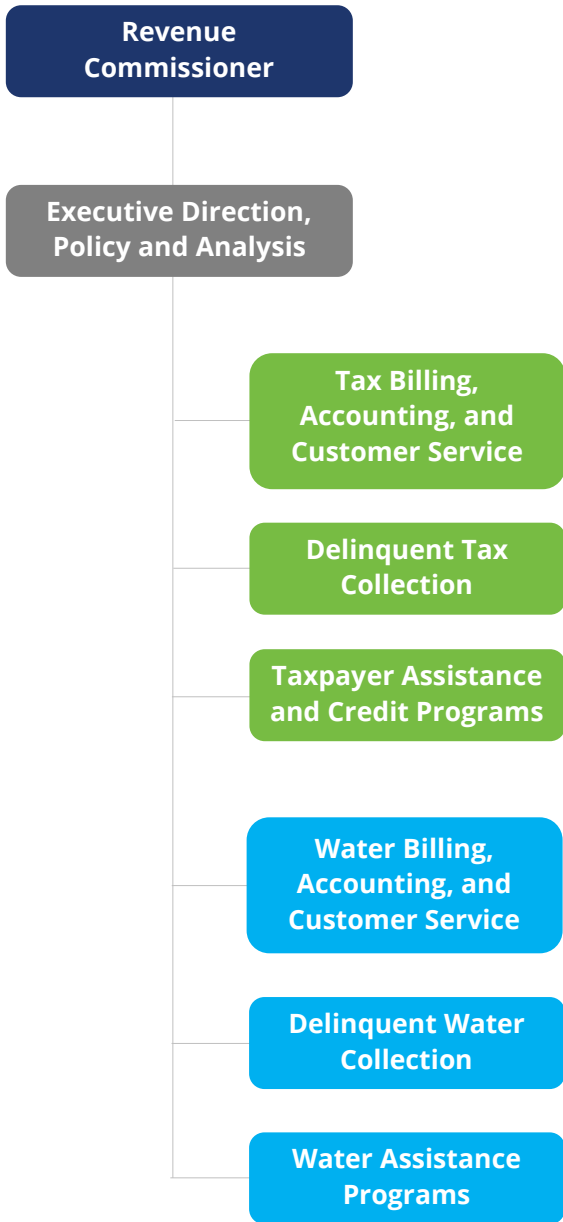
Despite the challenges of FY21, we also made remarkable progress replacing the City's tax system of record. This complex, multi-year project replaces our 35-year old system with a modernized, cloud-based platform. In FY21, we completed contract negotiations, assembled a team of experts, secured a dedicated location, and got down to work.

I am proud of the work we've done so far and I am excited to share the results of this effort with you soon. Growing pains are expected, but I'm confident we will continue to provide efficient and fair services to all Philadelphians.



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. In FY21, the Department of Revenue had 668 authorized employees with an operating budget of \$69.6 million.

In FY21, Revenue used program-based budgeting to organize its spending into seven areas:

- **Executive Direction, Policy and Analysis** - \$13.8 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. 88 employees.
- **Tax Billing, Accounting, and Customer Service** - \$12.7 million. This area determines which taxes, fees, and fines taxpayers owe, lets people know how much to pay, and processes payments and tax returns received. This unit also processes tax refunds. 258 employees.
- **Delinquent Tax Collection** - \$25.3 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. 101 employees.
- **Taxpayer Assistance and Credit Programs** - \$414,000. Revenue provides tax relief to individual homeowners and business taxpayers through payment agreements, tax freezes, and credits. 6 employees.
- **Water Billing, Accounting, and Customer Service** - \$8.8 million. This area determines which water, sewer and storm water charges customers owe, lets people know how much to pay, and processes payments received. 158 employees.
- **Delinquent Water Collection** - \$6.9 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** - \$1.6 million. Revenue provides affordable bills to residential customers and community institutions through this area. 34 employees.

FY21 in Review

Revenue created virtual work options so that employees could provide uninterrupted service to taxpayers

- In FY21, Revenue distributed over 200 computers and about 170 webcams to help employees work remotely.
- Apart from our virtual call center, we also established voicemail to email options for over 170 employees to expand taxpayer contact options.
- We reopened in-person services with a new appointment system at the Municipal Services Building, with the Law Department, and also offered a drop-off service for payments and applications.

In preparation of our new tax system, we adapted our operations, communications, and internal data

- A new tax system has already transformed the way taxpayers interact with Revenue, from an improved web experience to a streamlined refund process.
- In FY21, the Department identified internal subject matter experts and began working with the vendor on the new tax system.
- In November 2021, we launched phase 1 of the new tax system, that will allow taxpayers to complete online returns, apply for help, communicate with Revenue, and pay their balance for major business taxes.

We implemented our compassionate enforcement strategy, developed as a pandemic response in FY20

- Revenue paused most tax enforcement actions in the first half of FY21 and slowly resumed some tactics over time. Water shut-offs were suspended through FY21.
- In partnership with our collection agencies, we promoted the availability of payment plans in all collection letters and taxpayer calls.
- We did not penalize homeowners who missed payments on their agreements. We briefly resumed placing business accounts in a default status for missed payments, but they remained paused at the end of the fiscal year.

Revenue continued to prioritize customer service and promoted assistance programs for tax and water relief.

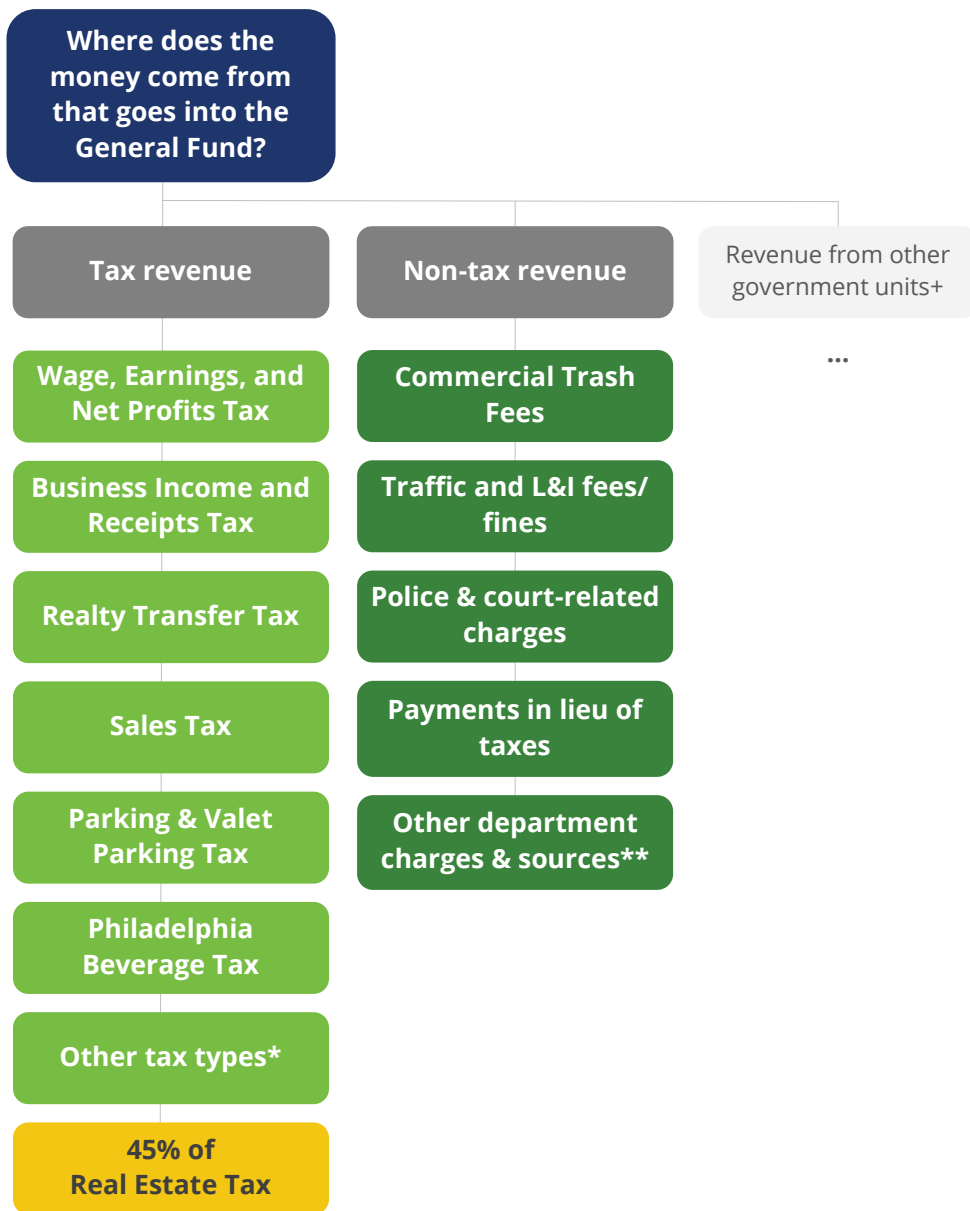
- In FY21, Revenue provided over \$170 million in Real Estate Tax relief, \$14 million in water assistance, and over \$240,000 in low-income Wage Tax refunds.
- We pivoted to mail & email-based campaigns to inform taxpayers about available programs due to a sharp decline in in-person outreach for public health reasons.
- We worked with IT to transition some paper-based applications to a digital format, making it easier for taxpayers to complete them and allowing our employees to process their information remotely.

Which taxes fund the City, School District, and Water Funds?

Collections by the Department of Revenue finance operations such as trash collection, water service, pre-K, snow removal, police and fire protection, parks, libraries, and more, during a fiscal year.

Tax collections and water charges can be divided into three main groups:

- The **General Fund:** This is the City's primary fund and accounts for all revenue streams that are not restricted for specific purposes or otherwise required to be accounted for in another fund.
- The **School District:** Some tax collections support the School District of Philadelphia. The City's Real Estate Tax funds the School District and the General Fund. The City's primary support for the School District is through four local tax revenue streams.
- The **Water Fund:** This accounts for all activities related to the operation of the City's water delivery and sewage system. The principal operating revenues of the Water Fund are charges for water and sewer services.



Notes

* Other tax types includes: Amusement Tax, Outdoor Advertising Tax, Smokeless Tobacco Tax, and miscellaneous revenues

**Sales of assets, cable TV, Emergency Medical Services, Interest Income, collections by the Sheriff, Department of Records, Streets, Health, and miscellaneous

+Revenues from other governments also provide funding for the General Fund, but these sources are beyond the scope of this document

Which taxes support the School District?

School Income Tax

Use and Occupancy Tax

Liquor Tax

Other revenue*

55% of Real Estate Tax

Where does the money come from that goes into the Water Fund?

Water Revenue Bureau

Water and sewer sales & charges

Penalties and late charges

Private fire service connection

Industrial sewer surcharge

Charges to other municipalities

Miscellaneous

Philadelphia Water Department**

Other government funds**

...

...

