

## FY2024, Q1 (July-September 2023): Wage, U & O, and Amusement

Philadelphia tax data continues to show the City’s recovery from the impacts of the COVID-19 pandemic. The City’s core industries (Health Sciences, Education and Professional Services) have exceeded their pre-pandemic performance, while entertainment and tourism related taxes also show a strong return of in-person and leisure activity. The unemployment rate for the Philadelphia area dropped year-over-year from 3.8% in October 2022 to 3.6% in October of 2023.<sup>1</sup> Use and Occupancy Tax revenue shows soft demand in Center City, offset by robust growth in West Philadelphia; and the Northeast.

### Wage Tax

- Total collections for Q1 FY2024 are up 7.4% compared to the same period in the previous fiscal year, with growth across all top-level industries, led by Finance & Insurance (+13.2%) and Manufacturing (11.5%). Compared to the same period in FY2022 and FY2021, collections are up 15.9% and 21.2%, respectively, with similar gains across all industries – though Government (-2.3%) is down relative to FY2021.
- The top four industries (Health and Social Services, Professional Services, Government, and Education) collectively follow these trends as well (up 7.3% compared to FY23, 14.6% compared to FY22, and 15.8% compared to FY21). Compared to FY2023, Government (+8.7%) has experienced the most growth, with Education experiencing the most growth compared to FY2021 (+37.5%) and FY2022 (+25.4%).
- Compared to FY2019, the most recent non-pandemic fiscal year, total collections are up for Q1 (+16.2%) and continue showing consistent growth since Q1 FY2021. Health and Social Services (+26.1%), Hospitality & Entertainment (+23.6%), and Retail Trade (+23.3%) all mirror this growth since Q1 FY2021, while also experiencing the highest gains this past quarter relative to FY2019.

Top-level Industry Breakdown - July 2020-September 2023  
Percent Change from FY2019 - Wage Tax Revenue



<sup>1</sup> <https://www.bls.gov/opub/ted/2023/unemployment-rates-higher-in-223-metro-areas-in-year-ended-october-2023.htm>. Retrieved December 13, 2023.

## Analysis of Tax Data for Economic Information

### Wage Tax by Industry Breakdown (Q1 FY21, FY22, FY23, FY24)

Industry	FY2021	FY2022	FY2023	FY2024	Pct Change from FY2021	Pct Change from FY2022	Pct Change from FY2023
Health and Social Services	\$118.5	\$117.9	\$125.5	\$135.2	14.1%	14.7%	7.7%
Professional Services	\$52.7	\$57.0	\$63.7	\$66.8	26.6%	17.1%	4.8%
Government	\$67.3	\$62.9	\$60.5	\$65.7	-2.3%	4.6%	8.7%
Education	\$39.6	\$43.4	\$50.6	\$54.5	37.5%	25.4%	7.6%
Finance & Insurance	\$31.5	\$32.7	\$31.3	\$35.4	12.6%	8.3%	13.2%
Hospitality & Entertainment	\$18.1	\$25.0	\$31.0	\$32.1	77.0%	28.4%	3.5%
Retail Trade	\$24.3	\$28.5	\$28.8	\$29.0	19.1%	1.7%	0.7%
Manufacturing	\$26.3	\$27.3	\$28.7	\$32.1	22.0%	17.6%	11.5%
Publishing & Telecommunications	\$16.3	\$15.0	\$20.5	\$21.2	30.3%	41.3%	3.4%
Construction	\$17.2	\$17.5	\$19.6	\$20.4	18.3%	16.6%	4.1%
Transportation and Warehousing	\$16.8	\$17.7	\$18.8	\$20.0	19.2%	12.7%	6.1%
Other Sectors	\$53.3	\$58.9	\$64.5	\$71.6	34.4%	21.5%	11.0%
<b>Total Wage Tax</b>	<b>\$481.9</b>	<b>\$503.9</b>	<b>\$543.7</b>	<b>\$584.0</b>	<b>21.2%</b>	<b>15.9%</b>	<b>7.4%</b>

## Use and Occupancy Tax

- In the first quarter of FY2024, office building use and occupancy revenue trended down slightly year-over-over for Center City, while parking lot and retail establishment tax revenue increased. Revenue from restaurants and bars in Center City also saw significant decreases during the first quarter of FY2024.
- Outside of Center City, revenue increased for all building types, except Amusement buildings and Parking Garages. Retail and Restaurant Bar saw some of the largest increases outside of Center City.
- **Overall, Philadelphia saw a +3.64% rise in U&O Tax revenue in the first quarter of FY 2024, benefitting from increased retail in the Northeast and office buildings in West Philadelphia.**

