

District of Columbia Cash Collections Report

Office of Revenue Analysis
Office of the Chief Financial Officer
Government of the District of Columbia

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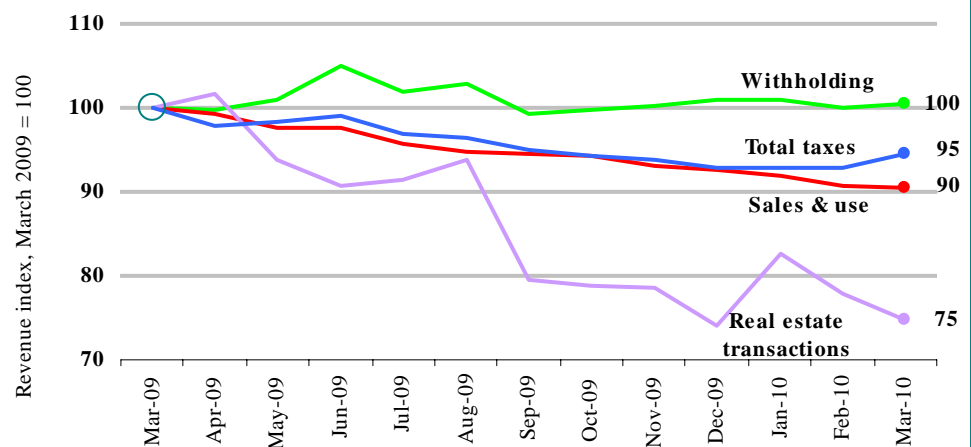
Highlights

- Total tax collections for the fiscal year to date are 0.3 percent below that of a year ago.
- General sales and use taxes are down by 8.3 percent for the year to date.
- Individual income tax collections are down by 2.9 percent, but withholding tax collections are up 2.2 percent.
- Total property transaction taxes for the YTD are down by 6.3 percent.
- YTD gross receipts taxes are down by 14.4 percent.

Revenue slide moderates, but is it a trend?

Revenue performance

12 month moving average index



Source: Office of Revenue Analysis

The index of total tax collections has declined 5 percent from last March (chart). As the trend line shows, this is first time since last July that the index has not declined more than the previous month. One month does not a trend make, but there are several reasons to believe that this may be a turning point in the revenue slide that began last March.

First, the U.S. economy appears to be in recovery. The U.S. GDP grew 2.2 percent in the 3rd quarter and 5.6 percent in the fourth quarter of 2009. U.S. employment (seasonally adjusted) increased by 162,000 from February 2010 to March 2010. The US unemployment rate stayed at 9.7 percent in March for the 3rd month in a row. And the Standard and Poor's 500 stock market index was 52.2 percent higher than a year earlier, but was still 25.2 percent below its October 2007 peak.

Second, the sectors of the District's economy most impacted by the recession are starting to recover. In the last 2 months resident employment grew by 3,012. For the 3-month period ending in February, single family sales were up 28.6% and condominium sales were up 23.9% compared to a year ago. And for the quarter ending in March, leased space rose by 0.71 million square feet and occupied space rose by 0.90 million square feet.

Finally, the Rockefeller Institute's *State Revenue Report* for April notes that although in the 4th quarter of 2009 tax collections for states declined for the fifth consecutive quarter, the pace of the decline slackened. But the report concludes on the sobering note that "state fiscal recovery is likely to be long and slow".

Collections by Revenue Source

Year-to-date Tax Collections by Source: 2010 vs. 2009 (\$'000)

	March 2010	March 2009	Percent change
TOTAL TAX COLLECTIONS	1,925,244	1,930,561	-0.3
Property Taxes	551,737	427,781	29.0
Real Property Tax	550,801	425,340	29.5
Personal Property Tax	936	2,441	-61.7
Total Property Transactions	87,061	92,923	-6.3
Deed Recordation Tax	42,790	52,859	-19.0
Deed Transfer Tax	34,174	31,887	7.2
Economic Interest Transfer	10,097	8,177	23.5
Sales	484,937	531,318	-8.7
General Sales and Use Tax	444,953	485,315	-8.3
Excise Taxes	39,984	46,003	-13.1
Income	660,157	669,918	-1.5
Individual Income Tax	496,926	511,965	-2.9
Corporate Franchise Tax	116,150	120,504	-3.6
Unincorporated Business Tax	47,081	37,449	25.7
Gross Receipt and Estate	141,352	208,621	-32.2
Gross Receipts Taxes	124,522	145,516	-14.4
Estate Tax	16,830	63,105	-73.3

Property Taxes. For the fiscal year to date through March, the real property tax collections show an increase of almost 30 percent relative to last year's collections. The huge increase over last year's collections is mainly due to changes in the timing of the processing of payments. Real property tax payments are due March 30th and payments are collected and processed March through May. Because the share of payments processed in a given month varies each year, a true picture of the performance of the real property tax from the first half billing must wait until the May cash report is available.

Real Property Transactions Taxes. For the fiscal year to date through March, collections for the real property transactions taxes are down 6.3 percent relative to a year earlier. As the trend line on the chart on the previous page shows, the pace of the decline in collections from real estate transactions has slowed in recent months. This is consistent with recent improvements in the real estate sector, in particular the residential real estate sector. As noted on the first page, for the 3-month period ending in February, single family sales were up 28.6% and condominium sales were up 23.9% compared to a year ago.

Sales Taxes. General sales and use tax collections are for the fiscal year to date 8.3 percent lower than the previous year, due mainly to lower spending in the District's hospitality sector for the first two quarters of the fiscal year. General sales and use tax collections have picked up in the third quarter as the U.S. economy has started to recover.

Excise tax collections for the year are down 13.1 percent, driven by lower cigarette tax collections.

Income Taxes. Individual income tax collections for the fiscal year to date are down by 2.9 percent. No major payments are due for March, but large refunds were paid in March in the run up to the April 15th filings.

Corporate franchise tax collections are down 3.6 percent for the year to date, while collections for the unincorporated business (UB) tax are up 25.7 percent. While faster processing of payments may explain some of the UB tax growth, the consistently higher collections over the last several months means that the higher UB tax is likely related to the pickup in the real estate sector.

Gross Receipts Taxes. Fiscal year to date collections for the gross receipts taxes are down 14.4 percent compared to the same period last year. Tax collections are down 4 percent for public utilities and 10.5 percent for toll telecommunications. Weakness in the performance of both tax sources appears to be related to the general economic weakness. Insurance premiums payments, which are due in March and June of each year, are down by 49.1 percent, but the March payments have not yet been processed. We expect the payments to be processed by the time of the April cash report.

Non-Tax Revenues. Collections for most non-tax revenue sources tend to be lumpy—that is, there are large collections for some months and almost no collections in other months and non-tax collections are often not tied to economic activity in the District. However, business licenses and permits collections tend to reflect the business cycle, especially real estate booms and busts. In that light, the 35.9 percent decline in business licenses and permits collections for the fiscal year to date reflects the downturn in the District real estate market over the past two years.

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