Notes

*Other revenue includes voluntary contribution programs, other agreements, and payments in lieu of taxes

**Income from the Philadelphia Water Department and other government funds also provides funding for the Water Fund, but the Department of Revenue is not directly involved in the collection of these sources, as a result these sources are not discussed in this this document



Overall Revenue Collections

Revenue collections fell by \$130 million from FY20 to FY21, as the City dealt with economic impacts of the first full year of the COVID-19 pandemic.

Tax collections for the General Fund and local non-tax revenue saw the most significant reductions from FY20 to FY21.

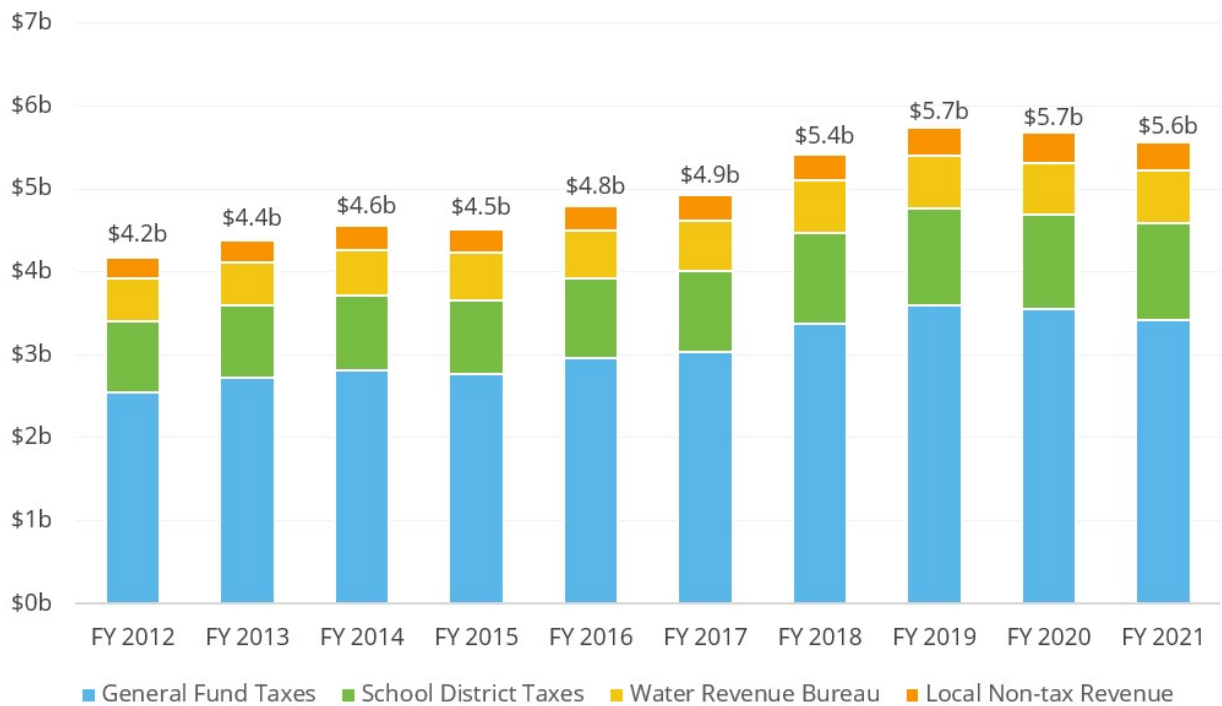
Overall revenue collections fell for the first time in the last 10 years, as taxpayers and water customers coped with the economic fallout of the COVID-19 pandemic. Although some tax types, such as Real Estate Tax, grew slightly, collections for most tax types

declined. Tax types reliant on tourists and visitors, such as the Amusement Tax & Liquor Tax were the most severely impacted.

This report breaks down the taxes that support the City's General Fund, the School District, and the amounts collected by the Water Revenue Bureau. This document includes final revenue collections for FY21, instead of preliminary figures.

Ten-year trend, total collections

Data does not include revenue from other governmental units, PICA, or taxes that support a special fund (ex. Hotel & Vehicle Rental Tax).



Fund type	FY20 Collections (millions)	FY21 Collections (millions)	Percentage Change
General Fund Taxes	\$3,550.4	\$3,420.8	-3.7%
School District Taxes	\$1,146.2	\$1,169.4	2.0%
Water Revenue Bureau	\$621.6	\$628.8	1.2%
Local non-tax Revenue	\$364.4	\$345.4	-5.2%

Collections that support the General Fund

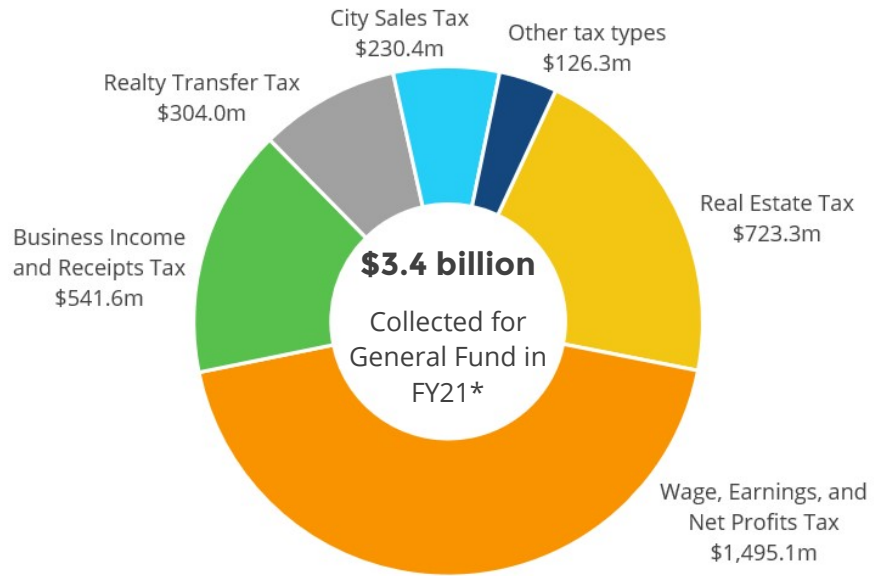
With slightly more than \$3.4 billion collected in FY21, General Fund tax revenues fell over 3% from approximately \$3.5 billion collected in FY20.

Sales Tax and the Real Estate Tax increased shares of revenue to the General Fund, while the contribution of Wage, Earnings, and Net Profits Tax decreased.

Annual collections for the City's smaller tax types, such as the Amusement Tax, Parking Tax, and the Outdoor Advertising Tax, saw the largest reductions from FY20 to FY21, followed by the Wage, Earnings, and Net Profits Tax.

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.

FY21 Total revenue collected that supports the General Fund



*Does not include revenue from other government units, PICA, or specific funds



Credit: C. Smyth for Visit Philadelphia

Wage, Earnings, and Net Profits Tax

Wage tax collections fell over 8% year-to-year, from over \$1.6 billion in FY20 to almost \$1.5 billion in FY21, the first decline in more than a decade.

The negative effects of the pandemic on Philadelphia’s main economic sectors—education, medicine, and hospitality—and changes to work locations for commuters significantly reduced Wage, Earnings, and Net Profits Tax collections in FY21.

A comparison of **Wage Tax revenue by industry** shows declines of 35% for the hospitality sector, 20% for education, and 1% in the medical sector from FY20 to FY21. During the same time, the **Bureau of Labor Statistics** (BLS) reported a loss of almost 34,000 jobs in those sectors. Overall, **unemployment increased** from 8% in FY20 to 10.5% in FY21.

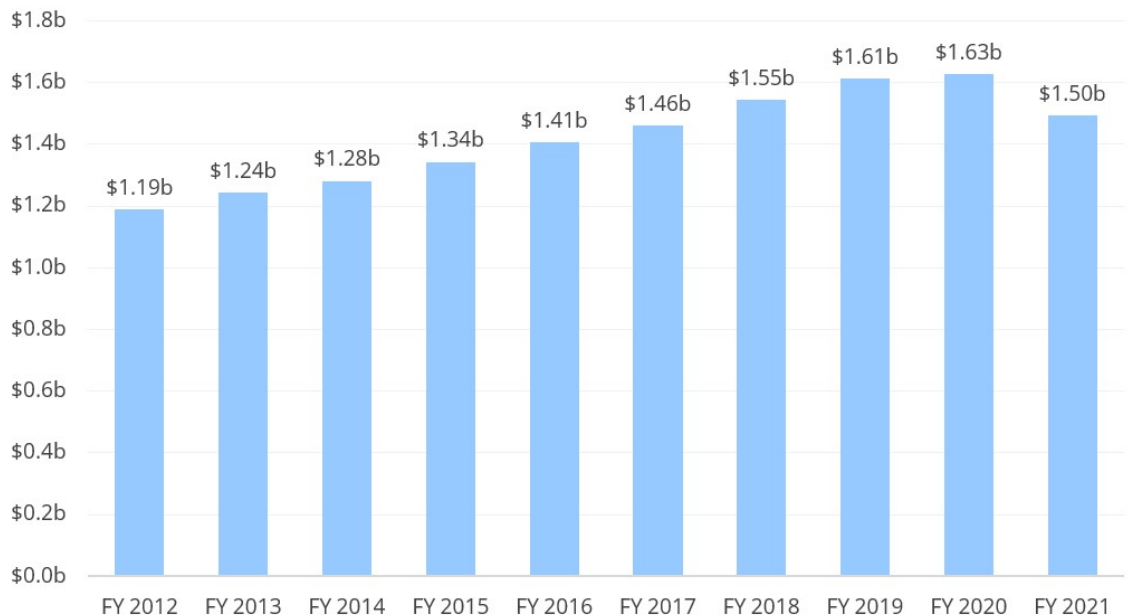
The continuance of remote work arrangements has also reduced non-resident Wage Tax revenue from commuters. More than 13% of the City’s General Fund revenue comes from non-residents and the City’s economist, IHS Markit, forecasts that commuters are

unlikely to return to their work place until FY22. They also estimate that 15% of non-residents will not return to the office, creating a permanent reduction in Wage Tax collections.

In FY21, City Council temporarily increased **the Wage Tax rate** for non-residents from 3.4481% to 3.5019% as a measure to close our FY21 budget gap. In FY22, we will begin reducing Wage taxes after pauses in FY20 and FY21. In 2020, City Council also passed bill **200016** that reduces the city-portion of the Wage, Earnings, and Net Profits Tax to zero for eligible low-income taxpayers. Page 25 includes information about the number of taxpayers who received this refund in FY21.

Throughout the pandemic, Revenue released **consistent guidelines** to help taxpayers navigate changes to the Wage, Earnings, and Net Profits Tax.

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



Business Income and Receipts Tax

Business Income and Receipts Tax (BIRT) collections rose slightly by 1% from \$534 million in FY20 to \$542 million in FY21. Sensitivity to economic conditions make future collections difficult to predict.

Like FY20, the City continued to help business owners by implementing legislation, conducting outreach, and extending due dates.

To honor the IRS' and Pennsylvania Department of Revenue's extensions, we extended the BIRT due date from April 15, 2021 to May 31, 2021. Through the pandemic, we also **updated** BIRT policies for Philadelphia-based employees working for out-of-Philadelphia businesses.

