



# D.C. REPORT OF CASH COLLECTIONS

## AUGUST 2002

Dr. Natwar M. Gandhi  
Chief Financial Officer

Dr. Julia Friedman, Deputy CFO  
Office of Research and Analysis

### GENERAL FUND COLLECTIONS

YTD collections of \$2,908.1 million are \$164.8 million (5.4%) below collections for the same time last year. After a number of adjustments discussed below, the actual Year-to-Date (YTD) general fund decline of 5.9 percent is more than the budgeted estimate of a 3.4 percent decrease for the year. Collections for the month of August are \$268.5 million, \$3.8 million (1.4%) less than August 2001 collections.

### TOTAL TAX COLLECTIONS

YTD total tax collections of \$2,623.0 million are \$164.7 million (5.9%) below YTD collections for the same period last year. After the adjustments, the YTD decline of 5.7 percent is much deeper than the budgeted estimate of 0.5 percent decrease for the year. Tax collections for the month of August are \$223.9 million, 22.7 million (9.2%) below August 2001 collections.

### COLLECTIONS BY REVENUE SOURCE

#### Property Tax Collections

➤ *\$23.4 million (5%) above YTD collections for the same time last year*

The YTD growth of 5.1 percent is well below the estimated growth of 10.5 percent for the year. However, the District's real estate market continues to do well. YTD real property tax collections are 6.1 percent above collections compared to the same time last year. Monthly real property tax collections are 38.0 percent below collections compared to August 2001. This decline is not indicative of a problem, as the billing for the second half of the year is mailed in August, with payments due in September. A clearer picture of how this revenue source is performing will be assessed after the September payments have been processed. However, according to collections from the first billing which was due in March, real property collections are growing approximately 10 percent above last year, and are expected to meet the projected estimate.

Personal property tax collections are down 2.6 percent compared to the same time last year. This is a decline over last month in which personal property tax collections were up 86.8 percent compared to the same time last year. This sharp increase in the prior month was due to the receipt of some early payments that were processed during the month of July. Public space rental collections are 17.9 percent above collections compared to the same time last year. Monthly collections exceed August 2001 collections by more than 800 percent. Recently, the Department of Public Works initiated a compliance effort that sought to identify restaurants that

were delinquent in paying their public space rental taxes. This effort has resulted in increased collections for August 2002.

### **General Sales and Use Tax Collections**

➤ *\$30.6 million (5%) below YTD collections for the same time last year*

The YTD decline of 4.8 percent is worse than the estimated 1.6 percent decrease for the year. August general sales and use tax collections continue to show modest improvement over previous months this fiscal year suggesting that consumers and businesses are spending in the District. 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. The Convention Center transfer for August is \$4.7 million (9%) less than August 2001 (compared to -5.0% and -10.3% respectively for June 2002 and July 2002). With only one month remaining in this fiscal year, it is unlikely that revenue shortfalls from original estimates of this tax will be recouped before the end of the year.

### **Selected Sales and Use Tax Collections**

➤ *\$2.7 million (5%) below YTD collections for the same time last year*

The YTD decline of 5.3 percent is worse than the 5.5 percent decline forecasted in the revenue estimates. However, it is a slight improvement over the 9.2 percent decline in July. YTD alcohol beverage sales collections are 2.1 percent weaker than collections compared to the same time last year while YTD cigarette tax collections are 7.9 percent ahead of collections compared to the same time last year. Motor vehicle excise tax collections remain behind collections compared to the same time last year. YTD collections are 11.2 percent less than August 2001 collections. Auto sales have slowed nationally and are most likely attributable to declining consumer confidence related to recent bad economic news and the falling stock market.

### **Individual Income Tax Collections**

➤ *\$109.1 million (11%) below YTD collections for the same time last year*

The YTD individual income tax collections show a sharp drop of 11.0 percent compared to the estimate of a 0.8 percent increase for the year. An adjustment is required to get a true picture of the revenue flows of the individual income tax. There are \$18.5 million in collections that are reflected as cash for FY 2002, but represent revenue correctly booked to FY 2001. After making this adjustment, YTD individual income tax collections through August are actually down by 12.9 percent.

An examination of the individual income tax collections by components is revealing: 1) August YTD withholdings collections, after making the adjustment discussed above, are 2.8 percent below YTD August 2001 withholding collections; 2) August YTD declarations (estimated payments) are 11.4 percent below YTD August 2001 declarations; 3) August YTD final payments with returns are 26.7 percent below YTD August 2001 payments; 4) YTD fiduciary

collections are 50.6 percent below YTD August 2001 fiduciary collections; and 5) YTD refunds are 23.8 percent above YTD August 2001 refunds. The drop in collections from the withholdings tax, which is primarily levied on current wages and salaries, shows that weakness in the labor market continues to adversely impact individual income tax collections. Declarations are typically filed by higher income taxpayers and reflect their estimate of income from the stock market. Lower declarations are consistent with the falling value of the stock market in recent weeks. Lower final payments and higher refunds are the result of overpayments by taxpayers on their declarations in the previous year.

