



D.C. REPORT OF CASH COLLECTIONS

FEBRUARY 2003

Dr. Natwar M. Gandhi
Chief Financial Officer

Dr. Julia Friedman, Deputy CFO
Office of Research and Analysis

GENERAL FUND COLLECTIONS

Year-to-date (YTD) collections of \$1,055.6 million are \$5.2 million (0.5%) above collections compared to the same time last year. This YTD general fund growth is below the budgeted estimate of a 1.6 percent increase for the year. Collections for the month of February are \$142.4 million, \$27.3 million (16.1%) less than February 2002 collections.

TOTAL TAX COLLECTIONS

YTD total tax collections of \$926.4 million are \$0.6 million (0.1%) less than YTD collections compared to the same period last year. This YTD decrease is below the 1.2 percent increase budgeted for the year. Tax collections for the month of February are \$121.5 million, 23.7 million (16.3%) below February 2002 tax collections.

COLLECTIONS BY REVENUE SOURCE

Property Tax Collections

➤ *\$10.9 million (59%) above YTD collections for the same time last year*

The YTD growth of 59.0 percent is considerably greater than the estimated growth of 11.7 percent forecasted in the revenue estimates. However, real property tax payments are due twice a year, March 31 and September 15. Thus, any cash collections prior to March are generally insignificant. These collections are either very late payments from last fall or very early payments for the spring. Generally, no real insights can be ascertained from these relatively small amounts. Personal property tax collections and public space rental collections have annual due dates of July 31. However, some isolated payments are received throughout the year.

General Sales and Use Tax Collections

➤ *\$17.2 million (6.7%) above YTD collections for the same time last year*

The YTD increase of 6.7 percent is above the estimated 5.8 percent growth forecasted in the revenue estimates. February's general sales and use tax collections are 2.1 percent compared to 9.3 percent in December 2002. This decline in growth may be partially attributed to the harsh winter, which may have kept many shoppers at home and away from stores. Also, the lower growth may be a result of the fact that in January 2002, sales taxes began to recover from the impact of September 11, 2001 creating a slight surge in growth.

The Convention Center transfer comprises a portion of sales tax collections for restaurants and hotel accommodations and is thus a measure of tourist-related tax revenues. The Convention Center transfer collections continue to show growth and are \$0.5 million (19%) above February 2002 collections.

Selected Sales and Use Tax Collections

➤ *\$0.2 million (1.0%) above YTD collections for the same time last year*

The YTD increase of 1.0 percent is less than the 7 percent increase forecasted in the revenue estimates. YTD alcohol beverage sales collections are only slightly ahead of collections compared to the same time last year. YTD cigarette tax collections are 29.3 percent ahead of collections compared to the same time last year. This increase can be attributed to compliance audits that were conducted in the past few months by Compliance Operations in the Office of Tax and Revenue and the increase in the cigarette tax rate that took effect in January 2003. Motor vehicle excise tax collections for the month of February are 41.2% below collections compared to February 2002.

Individual Income Tax Collections

➤ *\$56.5 million (13.2%) below YTD collections for the same time last year*

The YTD individual income tax collections show a decline of 13.2 percent compared to a 2.6 percent decline forecasted in the revenue estimates. Monthly individual income tax collections are \$25.7 million below February 2002 collections.

An examination of the individual income tax collections by components is revealing:
(1) February YTD withholdings collections are 6.1 percent below YTD February 2002 withholding collections; (2) February YTD declarations (estimated payments) are 21.4 percent below YTD February 2002 declarations. Declarations are collected quarterly. The decline in February YTD declarations collections include the first quarter of FY 2003 declarations payments. Declarations filing dates are January 15, April 15, June 15, and September 15; (3) February YTD final payments with returns are 0.2 percent below YTD February 2002 payments; (4) YTD fiduciary collections are 26.6 percent below YTD February 2002 fiduciary collections; (5) YTD refunds are 63.7 percent above YTD February 2002 refunds.

Corporate Franchise Tax Collections

➤ *\$11.8 million (76%) above YTD collections for the same time last year*

The YTD increase of 75.5 percent shown in the cash collections report is significantly more than the estimated 3.9 percent decline forecasted in the revenue estimates. A judgment issued in January 2001 resulted in significantly higher refunds in FY 2002. This accounts for the significant difference between the February 2003 collections compared to the same time last year as well as the significant difference in refund collections. As with the individual income tax collections, an examination of the components is revealing: YTD declarations (estimated payments) are 6.6 percent below YTD declarations compared to the same time last year, likely

due to the sluggish economy. YTD payments with returns are 5.9 percent ahead of YTD payments compared to February 2002; YTD refunds are 38.6 percent below YTD February 2002 refunds as a result of the judgment previously mentioned.