As changes from **Bill 190358** came into effect, businesses making less than \$100,000 in revenue did not need to file BIRT for Tax Year 2020 (these businesses already did not have a tax liability). The bill reduced filing requirements for 75% of all registered businesses in Philadelphia.

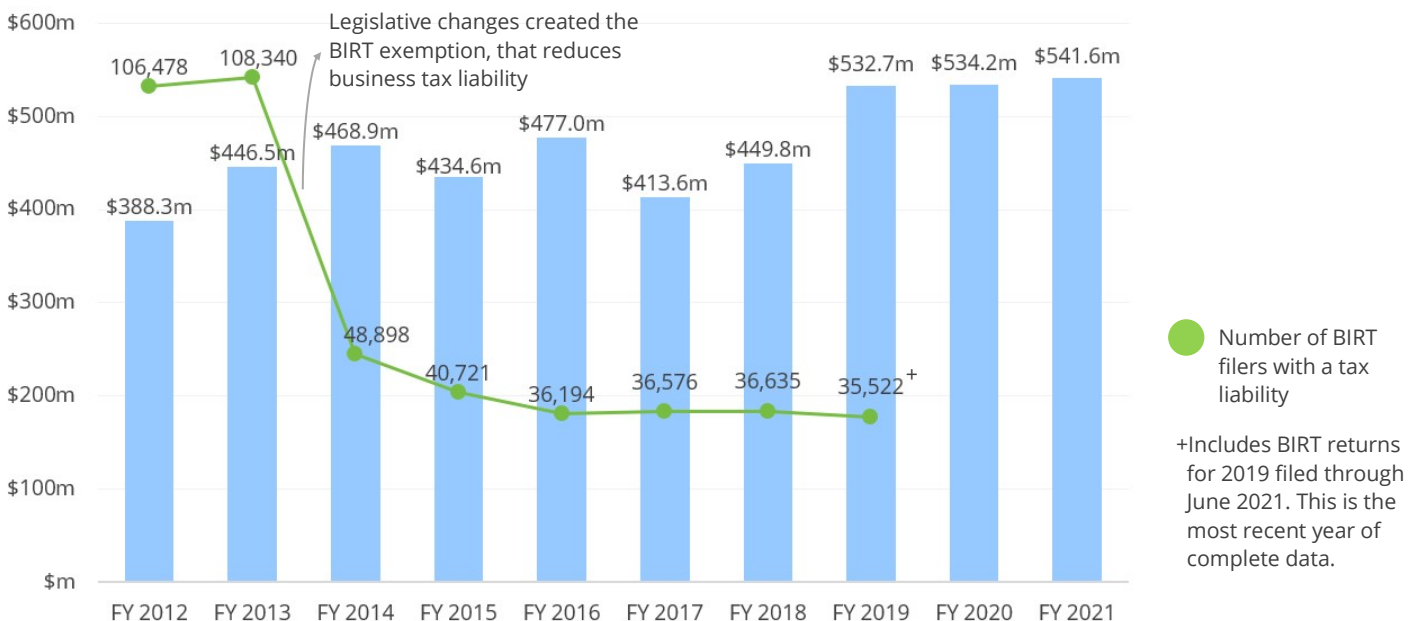
Revenue created a short "No Tax Liability" form to allow businesses to fulfil their tax obligations with almost no paperwork involved.

To boost enrollment in the City's payment agreements, Revenue also conducted an email outreach campaign to businesses with delinquent debt in FY21. About 32% of the businesses that received an email from Revenue paid in full or entered a payment agreement within a month, representing a little over \$5 million resolved debt.

To continue helping business owners through the pandemic, Revenue is currently developing a new program that helps delinquent business pay their total tax obligation.

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 grew by 4% from FY20 to FY21 and was 7% higher than our budget estimate of \$675 million.

For Calendar Year (CY) 20, 95.6% of Real Estate Tax payments were on-time. The City collects an additional \$16 million in Real Estate Tax for every percent increase in total collections.

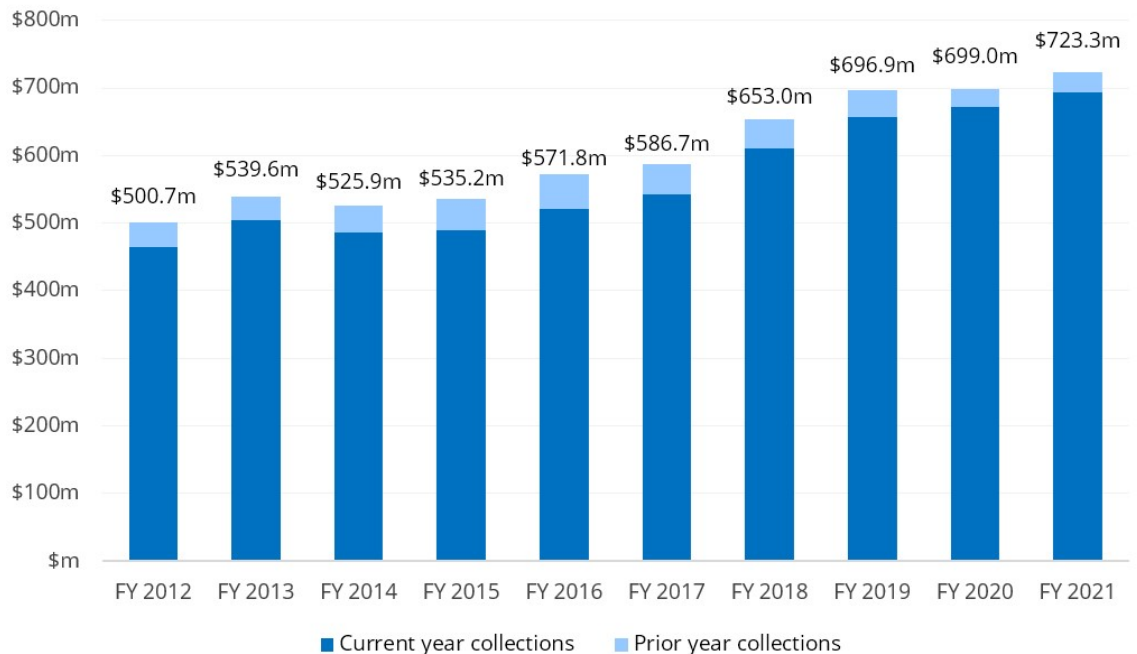
Despite a pause in real estate assessment increases for FY21, overall collections rose due to a combination of factors such as strong residential sales, 10-year tax abatement completions, and the lack of a 1% discount for taxpayers who pay their bill before March 1.

In FY21, Revenue’s efforts to provide Real Estate Tax assistance continued in a virtual format. For example, in February 2021, we ran an email campaign to over 200 Registered Community Organizations, Neighborhood Advisory Councils, and Police Districts to share information on virtual events, taxpayer guidance, and assistance programs for eligible taxpayers.

Revenue, in collaboration with the Law Department, also continued using SMS texting to reach taxpayers who applied for an Owner-Occupied Payment Agreement (OOPA) until Dec 2021, when the vendor stopped offering the service. From the start of our texting program in May 2020 to Dec 2021, we successfully reached almost 70 taxpayers via texting to help them complete their application. About 85% of these taxpayers are currently enrolled in OOPAs with almost \$480,000 in an agreement. Another 12% entered an OOPA and paid off their balance and the remaining were assigned another enforcement tactic.

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, Real Estate Tax collections that support the General Fund



Realty Transfer Tax

Realty Transfer Tax (RTT) collections fell almost 5% from \$320 million in FY20 to \$304 million in FY21, despite a strong residential market.

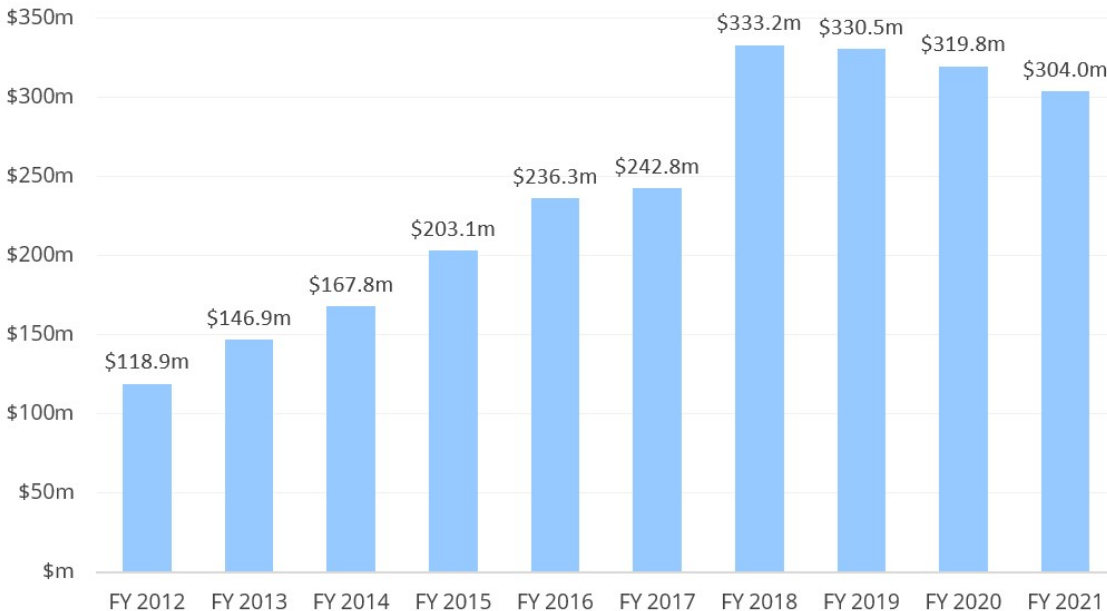
Despite the recent reductions in RTT collections in FY20 & FY21, overall revenue has still grown by 156% in the past 10 years.

From FY20 to FY21, RTT collections from residential properties grew almost 15% while revenue from commercial properties fell by 44%. RTT can be difficult to predict because of the nature of the commercial market, where one large transaction can drastically influence collections.

On the commercial side, JLL's [quarterly insights](#) report on Philadelphia's office space showed a continuous fall in occupancy until the end of FY21, when total vacancy stood at 14.4%. However, they also noted the growth of life sciences companies in Philadelphia in FY21, along with some large development projects in the works for FY22 that will affect future occupancy.

On the residential side, FY21 remained a sellers market. [Bright MLS data](#) showed high buyer demand almost through the entire fiscal year, especially for higher-end single family homes priced at \$485,000 and above. Zillow's [weekly market report](#) for the end of June 2021 showed only a slight up-tick in the number of homes available for sale by the end of FY21. They noted that the market will need to see much larger gains before it recovers to pre-pandemic levels.

