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

# District of Columbia
# Cash Collections Report

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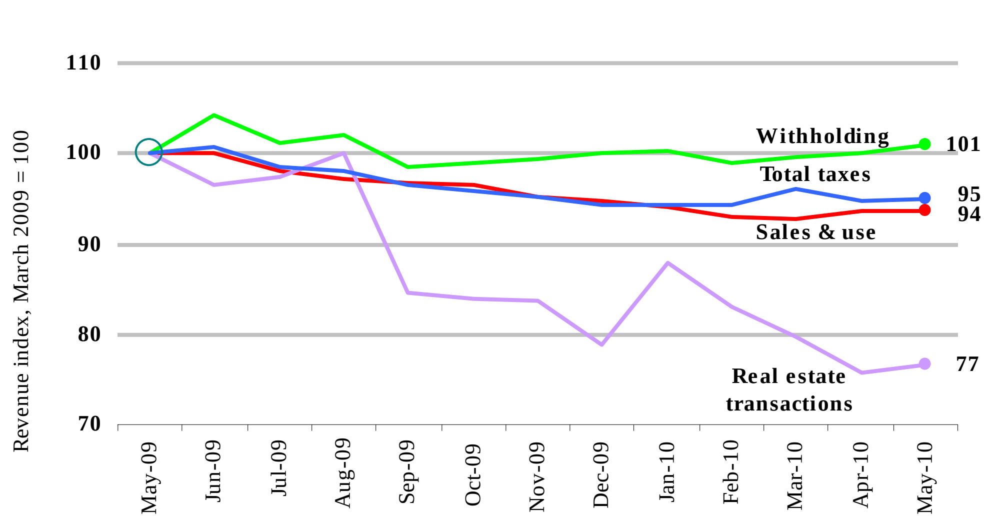
***Highlights***

- Total tax collections for the fiscal year to date are 2.5 percent below that of a year ago.
- General sales and use tax collections are down 4.9 percent .
- Individual income tax collections are down 0.8 percent, but withholding tax collections performance remains strong, up 3.6 percent for the fiscal year to date through May.
- Real property transaction taxes are down by 7.5 percent, a smaller decline than in recent months.
- Gross receipts tax collections through May are down 1.4 percent.

## "Bouncing along the bottom"

**Revenue performance**
12 month moving average index




Source: Office of Revenue Analysis

The 12-month moving average index of total tax collections in May declined 5 percent compared to a year ago. This rate of decline is the same as it was in April. At this point in the recession cycle, the revenue slide seems to have bottomed out and we are now "bouncing along the bottom." But there are several reasons to expect District overall tax revenue to start growing over the next few months.

For one, the last few months have seen District residents gaining jobs. According to the US Bureau of Labor Statistics (BLS) there were 2,429 more (0.8 percent) DC residents employed in April relative to March 2010 and 2,710 more DC resident jobs (or 0.9 percent) compared to April 2009. This should further boost withholding tax growth in the months to come.

Housing sales have also turned around in recent months. In April, the value of home sales went up by 42.8 percent compared to April 2009, although during the three month period ending in April, relative to the same period last year, the average prices for single family homes and condos were down 3.0 and 10.6 percent, respectively. This augurs well for deed taxes.

Finally, as the national economy recovers, the general sales and use tax will recover as consumers spend more on goods and services generally, and in the hospitality sector in particular. About 50 percent of the District's general sales and use tax revenue is derived from the hospitality sector. Still, unlike recoveries of the recent past, this recovery is expected to be long and slow.

# Collections by Revenue Source

**May YTD Tax Collections by Source: 2010 vs. 2009 ($ '000)**

| | May 2010 | May 2009 | Percent change |
|---|---|---|---|
| **TOTAL TAX COLLECTIONS** | **2,874,820** | **2,947,646** | **-2.5** |
| **Property** | **929,497** | **905,801** | **2.6** |
| Real Property Tax | 928,384 | 902,965 | 2.8 |
| Personal Property Tax | 1,113 | 2,836 | -60.7 |
| **Real Property Transactions** | **107,274** | **115,988** | **-7.5** |
| Deed Recordation Tax | 52,879 | 66,038 | -20.0 |
| Deed Transfer Tax | 42,156 | 41,588 | 1.4 |
| Economic Interest Tax | 12,239 | 8,362 | 46.4 |
| **Sales** | **675,725** | **711,644** | **-5.0** |
| General Sales and Use Tax | 616,945 | 648,454 | -4.9 |
| Excise Taxes | 58,780 | 63,190 | -7.0 |
| **Income** | **947,768** | **948,817** | **-0.1** |
| Individual Income Tax | 726,832 | 732,940 | -0.8 |
| Corporate Franchise Tax | 138,888 | 137,133 | 1.3 |
| U.B. Franchise Tax | 82,048 | 78,744 | 4.2 |
| **Gross Receipts and Estate** | **214,556** | **265,396** | **-19.2** |
| Gross Receipts Taxes | 194,396 | 197,130 | -1.4 |
| Estate Tax | 20,160 | 68,266 | -70.5 |

**Property Taxes**. Real property collections are much stronger than expected, growing 2.8 percent fiscal year-to-date through May compared to a forecasted annual decline of 2.7 percent. A preliminary analysis shows that some of the better than expected performance of the real property tax collections is due to lower delinquency rates than the previous year, when the deteriorating economy and soaring unemployment rates made it much harder for property owners to pay their taxes. The lower delinquency rates is thus another sign of a recovering local economy.

The filing deadline for personal property tax payments is July 31 of each year, so the May collections performance is not an indicator of the expected personal property tax revenue performance for the year.

**Real Property Transactions Taxes.** The steep decline in the deed taxes since the collapse in the housing market is tapering off. All deed taxes are down 7.5 percent for the fiscal year through May, an improvement from the 42 percent decline last year.

**General Sales and Use Tax.** Sales tax collections are only just starting to recover from a very weak fall and winter. Fiscal year to date through May, sales tax receipts are down 4.9 percent. But after the weak fall and winter, collections are up 2.4 percent over the past 3 months.

**Excise Taxes.** Excise tax collections are down 7.0 percent, driven mostly by a significant decline in cigarette tax collections.

**Income Taxes.** Individual income tax collections are down 0.8 percent year to date due to the weaker than expected performance of final payments from the April filings. Withholding tax collections performance remains strong, up 3.6 percent for the fiscal year to date through May.

The business franchise taxes are growing again. The corporate franchise tax collections year to date through May are up 1.3 percent over the previous year, while the unincorporated business tax collections are up 4.2 percent.

**Gross Receipts Taxes.** Gross receipts tax collections fiscal year to date through May are down 1.4 percent. Public utilities collections fiscal year to date are down 7.3 percent, mainly because collections for the month are 34.9 percent lower. This large decline for the month is due to delayed processing of some payments. Toll telecommunications collections are down 16.9 percent for the fiscal year to date through May. Again, this is mostly due to a 70.5 percent drop for the month of May. We are still trying to confirm, but this is also likely due to delayed processing of payments. Insurance premiums, on the other hand, are up 32.1 percent for the fiscal year to date through May. Payments are due in March and June of each year, so the collections through May reflect the March payments. The strong performance of the insurance premiums tax collections for the period is due to HMO's filing DC insurance premiums tax returns for the first time.

**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. As such, the 12.4 percent decline in non-tax receipts for the fiscal year to date through May is not a good indicator of the likely performance of non-tax revenue for the fiscal year.

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