### **Corporate Franchise Tax Collections**

➤ *\$135.9 million (61%) below YTD collections for the same time last year*

Before any adjustments, the YTD decline of 60.1 percent shown in the cash collections report is more than the estimated 38.6 percent decrease for the year. However, a judgment issued in January 2001 has resulted in significantly higher refunds. These refunds should properly be booked to FY 2001, not FY 2002. Refunds related to the judgment will therefore not affect FY 2002 revenues. After making this adjustment to the August 2002 cash, YTD corporate franchise tax collections are down 49.3 percent. As with the individual income tax collections, an examination of the components is revealing: YTD declarations (estimated payments) are 12.5 percent below YTD declarations for the same time last year; YTD payments with returns are 57.6 percent below YTD payments in August 2001; YTD refunds (excluding refunds related to the judgment) are 42.2 percent above YTD August 2001 refunds. Declarations and payments with returns are down while refunds are up sharply. The sharp fall in collections from the corporate franchise tax reflects the significant and lingering impact of the recent economic downturn on corporate profits.

### **Unincorporated Franchise Tax Collections**

➤ *\$10.4 million (18%) below YTD collections for the same time last year*

The YTD decline of 17.8 percent shown in the cash collections report is worse than the estimated 13.8 percent decrease for the year. Unincorporated franchise tax collections are also affected by the adverse judgment issued in January 2001. After making an adjustment to account for the higher refunds, U.B. franchise tax collections actually show a decline of 13.0 percent. Both YTD declarations and YTD payments are doing well. YTD declarations are 8.0 percent ahead of YTD August 2001 declarations while YTD payments are 27.9 percent above the same period last year. YTD refunds (excluding refunds related to the judgment) are 348.8 percent above refunds for the same time last year.

### **Gross Receipts Tax Collections**

➤ *\$5.7 million (3%) above YTD collections for the same time last year*

The YTD growth of 2.8 percent is below the estimated 5.8 percent growth for the year. YTD toll telecommunication tax and insurance premiums tax collections continue to exceed collections

compared to the same time last year. However, YTD public utility tax collections are 0.1 percent below collections compared to the same time last year. Monthly, public utility tax collections are 11.3 percent above collections compared to August 2001. Due to the record heat experienced in the Washington area in August, collections have slightly increased over previous months as well as compared to the previous period because Washington residents pay for increased PEPCO power use.

### **Other Tax Collections**

➤ *\$94.8 million (58%) above YTD collections for the same time last year*

The YTD growth of 57.5 percent is significantly ahead of the estimated 0.5 percent decline for the year. YTD estate tax collections are 140.8 percent above collections compared to the same time last year due to several large payments during the year. Deed taxes continue to do well. YTD, deed recordation tax collections are doing better than transfer tax collections because recordation taxes are levied on commercial refinancing as well as all property sales in the city and because growth in commercial refinancing is still strong. Also, high-priced investments by large institutional investors in the local market account for a good portion of the growth in the deed taxes. However, the YTD growth rates have been declining in recent months. This may be an indication that softness (less office leasing activity, fewer construction starts, high prices, less demand) is present in the market. YTD deed recordation tax collections are 25.7 percent above collections compared to the same time last year. Deed transfer taxes are 9.5 percent above collections compared to the same time last year. A nominal amount of economic interests payments were collected in August. However, YTD this tax is 260.1 percent above collections compared to the same time last year because of large collections in December.

### **Non-Tax Collections-licenses and permits, fines and forfeitures, charges for services, miscellaneous revenue**

➤ *\$10.5 million (5%) above YTD collections for the same time last year*

Licenses and permits for the month of August are 124.9 percent above collections compared to August 2001. This is due to the fact that in August 2001, collections in this category were unusually low as there was a lag in recording the information into the SOAR system. YTD, collections are 2.4 percent behind collections compared to the same time last year. In June, \$1.8 million in collections from business licenses was transferred to a new O-type account per recent legislation.

YTD fines and forfeitures collections are 56.1 percent above August 2001 collections. This is due to increased enforcement of street parking resulting in increased collections from fines. The new photo radar program also attributes to higher collections for the month.

Monthly charges for services collections are over \$19.8 million more than collections for August 2001. This is due to the fact that \$18 million in rights of way fees were transferred to the general fund during the month of August. YTD charges for services collections are 18.7 percent below collections during the same time last year. This is due to the fact that during FY 2001, \$30

million was transferred to the general fund in rights of way fees and compared to the \$18 million being transferred in FY 2002.

Miscellaneous revenue collections for the month are 54 percent above August 2001 collections (after an adjustment is made to include ‘Sale of Surplus Property’ and ‘Other Transfer’ categories). This is due to an increase in interest income, sale of surplus property from the Department of Corrections (DOC), and higher reimbursement collections from the DOC. The increase in interest income is due in part to the fact that the Control Board controlled this account in FY 2001 and also to an error that was corrected during the month related to collections received throughout the year. Reimbursement collections are higher for the month because of a modified agreement between the DOC and the US Marshals service in which the District is able to bill the federal government for an additional category of inmates. YTD collections are 3 percent above collections compared to the same time last year (with the adjustment). This is due to the sale of the New York Ave. property in January and higher collections from the US Marshals reimbursement to the Department of Corrections. This increase is however offset by a decrease in collections from unclaimed property, interest income, and the WASA PILOT. There have been more claims paid in unclaimed property than in the previous fiscal year. The interest income collections are reportedly higher than what is shown in SOAR at this time. Therefore, the collections for interest income appear lower compared to the same time last year due to an error, which should be corrected within the coming month. The last two quarterly PILOT payments have not been paid by WASA, as they are working with the Office of Tax and Revenue to resolve a billing issue.