Ten-year trend, total Realty Transfer Tax collections



Other Taxes

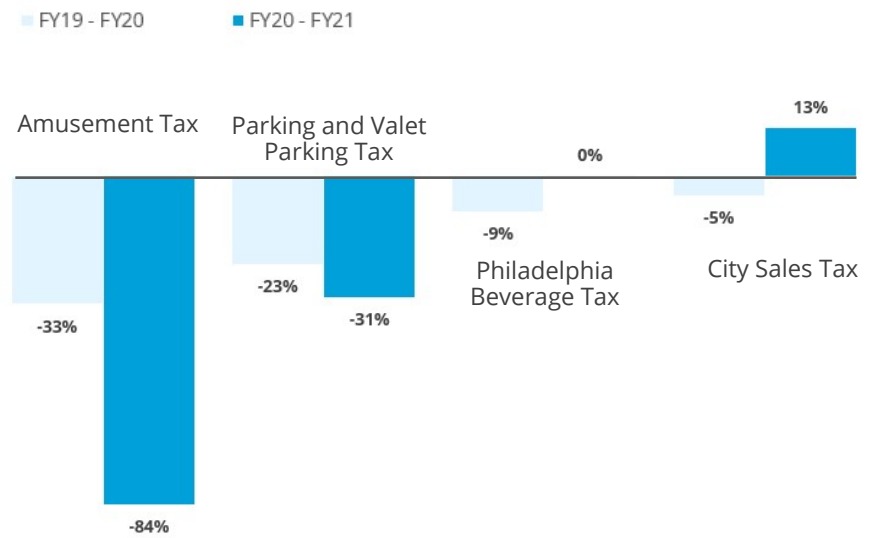
Collections from all other tax types fell from \$370 million in FY20 to \$357 million in FY21 (-4%), with Amusement Tax showing the largest decline.

The City Sales Tax saw a 13% increase in collections from FY20 to FY21, the only tax type to grow in this category. All other tax types either stayed level (like the Philadelphia Beverage Tax) or fell dramatically Y-o-Y.

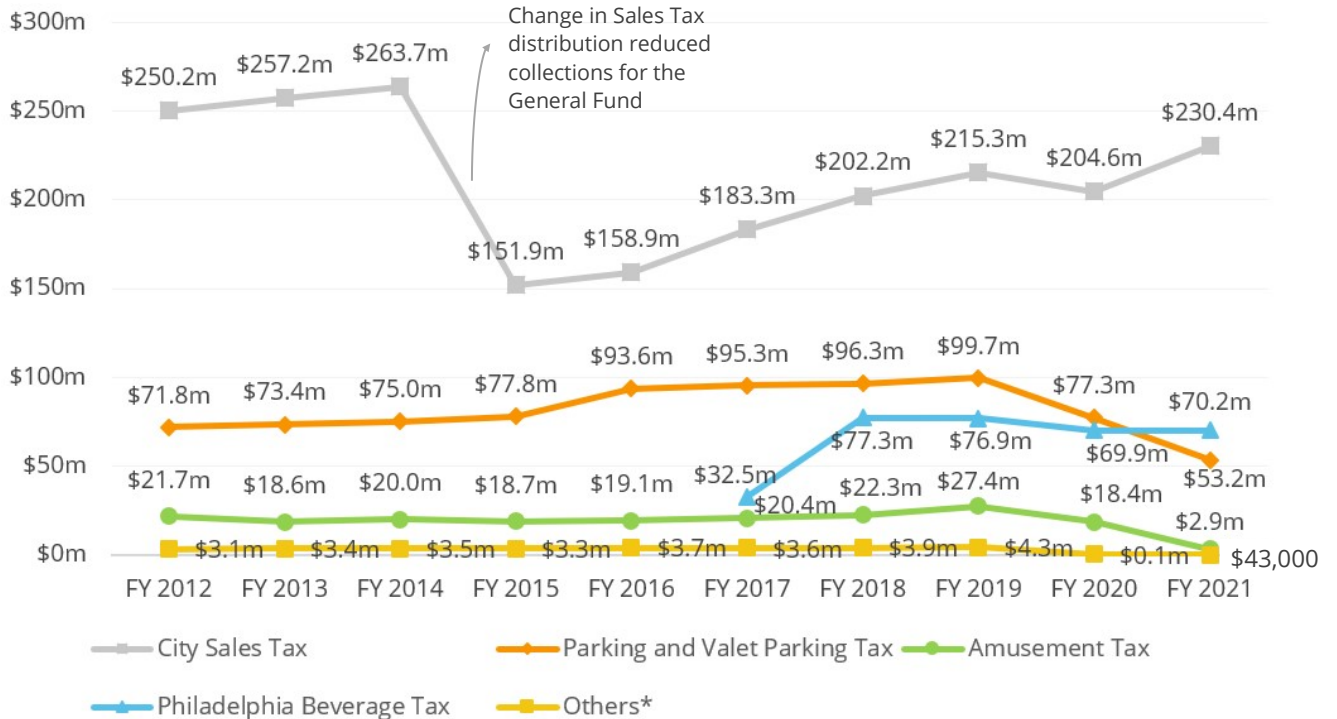
Despite a **temporary increase** to the tax rate for the Parking and Valet Parking Tax from 22.5% in FY20 to 25% for FY21, collections fell by 31%. Key drivers of Parking Tax collections, like air travel, sporting events, and commuting to Center City, were disrupted due to the pandemic. The City's economists (IHS Markit) do not expect collections to return to pre-pandemic levels until FY24.

In FY21, City Council also passed bill **200556** that created a new tax type, the Development Impact Tax, a 1% tax on some new construction and improvement beginning Jan 1, 2022.

Year-over-Year changes in tax collections, FY19 to FY21



Ten-year trend, all other tax collections



*Others includes Outdoor Advertising Tax and Smokeless Tobacco Tax.

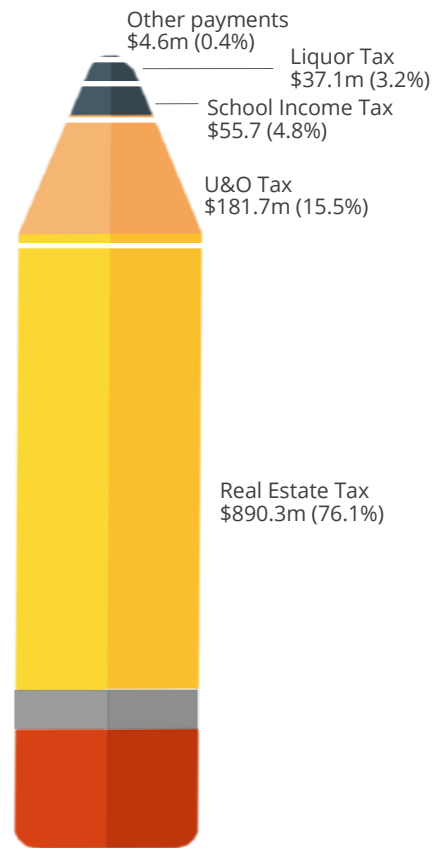
Taxes that support the School District

Revenue collected \$1.17 billion for the School District in FY21, an increase of over \$23 million from FY20.

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

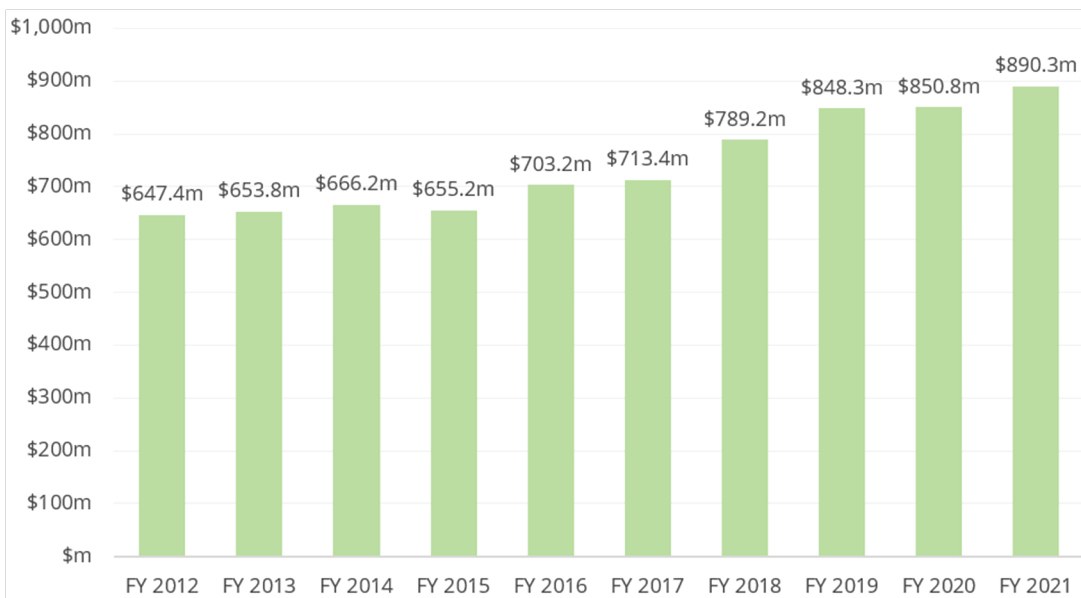
The table below shows the contribution of each tax type to the School District in FY20 and FY21 and the growth of each type from FY20 to FY21. Overall, the contribution of Real Estate Tax to overall collections for the School District went up by almost 2% from FY20 to FY21, while Liquor Tax contributions went down by almost the same percentage (2%).

Tax type	FY20 Collections (millions)	FY21 Collections (millions)	Percentage Change
Real Estate Tax	\$850.8	\$890.3	4.6%
Use and Occupancy Tax	\$179.3	\$181.8	1.4%
Liquor Tax	\$60.2	\$37.1	-38.4%
School Income Tax	\$51.3	\$55.7	8.4%
Other payments	\$4.6	\$4.6	0%



Total Real Estate Tax collections in FY21 were about \$890 million, a 4.6% increase from the almost \$851 collected from FY20.

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.

Real Estate Tax collections form over three-fourths of the total tax revenue that supports the School District.

The remaining 24% 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 over 8% from FY20 to FY21, while Use and Occupancy (U&O) tax collections remained about the same. Liquor Tax collections fell dramatically by over 38% from FY20 to FY21.

