



D.C. REPORT OF CASH COLLECTIONS

NOVEMBER 2003

GENERAL FUND COLLECTIONS

Year-to-date (YTD) collections of \$452.7 million are \$50.6 million (12.6%) above collections compared to the same period last year. This YTD general fund collections growth is above the budgeted estimate of a 4.7 percent increase for fiscal year 2004. For the month of November, general fund collections are \$211.3 million, which is \$13.1 million (6.6%) more than November 2002 general fund collections.

TOTAL TAX COLLECTIONS

YTD total tax collections of \$372.3 million are \$34.2 million (10.1%) more than YTD collections compared to the same period last year. This YTD increase is above the 4.8 percent increase budgeted for fiscal year 2004. For the month of November, total tax collections are \$168.3 million, which is \$15.2 million (9.9%) more than November 2002 total tax collections.

TAX COLLECTIONS BY REVENUE SOURCE

Property Tax Collections

- \$20.3 million (82.0%) below YTD collections for the same period last year

The YTD decline of 82.0 percent is considerably less than the estimated growth of 11.4 percent forecasted in the revenue estimates for fiscal year 2004. This decline is primarily due to real property tax collections, which were down 84.5 percent over the initial two months of FY 2004 compared to YTD collections through November 2002. This is an anomaly, as noted in October's D.C. Report of Cash Collections. Last fall, the Office of Tax and Revenue (OTR) had billing problems that caused tax bills to be mailed out late. When the problem was identified, OTR allowed the large number of affected taxpayers to mail in their tax bill late with no penalty. Tax payments are normally due September 15. However, because of the mailing problem quite a bit of money was received in October 2002. In short, last October's collections were usually large. Thus, the large percentage reduction in real property tax collections during the first two months of the current fiscal year is not indicative of the real property market.

The other two components of property tax collections—personal property tax collections and public space rental collections—have annual due dates of July 31. Therefore, any amounts collected (or not collected) from these two revenue sources from now until July 2004 are expected to be negligible.

General Sales and Use Tax Collections

- \$7.8 million (6.9%) above YTD collections for the same period last year

The YTD increase of 6.9 percent is above the estimated 4.6 percent growth forecasted in the revenue estimates for fiscal year 2004. November 2003 general sales and use tax collections were up by \$0.7 million (1.2%) compared to collections in November 2002. This was down from October's 12.7 percent increase. The slowdown in sales tax growth is probably due mainly to a drop-off in tourism receipts, as evidenced by the drop in the Convention Center Transfer.

A portion of sales tax collections from restaurant meals, on-premise consumption of liquor, rental vehicles, and hotel accommodations is transferred to the Convention Center Fund. Thus, the Convention Center Transfer is a measure of tourist-related tax revenues. YTD Convention Center Transfer collections are 10.6 percent below collections compared to the same period last year. The November 2003 Convention Center Transfer was 28.1 percent below that of November 2002. This decline indicates a drop in the tourism industry occurred during the month of November.

Selective Sales and Use Tax Collections

- \$2.8 million (34.2%) above YTD collections for the same period last year

YTD alcoholic beverage collections are 0.6 percent above collections compared to the same period last year.

YTD cigarette tax collections are 35.5 percent above collections compared to the same period last year. One factor contributing to this increase is the increase in the cigarette tax rate, which took effect in January 2003.

YTD motor vehicle excise tax collections are 39.1 percent above collections over the same period last year.

Individual Income Tax Collections

- \$17.2 million (14.1%) above YTD collections for the same period last year

YTD individual income tax collections show an increase of 14.1 percent compared to a 0.1 percent decline forecasted in the revenue estimates for fiscal year 2004. For the month of November, individual income tax collections are \$16.3 million (33.8%) above collections in November 2002.

By components:

Withholdings: November 2003 YTD withholdings collections are 21.1 percent above November 2002 YTD withholding collections. For the month of November, withholdings are 42.5 percent above November 2002 withholdings. The unusually strong growth figure may be an anomaly reflecting changes in the timing of the processing of withholding receipts.

Declarations: November 2003 YTD declarations (estimated payments) are 32.3 percent below November 2002 YTD declarations. For the month of November, declarations are 1.8 percent above November 2002 declarations. Declarations are collected quarterly. Declarations filing dates are January 15, April 15, June 15 and September 15. Thus, November collections are merely noise from which no strong conclusions can be drawn.

Payments: November 2003 YTD final payments with returns are 17.7 percent below November 2002 YTD payments. For the month of November, payments are 22.2 percent above November 2002 payments. Final payments are due in April yet some payments are received after the due date. Some also receive an extension until September. Again, no firm conclusions can be drawn from the November collections.

Fiduciary: November 2003 YTD fiduciary collections are 40.3 percent below November 2002 YTD fiduciary collections. For the month of November, fiduciary collections are 124.1 percent above November 2002 fiduciary collections.

Refunds: November 2003 YTD refunds are 52.6 percent above November 2002 YTD refunds. For the month of November, refunds are 120.0 percent above November 2002 refunds. Since the bulk of the

refunds are processed in the third quarter, no firm conclusions can be drawn from the November refund figures.

Corporate Franchise Tax Collections

- \$7.1 million (1988.7%) below YTD collections for the same period last year

The YTD decrease of 1988.7 percent shown in the cash collections report is significantly below the estimated 8.3 percent increase forecasted in the revenue estimates for fiscal year 2004. For the month of November, corporate franchise tax collections are \$0.1 million (5.0%) above collections in November 2002. The large YTD difference in corporate franchise tax collections can be attributed to the increase in refunds for October 2003 compared to the same month in the previous fiscal year. This is mainly due to consolidated returns refunds. As a result of legislative and regulatory changes allowing corporations to deduct losses based on consolidated returns, many amended returns have been filed. Amended returns may continue to be filed, as the law is effective for tax years 2001 and after.

