

University of Pennsylvania
Tax Savings v. Community Support

University of Pennsylvania		
Tax Savings Analysis		
Real Estate Tax Savings ①		
Value of Real Estate Held	6,500,000,000	
Real Estate Tax Rate	1.40%	
Annual Real Estate Tax Savings		91,000,000
Use & Occupancy Tax Savings ②		
Value of Real Estate Held	6,500,000,000	
Less non-taxable residential value (estimated)	<u>(1,500,000,000)</u>	
Estimated Tax Value	5,000,000,000	
U&O Tax Rate	1.21%	
Annual U&O Tax Savings		60,500,000
Endowment Fund Tax Savings ③		
Endowment Fund Value @ 6/30/16	10,700,000,000	
Endowment Fund Value @ 6/30/17	<u>12,200,000,000</u>	
Increase in Value	1,500,000,000	
Investment income (per consolidated State. Of Activities)	540,679,000	
Tax Rates		
Federal	20.00%	
PA	9.90%	
City of Philadelphia	<u>6.50%</u>	
	36.40%	
Annual Tax Savings from Endowment Fund		196,807,156
Sales Tax Savings ④		
Building Budget (change in net PPE plus depreciation)	720,492,000	
50% Labor	360,246,000	
50% Materials	360,246,000	
Sales Tax Rate	8.00%	
Annual Sales Tax Savings		28,819,680
Sales Tax Savings on Combined Operating Supplies ⑤		
Other Current Expenses & Operating supplies	3,029,739,000	
Estimated 50% for consumables	<u>1,514,869,500</u>	
Sales Tax Rate	8.00%	
Annual Sales Tax Savings		121,189,560
Income Tax Savings		
Increase in Net Assets from operations - 06/30/17	297,459,000	
Less Tax Savings	(498,316,396)	
Adjusted Increase in Net Assets (Net Decrease)	(200,857,396)	
Tax Rates		
Federal	35.00%	
PA	9.90%	
City of Philadelphia	<u>6.50%</u>	
	51.40%	
Annual Income Tax Savings		-
Philadelphia Water Dept Subsidy		2,000,000
Total Annual Tax Savings		<u>500,316,396</u>
Does not include any taxes on Utilities and Telephone		

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List of References

- ① Net PPE per June 30, 2017 Balance Sheet was \$6,452,306,000. Accumulated Depreciation was approximately \$4,203,594,000. Gross PPE equals \$10,655,900,000. Real Property was estimated to be 60% of total PPE. (Per page 36 of the Consolidated Statement of Financial Condition as of June 30, 2017.)
- ② Real property is estimated to be \$6,500,000,000. Residential real estate is estimated to be \$1,500,000,000 and is not subject to Use and Occupancy Tax.
- ③ The Endowment Fund (AIF) balance is per the Footnotes to the Consolidated Statement of Financial Condition as of June 30, 2017 (Page 32). Investment income from the Endowment Fund is per Page 16 of the Consolidated Statement of Financial Condition.
- ④ Sales Tax Savings on the Building Budget is based on the Change in net PPE per the Consolidated Statement of Financial Condition as of June 30, 2017 (Page 36) plus Depreciation for the year.
- ⑤ Sales Tax Savings on Combined Operating Supplies is based June 30, 2017 UofP Operating Budget. Current Expense for the Academic Component totaled \$1,035,072,000. Supplies & Services for the UofP Health System totaled \$1,994,667,000 for a combined expense of \$3,029,739,000. We estimated that 50% of Current Expenses are for Consumable subject to sales tax.