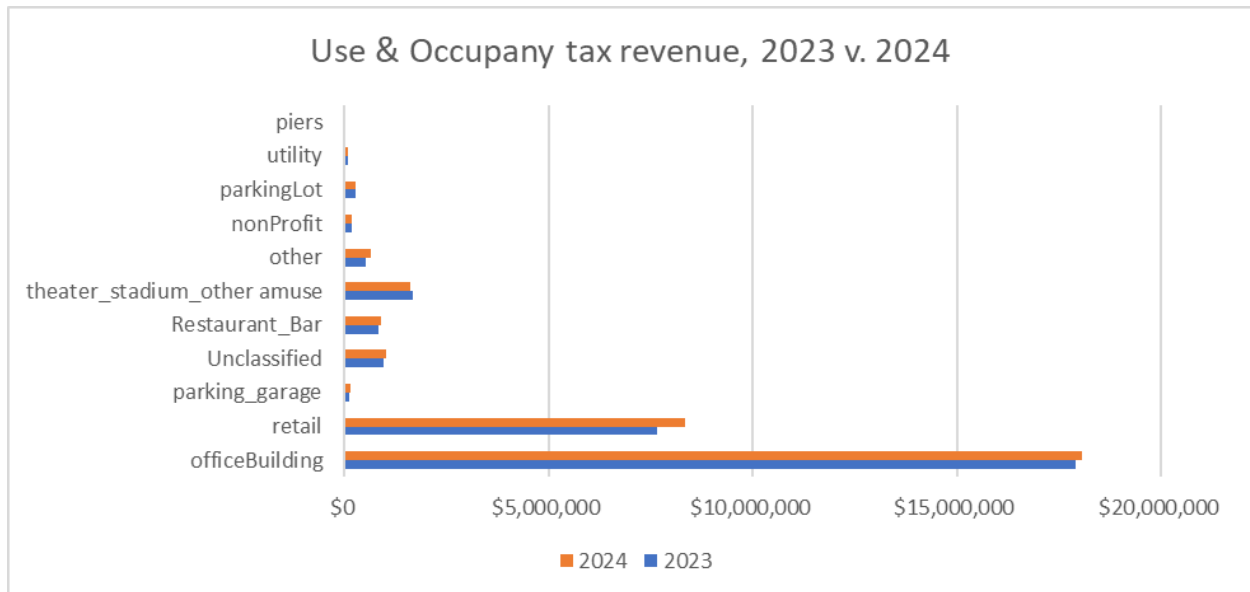
### U&O Tax for Center City by Building Type (Q1 FY23 vs FY24 and percent change)

Center City	2023	2024	% change
Office Building	\$16,123,463	\$15,941,385	-1.13%
Retail	\$1,699,833	\$1,913,195	12.55%
Parking Garage	\$1,663,464	\$1,659,540	-0.24%
Unclassified	\$849,021	\$941,371	10.88%
Restaurant Bar	\$342,362	\$261,710	-23.56%
Theater, Stadium, Other amusement	\$244,761	\$227,873	-6.90%
Other	\$218,466	\$168,121	-23.04%
Non Profit	\$171,847	\$158,601	-7.71%
Parking Lot	\$90,219	\$137,749	52.68%
Utility	\$46,998	\$46,998	0.00%
	\$21,450,434	\$21,456,543	0.03%

# Analysis of Tax Data for Economic Information

## U&O Tax for OUTSIDE Center City by Building Type (Q1 FY23 vs FY24 and percent change)

Outside of Center City	2023	2024	% change
Retail	\$5,965,187	\$6,650,360	11.49%
Office Building	\$1,796,330	\$1,938,335	7.91%
Theater, Stadium, Other amusement	\$1,411,389	\$1,376,184	-2.49%
Restaurant Bar	\$484,600	\$550,100	13.52%
other	\$306,571	\$418,771	36.60%
Parking Lot	\$162,322	\$178,662	10.07%
Unclassified	\$111,000	\$171,365	54.38%
utility	\$20,316	\$27,166	33.72%
Parking garage	\$13,424	\$9,009	-32.89%
Piers	\$3,714	\$4,560	22.78%
	\$10,274,853	\$11,324,512	10.22%

