



D.C. REPORT OF CASH COLLECTIONS

OCTOBER 2003

GENERAL FUND COLLECTIONS

Year-to-date (YTD) collections of \$241.4 million are \$37.5 million (18.4%) above YTD collections over the same period last year. This YTD general fund growth is above the budgeted estimate of a 4.7 percent increase for fiscal year 2004.

TOTAL TAX COLLECTIONS

YTD total tax collections of \$204.0 million are \$19.0 million (10.3%) more than YTD collections over the same period last year. This YTD increase is above the 4.8 percent increase budgeted for fiscal year 2004.

TAX COLLECTIONS BY REVENUE SOURCE

Property Tax Collections

- \$14.8 million (71.1%) below YTD collections for the same period last year

The YTD decline of 71.1 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 75.2 percent compared to October 2002 according to the October 2003 cash report. This is an anomaly. 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 unusually large. Thus, the 75 percent decline in real property tax collections during the first month 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

- \$7.1 million (12.7%) above YTD collections for the same period last year

The YTD increase of 12.7 percent is above the estimated 4.6 percent growth forecasted in the revenue estimates for fiscal year 2004. The strong growth in general sales and use tax collections in October reverses September's 7.2 percent decline. It is likely that the increase in the growth rate may be attributed to the increase in the recorded sales from September's Hurricane Isabel. In addition, the January 1, 2003 increase in the sales tax rate on liquor sold for off-the-premises consumption may also have contributed to the increase in general sales and use tax collections compared to last year.

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 9.3 percent above collections over the same period last year. This increase may be related to individuals dining out after the electricity outages resulting from Hurricane Isabel.

Selective Sales and Use Tax Collections

- \$1.9 million (45.6%) above YTD collections for the same period last year

YTD alcoholic beverage collections are 3.7 percent above collections over the same period last year.

YTD cigarette tax collections are 20.8 percent above collections over 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 69.2 percent above collections over the same period last year. This may be attributed to dealer incentives and growth in consumer confidence in recent months.

Individual Income Tax Collections

- \$1.0 million (1.3%) above YTD collections for the same period last year

YTD individual income tax collections show an increase of 1.3 percent over a 0.1 percent decline forecasted in the revenue estimates for fiscal year 2004. By components:

Withholding: October 2003 YTD withholding collections are 6.2 percent above October 2002 YTD withholding collections.

Declarations: October 2003 YTD declarations (estimated payments) are 41.0 percent below October 2002 YTD declarations. Declarations are collected quarterly. Declarations filing dates are January 15, April 15, June 15 and September 15.

Payments: October 2003 YTD final payments with returns are 31.5 percent below October 2002 YTD payments. Final payments are due in April yet some payments are received after the due date. Some also receive an extension until September.

Fiduciary: October 2003 YTD fiduciary collections are 64.0 percent below October 2002 YTD fiduciary collections.

Refunds: October 2003 YTD refunds are 4.3 percent above October 2002 YTD refunds.

Corporate Franchise Tax Collections

- \$7.2 million (847.8%) below YTD collections for the same period last year

The YTD decrease of 847.8 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. This large 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 are likely to continue to be filed, as the law is effective for tax years 2001 and after. By components:

Declarations: YTD declarations (estimated payments) are 5.9 percent above YTD declarations over the same period last year.

Payments: YTD payments with returns are 13.9 percent below YTD October 2002 payments.

Refunds: YTD refunds are 123.3 percent above YTD October 2002 refunds.

Unincorporated Franchise Tax Collections

- \$4.4 million (847.4%) above YTD collections for the same period last year

The YTD increase of 847.4 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. The 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, and thus an increase in 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 45.0 percent above YTD October 2002 declarations.

Payments: YTD payments are 127.4 percent above payments over the same period last year.

Refunds: YTD refunds are 74.5 percent below refunds for the same period last year.

Gross Receipts Tax Collections

- \$4.4 million (27.8%) above YTD collections for the same period last year

The YTD increase of 27.8 percent is ahead of the estimated 4.8 percent growth forecasted in the revenue estimates for fiscal year 2004.

YTD public utilities collections are 14.4 percent above collections over 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.

YTD toll telecommunication tax collections are 69.5 percent above collections over 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.

Insurance premium payments YTD collections are about even with YTD collections for the same period last year. Insurance premium payments are due in March and June.

Other Tax Collections

- \$22.1 million (149.5%) above YTD collections for the same period last year

The YTD increase of 149.5 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 365.6 percent above collections over the same period last year. Estate tax collections are unusually high in October 2003. This is 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 99.4 percent above collections over the same period last year and deed transfer tax collections are 136.1 percent above collections over 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 are still 50 percent higher and transfer taxes are 75 percent higher than they were over the same time period

last year. This simply 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 \$32.1 million are \$17.8 million (124.0%) 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.

NON-TAX COLLECTIONS BY SOURCE

Licenses and Permits

YTD licenses and permits are 38.8 percent above collections over the same period last year. The increase is due in part 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 19.0 percent above collections over the same period last year.

Charges for Services

YTD charges for services collections are 87.4 percent above collections over the same period last year.

Miscellaneous

YTD miscellaneous revenue collections are 639.0 percent above collections over the same period last year.