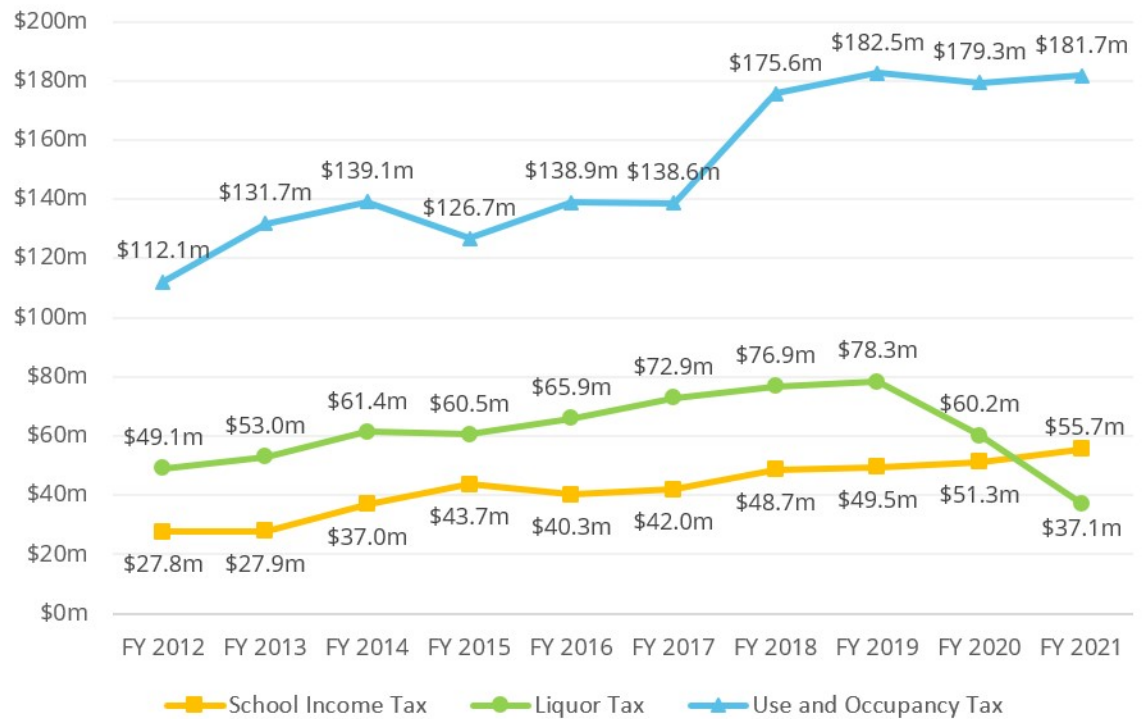
To honor the IRS’ tax return extension, Revenue **amended its tax regulations** in FY21 so that residents paying their School Income Tax by May 17 did not incur any interest or penalty. The City collected almost 15% more than the budgeted School Income Tax in FY21, primarily from residents reporting dividend income.

Revenue also issued multiple **U&O Tax guidance updates** for property owners during the various stay-at-home-and-re-opening stages of the economy. At the end of FY21, the City ended capacity limits for all businesses. Despite the re-opening, U&O Tax collections may be subject to

volatility in the future if businesses are required to close again and exemptions are reinstated.

Although Liquor Tax collections saw a slight recovery towards the end of FY21, like the U&O Tax, future collections will depend on the lingering effects of the pandemic. For example, Liquor Tax collections from full-service and take-out restaurants, one sector of Liquor Tax payers, were 35% lower (\$27.1 million) compared to pre-pandemic levels in FY19 (\$41.5 million). Similarly, Liquor Tax collections from bars lagged pre-pandemic levels, down 59% from before the pandemic in FY19 (\$6.2 million in FY21 vs \$15 million in FY19).

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



Local Non-tax Collections

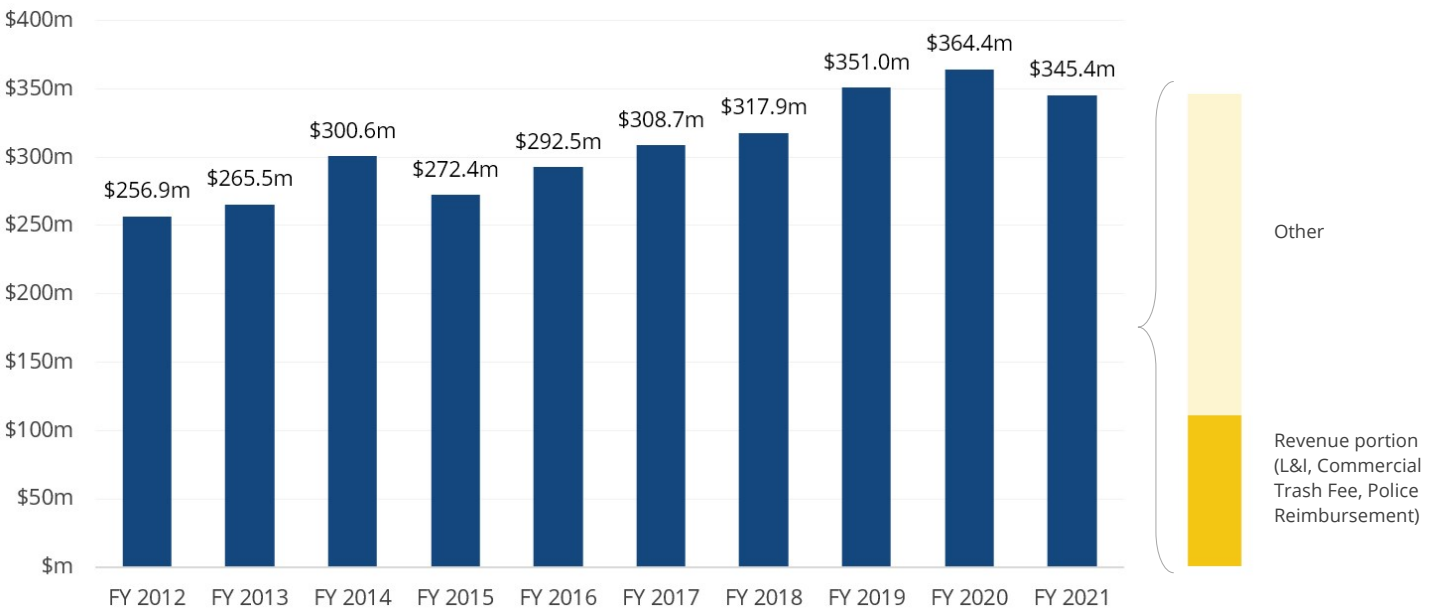
Non-tax revenue collections decreased by about 5% from FY20 to FY21. The Department of Revenue only collects a few sources of non-tax revenue: L&I delinquent fees and fines, Commercial Trash Fees and Police Reimbursements. This portion of non-tax collections increased by 11% from FY20 to FY21.

Generally, local non-tax collections include amounts collected by other City departments (for ex. L&I, Health, Streets, Records etc.), fines, fees, and permits, and proceeds from asset sales credited to the General Fund. A full list is available on page two of this report.

As part of our efforts to provide relief to taxpayers during the pandemic, the City **extended the due date** for the Commercial Trash Fee to the end of the fiscal year. The fee is paid by commercial, mixed-use, and rental properties that rely on City trash pickup instead of a private hauler. In FY21, we sent bills to around 45,000 accounts and received \$19.6 million in revenue, of which over 70% was from residential properties. There are exemptions from the fee for owner-occupied residential properties, places of worship, vacant properties, and those that use private trash haulers.

In FY21, the Law Department continued filing consolidated lawsuits against landlords with multiple delinquent properties and surpassed \$1 million in collections since the effort began in FY20. Consolidated lawsuits aggregate all Real Estate Tax, water debt, and nuisance liens on the landlord's properties. In FY21, the City collected more than \$868,000 in Real Estate Tax, water debt, Commercial Trash Fees, and L&I violations from seven defendants.

Ten-year trend, local non-tax collections



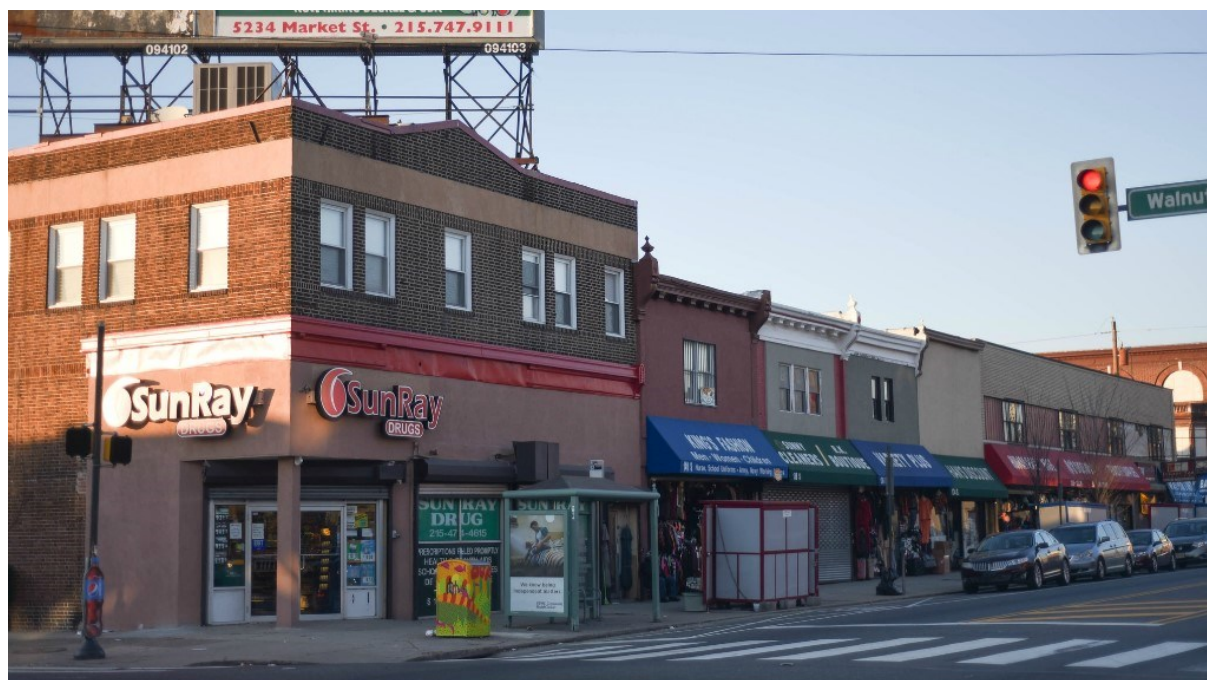
Tax Delinquency and Enforcement

In FY21, the City saw the first full year of pandemic-related impacts on delinquency and enforcement. Revenue realigned its delinquent tax strategies in response to the challenges presented by the pandemic. The Department focused on compassionate enforcement, including new payment options, creative strategies to manage delinquent debt, and improved customer service options. These tools helped Revenue meet the City's collection goals while also providing the necessary resources to improve tax compliance.

Although the City saw a 13% increase in the amount of delinquent taxes collected, from \$139 million in FY20 to \$156 million in FY21, the number of delinquent accounts rose by 5% and outstanding principal balances increased by 17% in that time.

Most enforcement actions, such as business audits and Sheriff Sales, were on hold in FY21. However, Revenue continued to bill delinquent accounts, send non-payment notices, and file liens & lawsuits through the pandemic. A few enforcement tactics such as sequestration, placement of accounts with collection agencies, and municipal court filings resumed in the end of FY21.

A list of Revenue's collection actions and its date of resumption is available in our [Collection Strategy Document](#).



