



D.C. REPORT OF CASH COLLECTIONS

JULY 2003

GENERAL FUND COLLECTIONS

Year-to-date (YTD) collections of \$2,762.2 million are \$123.7 million (4.7%) above collections compared to the same time last year. This YTD general fund growth is above the budgeted estimate of a 2.0 percent increase for the year. Collections for the month of July are \$244.3 million, \$20.9 million (9.4%) more than July 2002 collections.

TOTAL TAX COLLECTIONS

YTD total tax collections of \$2,477.2 million are \$78.1 million (3.3%) more than YTD collections compared to the same period last year. This YTD increase is above the 1.2 percent increase budgeted for the year. Tax collections for the month of July are \$226.5 million, \$20.9 million (10.2%) above July 2002 tax collections.

COLLECTIONS BY REVENUE SOURCE

Property Tax Collections

- \$79.3 million (19.4%) above YTD collections for the same time last year

The YTD growth of 19.4 percent is considerably greater than the estimated growth of 11.7 percent forecasted in the revenue estimates. Real property tax payments are due twice a year, the first payment was due March 31 and the second payment is due September 15. The increase in YTD real property collections is mainly due to higher assessments and a higher tax rate for the new Class 3 vacant and abandoned property. The higher assessments in turn are for the most part due to the ending of triennial for Tri-group 2. To a lesser extent, a portion of this increase in collections is due to late FY 2002 bills being paid in FY 2003. Personal property tax collections and public space rental collections have annual due dates of July 31 and it appears that most if not all payments for these two taxes have been received. However, public space rental collections are 10.0 percent below collections compared to the same time last year.

General Sales and Use Tax Collections

- \$17.3 million (3.2%) above YTD collections for the same time last year

The YTD increase of 3.2 percent is below the estimated 5.8 percent growth forecasted in the revenue estimates. Monthly collections for July 2003 are 5.0 percent above July 2002 collections, compared to the 3.8 percent increase in June 2003 collections. Last month's increase may be attributed to a growth in the tourism industry as a result of the opening of the new Washington Convention Center. This month's continued growth may be the result of an increase in nationwide retail sales reported by the Department of Commerce.

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. YTD transfer collections are 8.6 percent above collections compared to the same time last year. The Convention Center transfer declined

by 7.3 percent for the month of July compared to a 62.3 percent increase for the month of June. June's large increase was due largely to the opening of the new Convention Center.

Selected Sales and Use Tax Collections

- \$6.0 million (13.5%) above YTD collections for the same time last year

YTD alcohol beverage collections are 3.9 percent below collections compared to the same time last year. This revenue source has been declining for year perhaps due to greater focus on curbing alcohol consumption. YTD cigarette tax collections are 25.3 percent above collections compared to the same time last year. The increase is almost certainly due to the increase in the cigarette tax rate, which took effect in January 2003. YTD Motor vehicle excise tax collections are 10.0 percent above the same time last year. This may be attributed to dealer incentives and growth in consumer confidence in recent months.

Individual Income Tax Collections

- \$53.5 million (6.5%) below YTD collections for the same time last year

YTD individual income tax collections show a decline of 6.5 percent compared to a 2.6 percent decline forecasted in the revenue estimates. However, the comparison with FY 2002 is distorted by \$18.5 million of FY 2001 withholding income tax revenue that ended up as FY 2002 cash because of mail delays after the events of 9/11. When the adjustment is made to FY 2002 cash, the decline in YTD individual income tax collections is only 4.2 percent. Monthly individual income tax collections are \$2.2 million above July 2002 collections. By components:

Withholdings: July YTD withholdings collections are 0.5 percent above YTD July 2002 withholding collections. As noted above, the comparison with FY 2002 is distorted by \$18.5 million. When the adjustment is made, July YTD withholding collections actually grew by 3.5 percent.

Declarations: July YTD declarations (estimated payments) are 16.0 percent below YTD July 2002 declarations. Declarations are collected quarterly. Declarations filing dates are January 15th, April 15th, June 15th and September 15th. The July YTD collections include three declarations payments for FY2003.

Payments: July YTD final payments with returns are 12.2 percent below YTD July 2002 payments. Final payments are due in April yet some payments are received after the due date. Some also receive an extension until September.

Fiduciary: July YTD fiduciary collections are 69.7 percent below YTD July 2002 fiduciary collections.

Refunds: July YTD refunds are 7.6 percent above YTD July 2002 refunds.

Corporate Franchise Tax Collections

- \$9.3 million (10.5%) above YTD collections for the same time last year

The YTD increase of 10.5 percent shown in the cash collections report is significantly more than the estimated 3.9 percent decline forecasted in the revenue estimates. However, the comparison with FY 2002 is distorted by \$20.3 million in net operating loss (NOL) refunds that were paid out of FY 2002 cash but which are properly accounted for as a reduction in revenue for FY 2001, the fiscal year of the court action that resulted in the refunds. When this adjustment is made to the FY 2002 cash, the YTD corporate tax collections actually declined by 10.0 percent. Monthly July collections are 63.9 percent below July 2002 collections. Monthly declarations and payments are down (-30% and -10% respectively), however the largest difference in July comes from refunds. Refunds in July 2003 are 40.6 percent greater than refunds for the month of July 2002. The Office of Tax and Revenue's (OTR) Audit Division has explained that due to a legislative change allowing corporations to deduct losses based on consolidated returns, many amended returns have been filed. The law is effective for tax years 2001 and beyond. OTR

expects more amended returns to be filed in coming months, with a potential significant impact on corporate tax returns. Because unincorporated businesses cannot have subsidiaries, this legislative change does not affect UB collections.

