



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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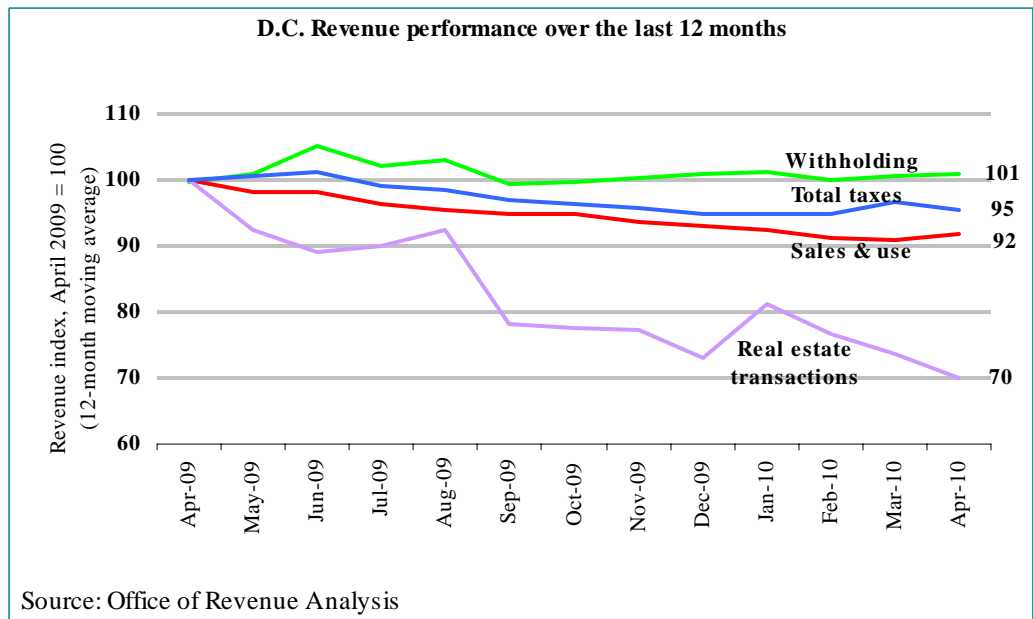
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## Highlights

- Total tax collections for the fiscal year to date are 2.3 percent below that of a year ago.
- General sales and use tax collections are 5.5 percent less than a year ago.
- Individual income tax collections are down by 4.6 percent, but withholding tax collections are up 2.5 percent.
- Collections for real property transactions taxes are down by 10.9 percent.
- Collections for the gross receipts taxes are up by 1.1 percent.

## Tax revenue decline moderates amidst signs of improvement in the DC economy



Total tax collections for the fiscal year-to-date are 2.3 percent below that of a year ago, a slower decrease compared to prior months. Furthermore, the April tax collections do not reflect all individual income payments due to the District from the April 15th filings because the returns filed in April are processed in April and May. The May cash collections report will give a better picture of the performance of the April filings. The moderation in the decline in tax revenue is just one of many signs of a gradual improvement in the District's economy. According to the US Bureau of Labor Statistics (BLS), 3,200 new private sector jobs and 8,700 new federal jobs have been created in the District in the past year. At the same time, 4,794 more residents have gained employment in the District. Since the beginning of the new calendar year, both the numbers and values of all residential property sales have increased sharply.

The vacancy rate in commercial properties stayed steady at 10.5 percent during the first quarter of the year. The average monthly apartment rent at the end of the last year was 2 percent higher than the year before and 15 percent more building permits were issued during the first quarter of the year compared to the same period last year. These positive signs are consistent with similar improvements observed in the national economy. For example, there have been 290,000 new jobs created in the month of April while the nominal GNP increased by 3 percent and wages and salaries increased by an annual rate of 3.1 percent. The S&P stock market index increased by 3.9 percent in April while the market was up by 41.2 percent compared to April 2009, although it is still 22 percent below its October 2007 peak.