Unincorporated Franchise Tax Collections

➤ *\$0.4 million (3.0%) above YTD collections for the same time last year*

The YTD increase of 3.0 percent shown in the cash collections report is significantly more than the estimated 6.9 percent decline forecasted in the revenue estimates. YTD declarations are 12.7 percent below YTD February 2002 declarations while YTD payments are 17.0 percent above the same period last year. YTD refunds are 27.9 percent below refunds for the same time last year.

Gross Receipts Tax Collections

➤ *9.1 million (11.3%) above YTD collections for the same time last year*

The YTD increase of 11.3 percent is slightly ahead of the estimated 8.2 percent growth forecasted in the revenue estimates. Public utility tax collections continue to grow and are 7.6 percent above collections compared to the same time last year. This is likely the result of increased collections due to the unusually cold temperatures experienced in Washington this winter. Also, effective January 1, 2003 public utility tax rates increased from 10 percent to 11 percent as part of the Mayor's efforts to avert a potential budget shortfall in the District's FY 2003 budget. YTD toll telecommunication tax collections are 18.5 percent below collections compared to the same time last year. While rates for this tax also increased from 10 percent to 11 percent effective January 2003, long-distance providers are suffering from growth of the wireless industry, which now includes inexpensive long-distance calling plans as part of the standard features. Yet, although the wireless industry is growing, it is seeing slowing subscriber growth after years of rapid gain. Thus, revenues in this industry are steadily declining. While some isolated payments come in throughout the year, insurance premium payments are not due until March.

Other Tax Collections

➤ *\$6.0 million (6.7%) above YTD collections for the same time last year*

The YTD increase of 6.7 percent is significantly better than the estimated 27.6 percent decline forecasted in the revenue estimates. YTD estate tax collections are 53.7 percent below collections compared to the same time last year. Recently, the District's estate tax legislation officially decoupled from the federal government's estate tax legislation. This has caused the Office of Tax and Revenue (OTR) to devise new estate tax forms. This has left estate tax payers confused, as OTR has yet to state the new estate tax policy or release the revised tax form needed to pay the appropriate taxes. This is likely the major cause behind the decline in YTD estate tax revenue.

YTD deed recordation tax collections are 45.4 percent above collections compared to the same time last year. YTD deed transfer tax collections are 33.5 percent above collections compared to

the same time last year. Collections for both taxes are considerably higher than collections compared to February 2002. Both a tax rate increase in deed recordation taxes and an increase in deed transfer taxes became effective January 1, 2003. A large amount of deed taxpayers attempted to avoid the higher tax rate for property deals normally taken place for the first half of calendar year 2003 by paying their taxes in advance during November and December of 2002.

YTD economic interest collections are 86.2 percent below collections compared to the same time last year. This is an unstable and unpredictable tax throughout the year, and minimal to zero collections in any given month is quite common. In January, \$74,000 in economic interest payments were collected compared to zero collection for February. Despite the irregular collections pattern, economic interest collections are on target to meet the estimate for FY 2003.

Non-Tax Collections-licenses and permits, fines and forfeitures, charges for services, miscellaneous revenue

➤ *0.6 million (0.6%) below YTD collections for the same time last year*

YTD licenses and permits are 8.6 percent above collections compared to the same time last year. Collections from various building permits such as electrical, refrigeration and plumbing were higher this year compared to collections in FY 2002. Motor vehicle registrations were also higher to last year.

YTD fines and forfeitures collections are 11.1 percent above collections compared to the same time last year. This is due to higher collections from traffic fines.

YTD charges for services collections are 9.1 percent above collections compared to the same time last year. Monthly collections are \$431,000 (13.5%) below monthly collections compared to February 2002. This is partially due to the fact that collections from parking meters are lower this year than in February 2002. The decrease is offset by higher collections from deed recordation fees during the year.

YTD miscellaneous revenue collections are 14.7 percent below collections compared to the same time last year. This is due to the lower collections from reimbursements and interest income due to the large number of claims paid out this month and reimbursements. Also, total miscellaneous revenue in January 2002 included \$11.5 million from the sale of the NY Ave property to GSA for construction of the ATF Headquarters Building.