



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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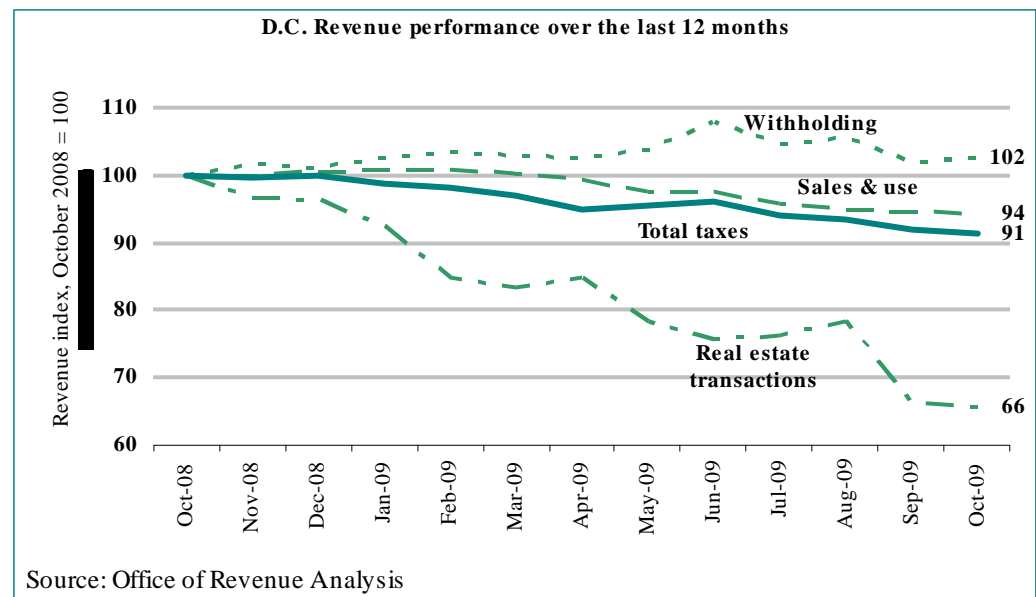
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Highlights

- Total tax collections for the month are 1.7 percent below that of a year ago.
- General sales and use tax collections are down 2.5 percent.
- Withholding tax collections are up 4.9 percent despite record unemployment rate of 11.9 percent.
- October tax collections from real property transactions declined by 13.9 percent.

Consistent with recent CFO projections, tax revenue slide continues in new fiscal year



Total tax collections for the year-to-date (YTD) are 1.7 percent below that of a year ago. This being the first month of the new fiscal year it is too early to draw any definitive conclusions as to how revenues will fare during the rest of the year. Even though the latest U.S. GDP figure shows that the national economy grew 2.8 percent in the third quarter and there are signs of a pickup in economic activity in the District, the District's revenue continues to be impacted by what has been the longest and deepest recession since the end of World War II. In an environment of uncertainty, consumers tend to hold back purchases of durable commodities and non-essential items, and they delay travel plans; this is reflected in the October decline of 2.5 percent in the general sales and use tax from a year ago. One piece of good news for the District is that despite an October unemployment rate (seasonally adjusted)

of 11.9 percent, the highest since 1983, withholding collections for October are 4.9 percent higher than a year ago. The fallout from the real estate bust continues to drag down the revenue from real estate transactions taxes (deed recordation and transfer taxes and the economic interests tax). For the month of October, collections from real property transactions taxes declined by 13.9 percent compared to last year.

Collections by Revenue Source

October YTD Tax Collections by Source: 2009 vs. 2008 (\$ '000)

	October 2009	October 2008	Percent change
TOTAL TAX COLLECTIONS	227,812	231,749	-1.7
Property	16,404	10,783	52.1
Real Property Tax	15,705	10,401	51.0
Personal Property Tax	700	381	83.6
Real Property Transactions	10,190	11,840	-13.9
Deed Recordation Tax	6,551	6,624	-1.1
Deed Transfer Tax	3,639	5,216	-30.2
Economic Interest Tax	0	0	0
Sales	90,108	92,287	-2.4
General Sales and Use Tax	82,773	84,907	-2.5
Excise Taxes	7,335	7,380	-0.6
Income	93,419	93,732	-0.3
Individual Income Tax	76,788	77,818	-1.3
Corporate Franchise Tax	8,424	8,015	5.1
U.B. Franchise Tax	8,207	7,900	3.9
Gross Receipts and Estate	17,691	23,107	-23.4
Gross Receipts Taxes	16,226	18,664	-13.1
Estate Tax	1,465	4,443	-67.0

Property Taxes. No payments are due in October for the real property tax and any collections recorded for the month are likely late payments from the previous fiscal year and not an indicator of how the real property tax will perform for the fiscal year.

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

Real Property Transactions Taxes. In October, tax collections from real property transactions declined by 13.9 percent. Despite a pickup in the volume of residential real estate sales, prices continue to decline in the housing market. Tight credit markets and the general uncertainty about the pace of economic recovery continue to dampen commercial real estate sales.

General Sales and Use Tax. Sales and use tax collections for October are down 2.5 percent compared to last year. As mentioned in the overview above, this is due mostly to the general economic uncertainty.

Excise Taxes. Excise tax collections are down 0.6 percent, driven by significant declines in the cigarette and motor vehicle excise tax collections. The decline in cigarette tax collections is likely due to cross-border leakages to Virginia after last year's rate hike and/or less smoking. The decline in motor vehicle excise tax collections reflects weak motor vehicle sales, another side effect of the long and deep U.S. recession.

Income Taxes. No payments are due in the month of October for the corporate franchise tax, the unincorporated business tax and the non-withholding portion of the individual income tax. As mentioned earlier, despite the highest unemployment rate in years, withholding collections, which are tied directly to wages and salaries of District residents, are up 4.9 percent for the month of October over a year earlier.

Gross Receipts Taxes. For the month of October, public utilities collections are down by 7.7 percent and toll telecommunications collections are down by 17.0 percent compared to forecasted declines of 6.2 percent and 3.8 percent. But collections for public utilities gross receipts are seasonal and the one month performance for both revenue sources is not a good indicator of the fiscal year performance of either revenue source. Insurance premiums payments are due in March and June of each year and the ballpark fee is due in June of each year, so there are no significant collections for these sources in October.

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, monthly changes in collections from most non-tax sources are not a good indicator of the likely performance of many non-tax revenue sources for the fiscal year. However, business licenses and permits collections tend to reflect the business cycle, especially real estate booms and busts. In that light, the 59.7 percent decline in business licenses and permits collections in October compared to last year is another indicator of the steep downturn in the District's real estate market.

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