# Collections by Revenue Source

## April YTD Tax Collections by Source: 2010 vs. 2009 (\$ '000)

	April 2010	April 2009	Percent change
<b>TOTAL TAX COLLECTIONS</b>	<b>2,594,281</b>	<b>2,656,026</b>	<b>-2.3</b>
<b>Property</b>	<b>923,986</b>	<b>880,454</b>	<b>4.9</b>
Real Property Tax	922,952	878,027	5.1
Personal Property Tax	1,034	2,427	-57.4
<b>Real Property Transactions</b>	<b>98,708</b>	<b>110,771</b>	<b>-10.9</b>
Deed Recordation Tax	48,968	63,888	-23.5
Deed Transfer Tax	39,193	38,706	1.3
Economic Interest Tax	10,547	8,177	29.0
<b>Sales</b>	<b>586,536</b>	<b>620,912</b>	<b>-5.5</b>
General Sales and Use Tax	536,036	567,053	-5.5
Excise Taxes	50,500	53,859	-6.2
<b>Income</b>	<b>799,023</b>	<b>814,132</b>	<b>-1.9</b>
Individual Income Tax	589,287	617,469	-4.6
Corporate Franchise Tax	135,334	135,896	-0.4
U.B. Franchise Tax	74,402	60,767	22.4
<b>Gross Receipts and Estate</b>	<b>186,028</b>	<b>229,757</b>	<b>-19.0</b>
Gross Receipts Taxes	167,544	165,638	1.1
Estate Tax	18,484	64,119	-71.2

**Property Taxes.** Real property tax collections for the fiscal year to date through April are 5.1 percent higher than the same period last year. Real property tax collections appear to be buoyed by two features of the District's real property tax system: the 10 percent cap and the 40 percent minimum assessment. For properties under the 10 percent cap, most property owners will continue to see at least a 10 percent increase in taxes even as market value falls. This is the so-called "catching up" phase of a capped system: During a boom the tax on a property under a cap grows more slowly than market assessment and property owners pay tax only on a fraction of the market value; in a downturn, the property tax continues to rise even as the market value falls, but property owners still do not pay taxes on the full market value until taxable value "catches up" to market value. The recently passed 40 percent minimum tax legislation ensures that property owners pay tax on at least 40 percent of the assessed value of their property.

**Real Property Transactions Taxes.** Year to date tax collections from real property transactions declined by 10.9 percent. This is a much slower decline than previous months and reflects the recent pickup in the volume of residential real estate sales.

**General Sales and Use Tax.** Sales and use tax collections for the fiscal year to date through April are down 5.5 percent compared to the same period last year. However, sales tax collections for the month of April (which reflect March sales) were \$9.3 million (11.4 percent) higher than the April 2009 collections. This could be the beginning of a recovery in sales tax collections and bears watching over the next several months.

**Excise Taxes.** Excise tax collections are down 6.2 percent, driven mostly by a significant decline in cigarette tax collections.

**Income Taxes.** Individual income tax collections are down by 4.6 percent compared to the same period last year. The shortfall is primarily in final payments collections, which are still being processed. Withholding collections grew 2.5 percent for the fiscal year to date through April.

Corporate franchise tax collections are down slightly by 0.4 percent and the unincorporated business tax collections are higher by 22.4 percent. The unincorporated business tax is paid primarily by businesses in the real estate sector and we believe that the surge in collections is related to the pickup in activity in the District's residential real estate markets over the last several months.

**Gross Receipts Taxes.** Fiscal year to date through April, gross receipt tax collections are up by 1.1 percent. Public utilities collections are down by 3.7 percent, while toll telecommunications collections are up by 8.1 percent. Gross receipts tax collections for insurance premiums are up by 28.3 percent. The increase reflects the full implementation of an insurance premium tax increase to fund the Healthy DC initiative.

**Non-Tax Revenues.** Year to date collections for non-tax revenues are down by 18.8 percent. However, 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.

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