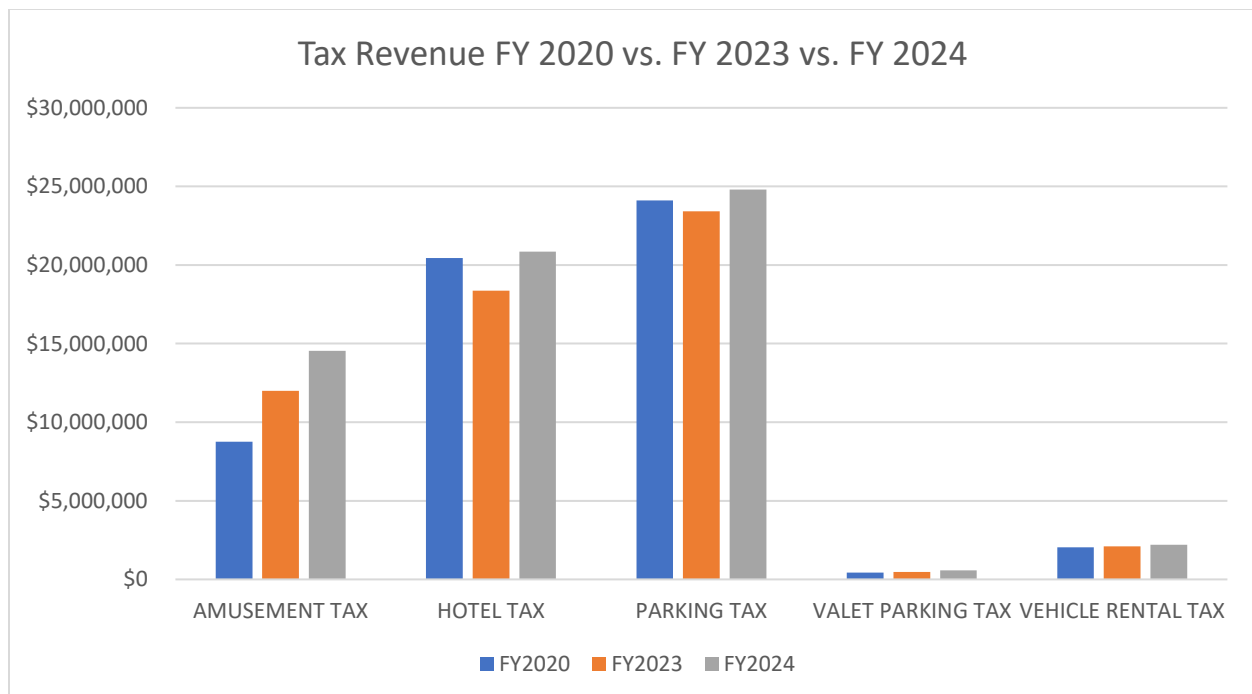


## Hospitality – Amusement, Hotel, and Parking Taxes

- The Convention and Visitors Bureau anticipated that hotel revenue for Center City and Philadelphia County would exceed the 2019 numbers by about 4% due to 20 conventions and 165 events planned in the City.<sup>2</sup>
- While Hotel Tax revenue has rebounded to pre-pandemic level, we can see the effect of the return of conventions and other in-person events, such as sports and entertainment, in the dramatic increase of the Amusement Tax revenue.
- In addition to the increase in Amusement and hotel tax revenues, the City experienced an increase in Parking tax, Valet Parking tax, and Vehicle Rental tax revenues. All increases exceeded the pre-pandemic revenue collected in FY 2020.

### Amusement, Hotel, Parking, Valet, and Vehicle Rental Taxes (Q1 FY20 vs. 23 vs FY24)

Tax Type Description	FY2020	FY2023	FY2024
AMUSEMENT TAX	\$8,765,739	\$12,000,812	\$14,549,978
HOTEL TAX	\$20,435,303	\$18,366,422	\$20,842,409
PARKING TAX	\$24,098,518	\$23,416,582	\$24,795,470
VALET PARKING TAX	\$437,919	\$477,617	\$567,714
VEHICLE RENTAL TAX	\$2,038,597	\$2,103,466	\$2,208,629



<sup>2</sup> <https://www.inquirer.com/business/tourism/philadelphia-tourism-pandemic-recovery-20230131.html> . Retrieved October 30, 2023.