In FY21, Revenue pursued a number of compassionate enforcement strategies. A few examples are:

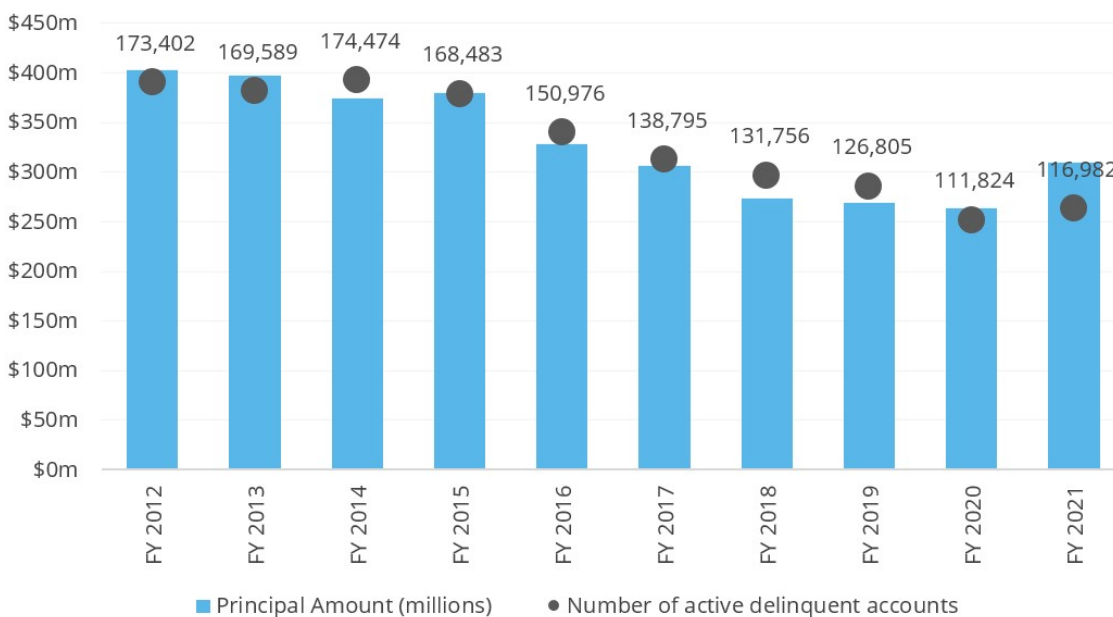
- Developing and promoting flexible payment agreements for businesses and non-owner-occupied property owners. We continued to promote existing affordable payment agreements for owner-occupants.
- Halting the referral process of delinquent accounts to collection agencies until April 2021. We worked with these agencies to re-write their notices and call scripts in plain language.
- Modifying our collection notices to highlight assistance programs that can help taxpayers and business owners save money and manage debts. These letters also emphasized the importance of making payments, if possible, to support the City and School District.
- No longer removing homeowners from existing payment plans for missed

monthly payments. We expect to resume this tactic in FY22.

- Launching email and mail-based outreach projects to delinquent businesses and property owners, in lieu of in-person outreach. Like our collection notices, these letters included information about our payment plans.
- Continuing the use of data from other City departments, the Commonwealth of Pennsylvania, and the IRS to find unregistered businesses and pursue accounts with large and long-time delinquent balances.

Going forward, Revenue’s enforcement toolbox will be supported by a major technology upgrade: the replacement of the City’s tax system of record, including a new public-facing website. The first phase of this project launched in November 2021 for most business taxes and the School Income Tax. We expect to include the remaining taxes in FY23.

Ten-year trend, tax delinquency, all types



Active accounts include debt owed for periods after Jan 1, 2011 for Real Estate Tax & Jan 1, 2015 for business taxes.

Although Real Estate Tax principal debt declined by 5% over the last five years, it rose 8% from \$138 million in FY20 to \$149 million in FY21.

At the same time, the Department collected about \$65 million in delinquent Real Estate Taxes in FY21, approximately 8% more than FY20.

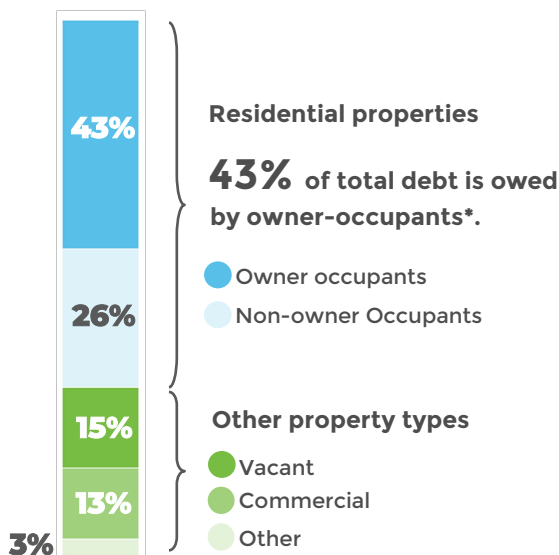
Revenue paused most Real Estate Tax enforcement at the beginning of the COVID-19 pandemic (March 2020) and only restarted a few tactics in FY21. Some of our stronger enforcement tools, such as Sheriff Sales, are still paused.

In line with our compassionate enforcement strategy, Revenue made major changes to the **Warning of Risk of Tax Foreclosure**, a letter that explains the consequences of not paying a property tax bill. Over 56,000 property owners received this notice in CY21. Compared to prior years, this letter acknowledged that the pandemic had put uncommon financial stress on taxpayers, announced that Revenue was suspending enforcement actions, highlighted assistance programs, and reminded taxpayers to continue making payments if possible.

Throughout the year, we also promoted our payment plans for homeowners and landlords and attempted to reach taxpayers through remote efforts. Finally, we did not breach existing payment agreements for property owners that missed payments in FY21. Instead, we continued sending notices of missed payments & attempted a few “soft” collection projects to push taxpayers to continue making payments.

Initial findings show that some of these projects may have worked. For example, a smaller percentage of homeowners enrolled in our Owner-Occupied Payment Agreement (OOPA) missed payments in FY21 compared to FY20 (18% vs 30%). In the same time, the amount of delinquent Real Estate principal covered by payment agreements increased by 14%, from \$7.5 million to \$8.6 million.

FY21 Real Estate Tax delinquency by property type



*Includes tax assistance program enrollees

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



Across all business taxes, delinquent principal debt has risen by over 8% in the last five years and almost 28% from FY20 to FY21.

Almost 40% of delinquent business debt, \$63 million out of \$160 million, is in BIRT. Another 43%, or \$69 million, is in Wage, Earnings, and Net Profits Tax.

Like enforcement for Real Estate Tax debt, most actions were paused almost through the end of FY21. Revenue took this opportunity to identify old business debt and write-off amounts that we were unlikely to collect. In partnership with the Law Department, we wrote-off almost \$82 million in debt from over 2,500 business accounts.

Despite a pause in most enforcement actions, Revenue continued sending notices and bills with an increased emphasis on the **business recovery payment agreement**, a new agreement with flexible terms for businesses affected by the pandemic.

From November 2020 - April 2021, we sent emails about our payment plans to over 3,500 businesses with \$19 million in recent

BIRT debt. This campaign was more successful - one in four businesses that were notified paid in full or entered a payment agreement for a total amount of \$5 million collected.

At the same time, we reached out to over 500 business by mail who owed a little over \$29 million in BIRT debt. This project was not as successful - only one in six business paid in full or entered an agreement, covering \$500,000 in business debt.

As the pandemic evolves, we will continue to reach businesses through innovative methods and are learning how to push them to pay in full, when possible, and enter agreements. Generally, it has been difficult to force these actions without a strong, follow-up enforcement tactic. However, we are committed to evaluating existing strategies and creating new solutions where we can.

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

Collections for water, sewer, and storm water rose slightly from about \$622 million in FY20 to almost \$629 million in FY21.

In FY21, nearly 32% of water customers were signed up for MyPhillyWaterBill, the City's e-billing platform that launched in FY20. The website helps customers manage billing options, schedule payments and view their usage and account histories.

Apart from helping customers pay their bills and improving their interactions with the City, MyPhillyWaterBill also reduces Revenue costs by decreasing billing and postage. Our current adoption rate yields an approximate annual savings of over \$966,000.

To enroll more water customers in paperless billing and AutoPay, we also encouraged existing customers to **switch their ZipCheck accounts** to MyPhillyWaterBill. ZipCheck is our old auto-billing system that helps customers pay their bills on time. To ease the enrollment process, we automatically ended a customer's ZipCheck account when they signed up for MyPhillyWaterBill.

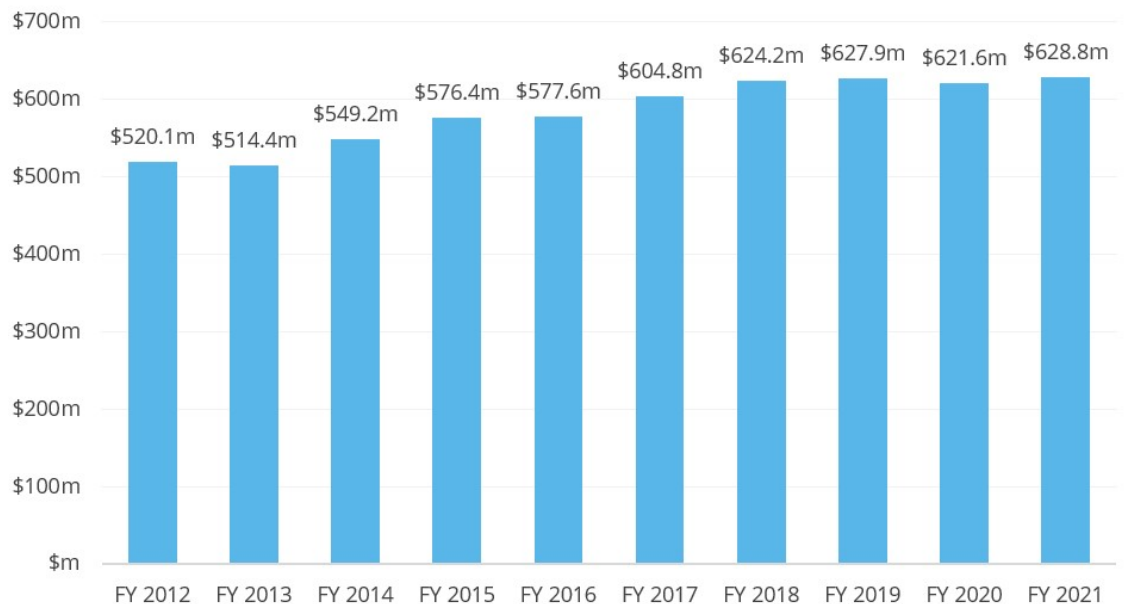
FY21 Water e-billing successes

9 in 10 MyPhillyWaterBill subscribers are enrolled in **paperless billing** = **\$80,528** Per month in postage savings

1 in 4 Water e-billing subscribers are enrolled in **AutoPay** = **43,142** Water customers

1 in 10 ZipCheck customers have signed up for **Autopay** = **3,176** Water customers

Ten-year trend, total Water Revenue Collections



Water Delinquency and Enforcement

Despite a 5% increase in water delinquency from FY20 to FY21, the number of delinquent accounts decreased by 9% in the same time.