Declarations: YTD declarations (estimated payments) are 5.8 percent below YTD declarations compared to the same time last year.

Payments: YTD payments with returns are 7.8 percent below YTD July 2002 payments.

Refunds: YTD refunds are 32.0 percent below YTD July 2002 refunds.

Unincorporated Franchise Tax Collections

- \$20.9 million (47.7%) above YTD collections for the same time last year

The YTD increase of 47.7 percent shown in the cash collections report is significantly more than the estimated 6.9 percent decline forecasted in the revenue estimates. As with the corporate tax collections, the comparison with FY 2002 is distorted by \$2.8 million in NOL refunds that were paid out of FY 2002 cash but which is properly accounted for as a reduction in revenue for FY 2001. When this adjustment is made to the FY 2002 cash, the YTD growth rate for the unincorporated business tax collections is 39.0 percent. The growth in YTD collections can be attributed to a decrease in refunds as well as an increase in payments compared to the same time last year. Given that UB collections are prone to large month-to-month variations, it is uncertain if this growth level will be sustained throughout the remainder of the fiscal year. By components:

Declarations: YTD declarations are 8.5 percent below YTD July 2002 declarations.

Payments: YTD payments are 51.2 percent above the same period last year.

Refunds: YTD refunds are 58.2 percent below refunds for the same time last year.

Gross Receipts Tax Collections

- 25.0 million (12.8%) above YTD collections for the same time last year

The YTD increase of 12.8 percent is ahead of the estimated 8.2 percent growth forecasted in the revenue estimates. YTD public utilities collections continue to grow and are 20.6 percent above collections compared to the same time last year. This is 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 shortfall in the District's FY 2003 budget.

YTD toll telecommunication tax collections are 9.6 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, while the wireless industry is growing, it is seeing slowing subscriber growth after years of rapid gain. Thus, revenues in this industry are steadily declining.

Insurance premium payments YTD collections are 16.7% above YTD collections for the same time last year. Collections from this source continue to grow as premiums increase due to national security and terrorism concerns. Insurance premium payments are due in March and June.

Other Tax Collections

- \$26.4 million (11.0%) below YTD collections for the same time last year

The YTD decline of 11.0 percent is better than the estimated 27.6 percent decline forecasted in the revenue estimates. YTD estate tax collections are 78.3 percent below collections compared to the same time last year. The decrease in YTD collections can be attributed to the fact that by the same time last year the District received approximately \$22 million from several large estate taxpayers. This year the District has yet to receive a comparably large estate tax payment.

YTD deed recordation taxes are 49.3 percent above collections compared to the same time last year and deed transfer tax collections are 51.8 percent above collections compared to the same time last year. The tax rate increases in the deed recordation and transfer taxes as well as the significant level of real estate activity have caused deed tax collections to remain ahead of last year. The District continues to remain a safe haven for investors since the stock market and other investment opportunities are weak.

YTD economic interest collections are 28.7 percent below collections compared to the same time last year. This is an unstable and unpredictable tax throughout the year, and zero to minimal collections in any given month is quite common. While YTD collections are still behind that of the same time last year, collections are above the estimate by \$700k.

TOTAL NON-TAX COLLECTIONS

YTD total non-tax collections of \$222.0 million are \$35.5 million (19.0%) above YTD collections for the same time last year. This YTD increase is significantly more than the 6.1% decrease budgeted for the year. Non-tax collections for the month of July are \$10.0 million, \$3.3 million (25.0%) below July 2002 tax collections.

NON-TAX COLLECTIONS BY SOURCE

Licenses and Permits

YTD licenses and permits are 36.3 percent above collections compared to the same time last year. Monthly collections are 31.3 percent above July 2002 collections. The increase is due to higher collections from motor vehicle fees as a result of fee increases that went into effect in January 2003.

Fines and Forfeitures

YTD fines and forfeitures collections are 1.7 percent above collections compared to the same time last year. Monthly collections are 11.8 percent above July 2002 collections.

Charges for Services

YTD charges for services collections are 36.0 percent above collections compared to the same time last year. Monthly collections are \$1.3 million (40.0%) above monthly collections compared to July 2002. This is largely due to higher collections from deed recordation and corporation recordation fees, which were increased during the year.

Miscellaneous

YTD miscellaneous revenue collections are 23.8 percent above collections compared to the same time last year. Monthly collections are 388.2 percent below monthly collections for July 2002. A large portion of this decline is due to a decrease in "Other" revenue to correct an entry made in the previous month.