By components:

Declarations: YTD declarations (estimated payments) are 13.4 percent above YTD declarations compared to the same period last year. For the month of November, declarations are 28.9 percent above November 2002 declarations.

Payments: YTD payments with returns are 27.8 percent below YTD November 2002 payments. For the month of November, payments are 41.0 percent below November 2002 payments.

Refunds: YTD refunds are 83.1 percent above YTD November 2002 refunds. For the month of November, refunds are 19.9 percent below November 2002 refunds. This may suggest that the flurry of refund activity related to restatements to consolidated returns is over.

Unincorporated Franchise Tax Collections

- \$4.1 million (419.8%) above YTD collections for the same period last year

The YTD increase of 419.8 percent shown in the cash collections report is significantly more than the estimated 11.1 percent increase forecasted in the revenue estimates for fiscal year 2004. However, net collections for November 2003 are down 65.7 percent compared to collections for November 2002. The YTD increase in declarations and estimated payments may be largely due to rental property owners filing returns. In addition to the real estate market contributing to an increase in profits, which increases the taxes of filers, the number of filers filing accurate returns has increased. OTR has targeted District rental property owners and their efforts have resulted in increased compliance in filing.

By components:

Declarations: YTD declarations are 60.1 percent above YTD November 2002 declarations. For the month of November, declarations are 98.6 percent above November 2002 declarations.

Payments: YTD payments are 85.2 percent above the same period last year. For the month of November, payments are 73.0 percent below November 2002 payments.

Refunds: YTD refunds are 52.7 percent below refunds for the same period last year. For the month of November, refunds are 73.3 percent above November 2002 refunds.

Gross Receipts Tax Collections

- \$6.7 million (22.2%) above YTD collections for the same period last year

The YTD increase of 22.2 percent is ahead of the estimated 4.8 percent growth forecasted in the revenue estimates for fiscal year 2004. For the month of November, gross receipts tax collections are 16.0 percent above November 2002 collections.

YTD public utilities collections are 9.2 percent above collections compared to the same period last year. One factor contributing to this increase is that public utility tax rates increased effective January 1, 2003 from 10 percent to 11 percent as part of the Mayor's efforts to avert a potential shortfall in the District's fiscal year 2003 budget. For the month of November, public utilities collections are 3.9 percent above November 2002 collections, which is slightly above the estimate for fiscal year 2004.

YTD toll telecommunication tax collections are 66.9 percent above collections compared to the same period last year. Rates for this tax also increased from 10 percent to 11 percent effective January 2003, which contributed to the increase in collections relative to last year. For the month of November, toll telecommunications tax collections are 63.5 percent above November 2002 collections.

Insurance premium payments YTD collections are about even with YTD collections for the same period last year. In November, no collections were recorded in insurance premium payments. This is not cause for concern because collections for most types of insurance premium tax are collected mainly in March and June, as insurance premium payments are due in March and June. Collections in other months are usually for non-DC regulated types of insurance premiums, which tend to be for relatively small amounts.

Other Tax Collections

- \$22.9 million (61.1%) above YTD collections for the same period last year

The YTD increase of 61.1 percent is considerably better than the estimated 4.3 percent decline forecasted in the revenue estimates for fiscal year 2004.

YTD estate tax collections are 263.2 percent above collections compared to the same period last year. Estate tax collections were unusually high in October 2003. This was the result of three large tax payments during the month that amounted to approximately \$7 million. No more large estate tax payments are expected for the remainder of this fiscal year.

YTD deed recordation taxes are 30.5 percent above collections compared to the same period last year and deed transfer tax collections are 43.5 percent above collections compared to the same period last year. The first reason for this is that we now have a higher tax rate for deed taxes. The higher tax rate was not in effect for the first quarter of fiscal year 2003. Even after adjusting for the tax rate change, recordation taxes and transfer taxes are higher than they were over the same time period last year. This reflects the strength and robustness of the local real estate market. There is a strong demand to own real estate and a very limited supply of owning opportunities. This situation is primarily driving up the price of real estate in the District. The recordation tax is a tax on property sales and commercial refinancing. The recordation tax is growing at a slower rate than the transfer tax because there appears to be less refinancing now compared to a year ago.

YTD economic interest collections are even with collections over the same period last year. This is an unstable and unpredictable tax throughout the year, and zero or minimal collections in any given month are quite common.

TOTAL NON-TAX COLLECTIONS

YTD total non-tax collections of \$65.6 million are \$14.0 million (27.1%) above YTD collections for the same period last year. This YTD increase is significantly better than the 4.6% increase budgeted for fiscal year 2004. In November, total non-tax collections were 10.2 percent below those of November 2002.

NON-TAX COLLECTIONS BY SOURCE

Licenses and Permits

YTD licenses and permits are 2.2 percent below collections compared to the same period last year. In November, collections from licenses and permits are 30.9 percent below those of November 2002.

Fines and Forfeitures

YTD fines and forfeitures collections are 25.0 percent above collections compared to the same period last year. In November, collections from fines and forfeitures are 32.5 percent above those in November 2002.

Charges for Services

YTD charges for services collections are 73.3 percent above collections compared to the same period last year. In November, collections from charges for services are 59.5 percent above those in November 2002.

Miscellaneous

YTD miscellaneous revenue collections are 27.0 percent above collections compared to the same period last year. In November, miscellaneous revenue collections are 23.3 percent below those in November 2002.