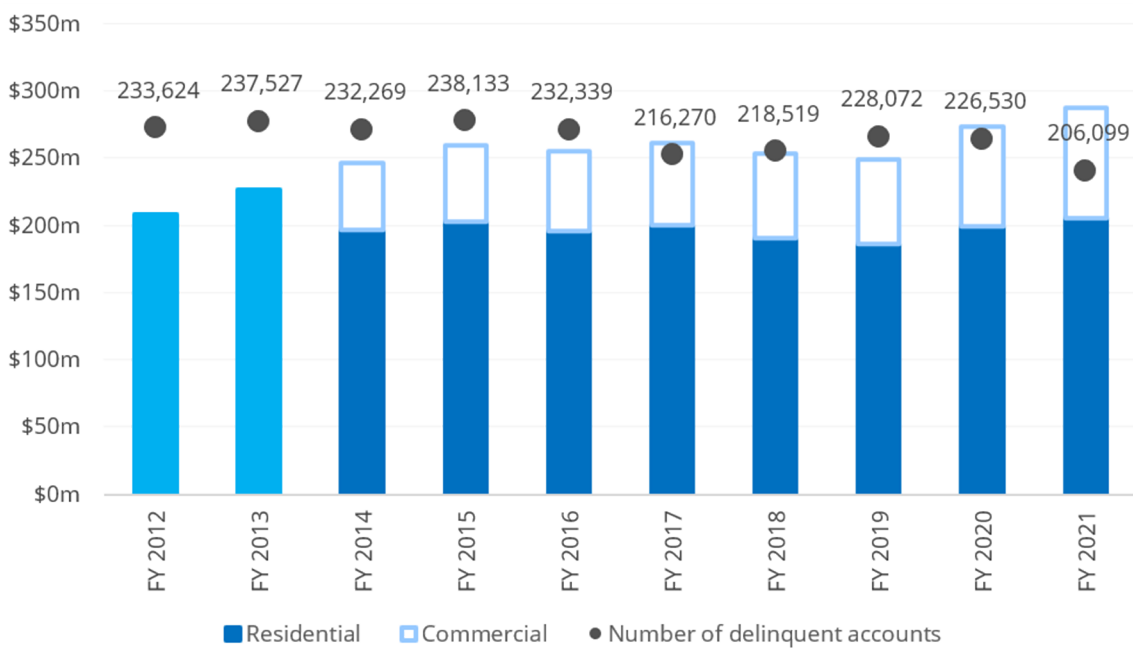
Due to the COVID-19 pandemic, the water shut-off moratorium continued through FY21. In partnership with the Water Department, the City also restored water service to about 9,500 residential water accounts with delinquent balances to promote public health goals in the pandemic.

Like our delinquent tax collection strategy, we realigned our water enforcement responses to counter the challenges presented by the pandemic. As part of our compassionate water enforcement strategy, the City paused all collection tactics, except sequestration, in FY21. Some of our other efforts were:

- Pausing the accumulation of penalties until May 2021, for overdue water bills owed by customers not enrolled in assistance programs.

- Expanding enrollment in assistance programs through mail campaigns, in partnership with the Water Department.
- Pausing enforcement for customers enrolled in water assistance programs for the entire fiscal year.
- Continuing a debt forgiveness program for customers who have made 24 full payments as part of the Tiered Assistance Program (TAP). In FY21, over 32%, or \$3 million, of TAP debt was eligible for forgiveness.

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

The Department of Revenue and the Water Revenue Bureau provide tax and water assistance through programs that reduce bills and payment agreements that reduce debt. We offer programs for homeowners, water customers, low-income workers, as well as businesses in Philadelphia.

In FY21, there were 252,140 enrollees in some form of homeowner assistance program, providing over \$170 million in Real Estate Tax relief. The Water Revenue Bureau had almost 40,000 enrollees in water assistance programs in FY21, saving customers almost \$14 million on their water bills.

Although we could not promote enrollment through in-person outreach, we used other modes, such as mail, to reach customers. We also continued cross-enrolling homeowners across tax assistance programs, improving applications for water assistance, and using pre-submitted documents to verify program eligibility, where possible.

Despite our efforts, the inability to use enforcement tactics to spur assistance program enrollment & restrictions on in-person outreach reduced overall participation. There were about 500 fewer enrollees in tax assistance programs and the total amount of tax relief provided declined by over \$900,000.



About 79% of owner-occupied properties in Philadelphia are enrolled in a Real Estate Tax assistance program.

Revenue’s most accessible assistance program is the Homestead Exemption, which provides taxpayers almost \$141 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.

In FY21, Revenue automatically enrolled 567 applicants from other tax assistance programs into the Homestead Exemption program. These taxpayers saved over \$322,000 in their Real Estate Tax bills. In FY22, we plan to expand cross-enrollment to customers enrolled in water assistance.

Low-income Senior Citizen Tax Freeze (Senior Freeze). 17,879 enrollees; \$5.8 million in tax relief. Revenue stops increasing - or freezes - the Real Estate Tax bill for enrolled taxpayers.

Long-time Owner-Occupants Program (LOOP). 15,517 enrollees; \$23.6 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. 7 enrollees; \$9,329 in tax relief. This credit excuses Reserve/National Guard military service members from paying the city portion of their property taxes while they are called to Active Duty outside of Pennsylvania.

Real Estate Tax Installment Plan. 15,102 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.

Total Real Estate Tax savings from taxpayer assistance programs, by City Council District, FY21.

Council District	Homestead enrollment	Homestead tax benefit	LOOP enrollment	LOOP tax benefit	Senior Freeze enrollment	Senior Freeze tax benefit
1	21,962	\$13,748,723	5,459	\$9,995,578	2,220	\$1,889,712
2	21,508	\$13,476,761	2,883	\$5,202,324	1,862	\$1,099,784
3	16,140	\$9,907,163	1,157	\$1,678,738	1,932	\$338,869
4	24,179	\$14,923,965	950	\$719,947	1,797	\$303,343
5	16,549	\$9,537,486	2,290	\$4,342,940	1,709	\$872,120
6	27,514	\$17,286,630	336	\$305,721	1,391	\$266,478
7	18,531	\$10,819,692	1,269	\$711,905	1,271	\$111,020
8	22,639	\$13,909,549	909	\$524,387	2,205	\$217,278
9	27,042	\$16,954,213	227	\$126,012	1,990	\$149,796
10	32,246	\$20,243,870	37	\$29,688	1,502	\$515,641

Owner-Occupied Payment Agreement. 9,542 enrollees; \$97.1 million under agreement. This program allows residents who own and live in their home to make affordable monthly payments on past due property taxes.

Property tax abatement. The City provides a number of Real Estate Tax abatement programs to encourage new construction or rehabilitation of commercial and residential properties.

Taxpayers enrolled in an abatement cannot receive benefits from the Homestead Exemption or LOOP. This program is administered by the Office of Property Assessment.

Disabled Veterans Real Estate Tax Exemption. This program exempts honorably discharged disabled veterans from the Real Estate Tax. It is administered by the Commonwealth of Pennsylvania.

Apart from offering water bill assistance through the customer assistance application, the City also has payment agreements for residential and commercial water customers.

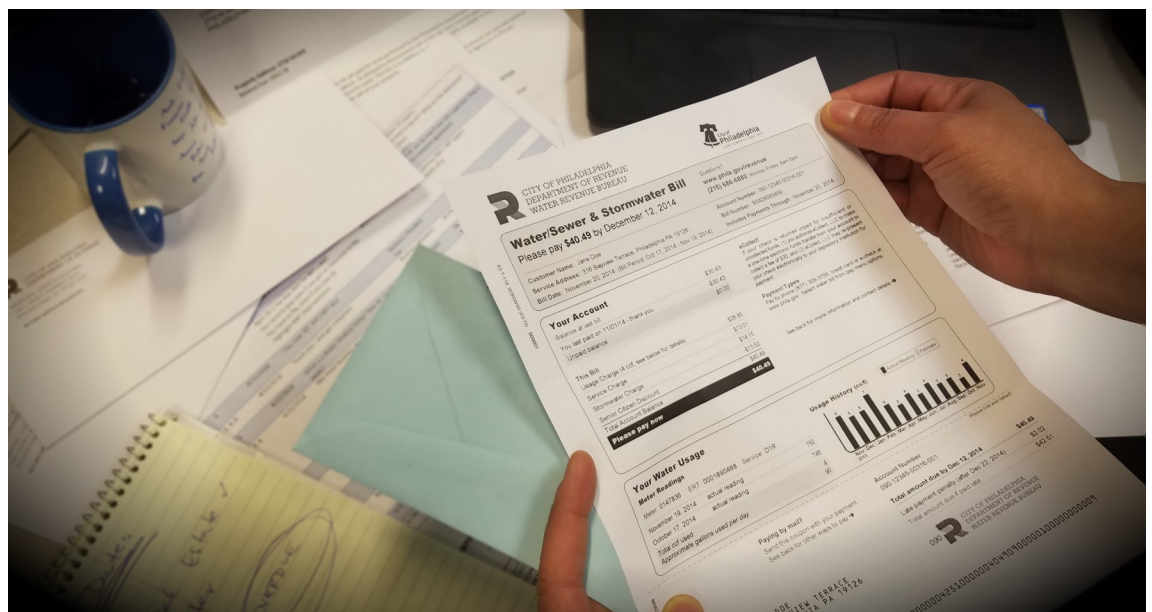
The City partners with the **Utility Emergency Services Fund** to help customers sign up for assistance programs and apply for grants.

Water customers can 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. In FY21, we worked with the Water Department to improve our application so that customers can save and complete it later without losing data entered.

The two programs included in the customer assistance application are:

Tiered Assistance Program (TAP). 16,743 enrollees, \$9.5 million in water assistance. This program caps monthly customer bills based on their household income. It also allows customers who make 24 payments to earn forgiveness on their past debt.

Senior Citizen Water Bill Discount. 22,729 enrollees, \$4.3 million in water assistance. Low-income homeowners who are also senior citizens qualify for a 25% discount on their water and sewer bills.



The Department of Revenue administers refund programs and tax credits that help low-income workers and reduce the cost of conducting business.

In FY21, City Council, in collaboration with the City, expanded existing Wage Tax relief provided to low-income Philadelphia workers. The City also offers numerous tax credits to help businesses with their tax burden. However, many remain underutilized.

Revenue approved refunds for 1,465 low-income residents in FY21, saving them more than \$218,000 in Wage Tax. This represents an 80% increase in issued refunds from FY20. In FY21, we collaborated with the Commonwealth of Pennsylvania to add information about the City's refund programs on their website & created an online refund application for taxpayers.

Revenue publishes **annual usage reports** on five business tax credits. In September 2019, the City **released a study** that analyzed the tax incentives offered to businesses. The study found a number of reasons, such as the overlapping nature of available credits, for their under-utilization.

Other tax 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).

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.



Community Development Corporation (CDC) Credit

BIRT tax credit for businesses that contribute to economic development efforts in distressed parts of the City.

- 42 businesses with non-profit partners enrolled
- Over \$2.1 million in BIRT credits claimed by business sponsors



Job Creation Tax Credit

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

- Two applicants approved in 2020, providing 24 jobs
- Over \$1.6 million in BIRT credits claimed by enrolled businesses



Green Roof Tax Credit

Tax credit against BIRT for constructing a green roof.

- No applications approved in 2020
- Almost \$8,000 BIRT credits claimed



Life Partner and Transgender Health Care Benefits Tax Credit

Tax credit against BIRT for offering health insurance coverage for transgender employees & life partners. No applications approved or credits claimed in 2020.

Improving Efficiency & Customer Service

Despite the difficulties of remote operations due to the COVID-19 pandemic, customer satisfaction continued to rise through FY21.

From FY17 to FY21, the percentage of customers who approve of Revenue and would recommend our services to grew from 18% to 49%. This was accompanied by a sharp decline in the percentage of customers who disapproved of Revenue service.

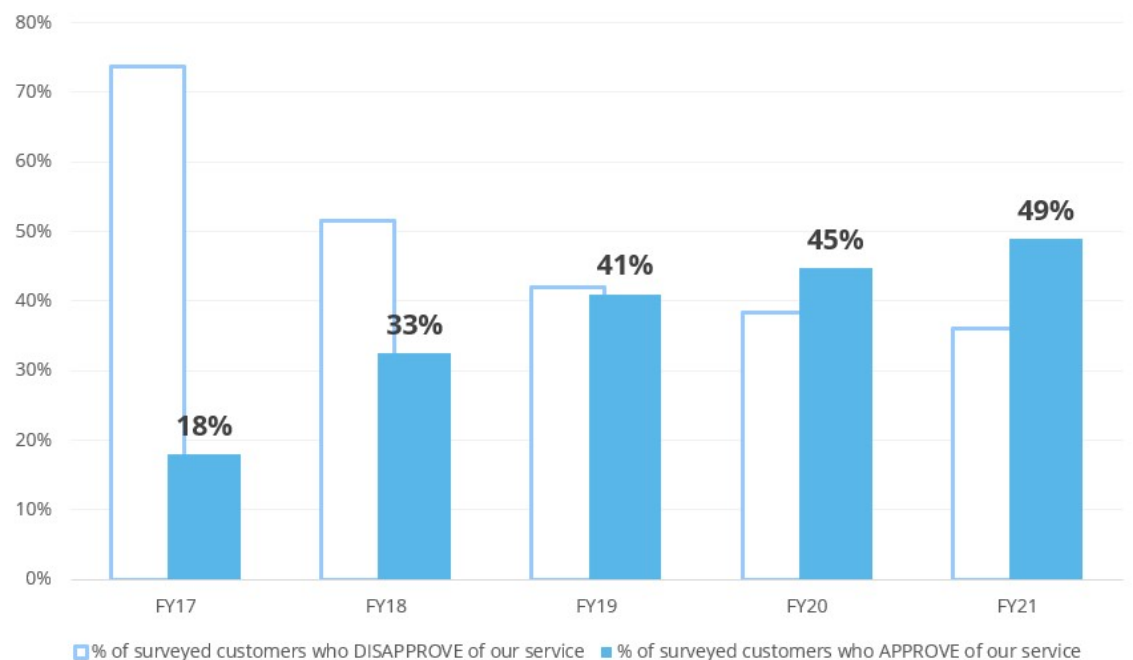
By the end of FY20, Revenue set up a virtual call center and resumed email responses to taxpayers. In FY21, we focused on providing our employees the resources they needed to quickly transition from in-person to remote work in the future.

We distributed over 200 computers, about 170 webcams and close to 190 headsets to Revenue staff. We also set up voicemail to email for over 170 employees that interact regularly with taxpayers. Although we were able to leverage existing technology to


resume as many services as possible, a new tax system will allow us to more quickly meet these operational challenges.


Like in FY20, we continued to improve the tax clearance process, which is a way for a taxpayer to certify that they are in good standing with the City of Philadelphia. Usually, when a taxpayer submits a tax clearance request, Revenue staff manually go through data for business, real estate, water, and other fees and fines debt. In FY21, we worked with the Office of Property Assessment and IT to shift this process from manual to automated. The processing time for a tax clearance request dropped from over 14 days to about two business days, a reduction of over 85%.

Five-year trend, responses of surveyed Department of Revenue customers





Customer service metrics in FY21


 **478,331** taxpayers paid their taxes online; **\$3.9 billion***


 **203,943** taxpayers filed their taxes online^


 **8.6 million** letters sent


 **281,525** calls received about taxes


 **35,029** in-person visits at our main service center

 **4.3 million** unique website visits

 **81** outreach events attended for businesses and residents

 **20** tax events attended for business professionals

 **26** published YouTube videos, **22** multilingual videos

 **80** blogposts on website, **24** multilingual posts.

^Includes TY20 filings for Wage Tax, NPT, BIRT, and SIT, last year of complete data.

In FY21, Revenue maintained communication with taxpayers and water customers via mail, our website and social media. We also continued to improve customer service by making it easier to file and pay taxes and apply for tax and water assistance.

Customer service initiatives includes:

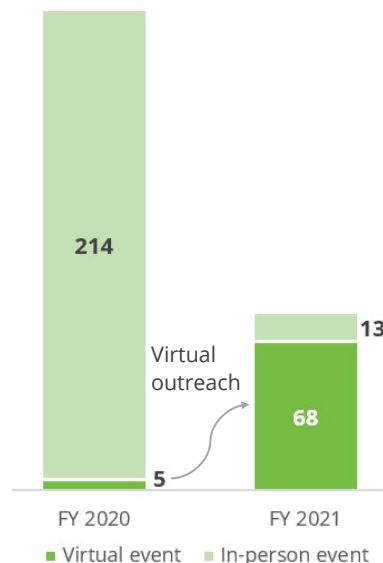
- Updating our **webpage** with any new COVID-19 related tax guidance for the City's tax types. We resumed email responses in mid-April 2020 & phone services in May 2020.
- Launching a new electronic application for tenant and occupant water customers. Previously, these customers needed to visit a service center to complete a water assistance application.
- Creating a new appointment system for contact-less in-person service at the Municipal Services Building, in partnership with the Law Department. This allowed us to help Philadelphians keeping social distancing in mind.
- Sharing information about our assistance programs through call and mail campaigns, with an emphasis on multilingual materials to reach Philadelphia's immigrant population.

For online tax filing and payments, a record 77% of taxpayers **filed their taxes online** in TY20 and we received about 76% of all FY21 revenue through **electronic payments**. In FY21, taxpayers could file six of our eight tax types, and pay 14 out of 18 tax types online.

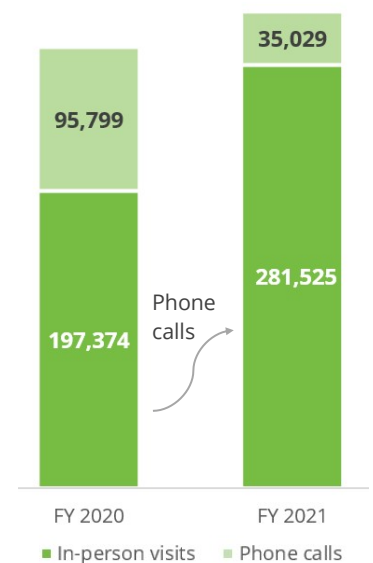
How did customer service change from FY20 to FY21?

In response to the COVID-19 pandemic, Revenue modified the way we serve our customers:

The number of virtual outreach events rose dramatically from FY20 to FY21



The percentage of customers helped via phone increased by 43% from FY20 to FY21



Moving Forward

The Department of Revenue's main priority in FY22 will be supporting the launch of our new tax system of record. This technology upgrade also includes a new public-facing customer website for opening accounts, filing, payments, and applying for payment agreements.

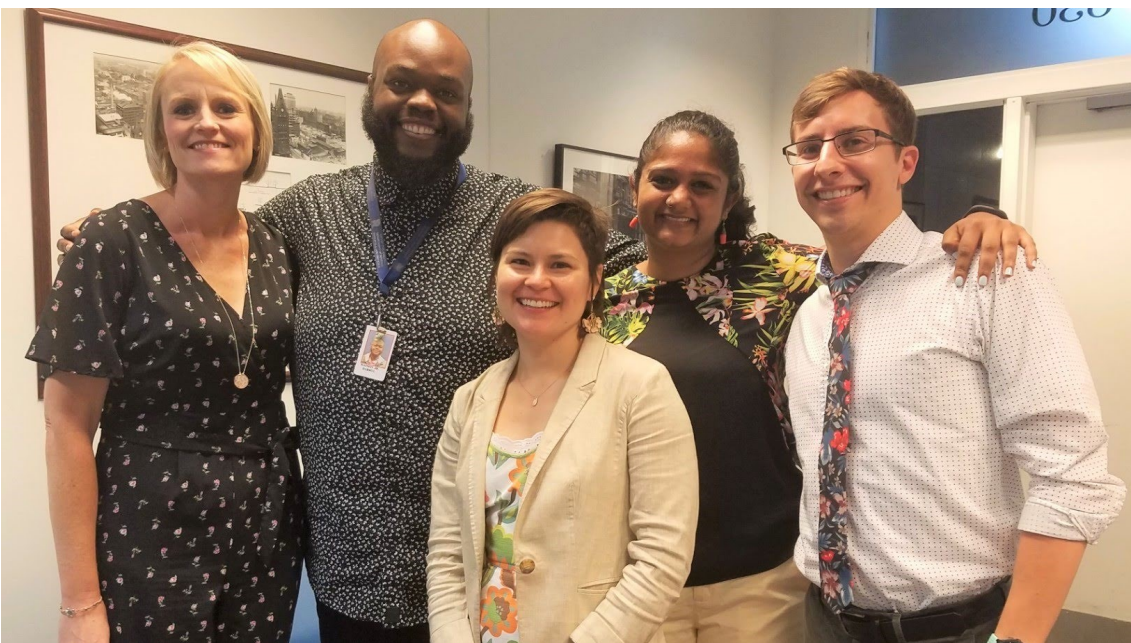
In November 2021, we rolled out the first phase of this project, that included most business taxes and the School Income Tax. We gained input from taxpayers and businesses prior to rollout and provided dedicated customer service through its launch.

During the transition process, we maintained all existing operations, previewed the tax system at events for business and taxpayers, and continued to promote existing payment plans and assistance programs.

In FY22, we also expect to begin the process of replacing our water system of record by issuing a Request for Proposals. Like the project to replace our tax system, it will be multi-year and include significant service improvements for our water customers.

Like prior years, we will continue exploring new ways to help tax and water customers through targeted outreach, increased partnerships with stakeholders like City Council, and by using new outreach tools. In FY22, we will engage a new vendor to text taxpayers, develop new cross-collaborations between tax and water assistance programs, and create an outreach strategy to reach immigrant communities in Philadelphia.

Finally, the Department of Revenue remains committed to compassionate enforcement in FY22. We will create new programs that best fit the needs of our taxpayers, continue supporting those that miss payments on their agreements, and focus enforcement action on projects that reach chronically delinquent accounts.





www.phila.gov/revenue

Connect with @PhilaRevenue on
Facebook and Twitter



Subscribe to @PhilaRevenue on YouTube



Follow us on LinkedIn
www.linkedin.com/showcase/philairevenue



Icon credits by order of appearance:

Lauren Topor, Joe Kratz Flickr, Message by Shaurya, Phone by Iconsphere, Conversation Daniel Aczel, At by Wira, Network by MFRA, Presentation by Shashank Singh, Facebook by Priyanka, youtube by shwepes, Blog by Mello from the Noun Project.