



D.C. REPORT OF CASH COLLECTIONS

JANUARY 2004

GENERAL FUND COLLECTIONS

Year-to-date (YTD) total non-dedicated general fund collections of \$1,001.8 million are \$88.7 million (9.7%) above collections received during the period October 2002 through January 2003. This YTD general fund collections growth is above the budgeted estimate of a 2.6 percent increase for fiscal year 2004. For the month of January 2004, total non-dedicated general fund collections are \$262.2 million, which is \$6.5 million (2.5%) more than January 2003 total non-dedicated general fund collections.

TOTAL TAX COLLECTIONS

YTD total tax collections of \$865.6 million are \$60.8 million (7.5%) greater than YTD total tax collections over the October-January period last year. This YTD increase is above the 4.5 percent increase budgeted for fiscal year 2004. For the month of January 2004, total tax collections are \$237.8 million, which is only \$28,000 below January 2003 total tax collections.

TAX COLLECTIONS BY REVENUE SOURCE

Property Tax Collections

- \$21.6 million (76.4%) below YTD collections for the same period last year

The YTD decline is primarily due to real property tax collections, which are down 79.2 percent over the initial four months of FY 2004 compared to YTD collections through January 2003. This is primarily an anomaly, as was initially noted in the October 2003 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 unusually large. Thus, the large percentage reduction in real property tax collections during the first four 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 an annual due date 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

- \$3.5 million (1.5%) above YTD collections for the same period last year

The YTD increase of 1.5 percent is below the estimated 4.7 percent growth forecasted in the revenue estimates for fiscal year 2004. January 2004 general sales and use tax collections are down by \$12.0 million (19.8%) compared to collections in January 2003.

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 6.7 percent below collections compared to the same period last year. The January 2004 Convention Center Transfer is 51.1 percent below that of January 2003.

Selective Sales and Use Tax Collections

- \$4.7 million (25.8%) above YTD collections for the same period last year

YTD alcoholic beverage collections are 14.7 percent above collections compared to the same period last year.

YTD cigarette tax collections are 11.8 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 35.3 percent above collections over the same period last year.

Individual Income Tax Collections

- \$18.4 million (5.5%) above YTD collections for the same period last year

YTD individual income tax collections show an increase of 5.5 percent compared to a 5.4 percent increase forecasted in the revenue estimates for fiscal year 2004. For the month of January, individual income tax collections are \$3.6 million (2.6%) below collections in January 2003.

By components:

Withholdings: January 2004 YTD withholdings collections are 8.5 percent above January 2003 YTD withholding collections. For the month of January, withholdings are 8.5 percent above January 2003 withholdings.

Declarations: January 2004 YTD declarations (estimated payments) are 5.0 percent above January 2003 YTD declarations. For the month of January, declarations are 16.5 percent below January 2003 declarations. Declarations are collected quarterly. Declarations filing dates are January 15, April 15, June 15 and September 15.

Payments: January 2004 YTD final payments with returns are 4.9 percent above January 2003 YTD payments. For the month of January, payments are 52.5 percent above January 2003 payments. Final payments are due in April yet some payments are received after the due date. Some also receive an extension until September. No firm conclusions can be drawn from the January collections.

Fiduciary: January 2004 YTD fiduciary collections are 25.7 percent below January 2003 YTD fiduciary collections. For the month of January, fiduciary collections are 22.5 percent below January 2003 fiduciary collections.

Refunds: January 2004 YTD refunds are 51.2 percent above January 2003 YTD refunds. For the month of January, refunds are 66.4 percent above January 2003 refunds. Since the bulk of the refunds are processed in the third quarter, no firm conclusions can be drawn from the January refund figures.

Corporate Franchise Tax Collections

- \$2.2 million (7.6%) below YTD collections for the same period last year

The YTD decrease of 7.6 percent shown in the cash collections report is below the estimated 6.1 percent decrease forecasted in the revenue estimates for fiscal year 2004. For the month of January, corporate

franchise tax collections are \$0.9 million (25.4%) below collections in January 2003. Although refunds were lower in January 2004 compared to January 2003, declarations and payments were also lower in January 2004 compared to January 2003. The decrease in declarations and payments outweighed the decrease in refunds, which resulted in January's 25.4 percent decline in collections.

By components:

Declarations: YTD declarations (estimated payments) are 11.2 percent above YTD declarations compared to the same period last year. For the month of January, declarations are 19.0 percent below January 2003 declarations.

Payments: YTD payments with returns are 37.3 percent below YTD January 2003 payments. For the month of January, payments are 29.7 percent below January 2003 payments.

Refunds: YTD refunds are 8.8 percent above YTD January 2003 refunds. For the month of January, refunds are 18.8 percent below January 2003 refunds.

Unincorporated Franchise Tax Collections

- \$9.1 million (58.0%) above YTD collections for the same period last year

The YTD increase of 58.0 percent shown in the cash collections report is significantly more than the estimated 1.0 percent decrease forecasted in the revenue estimates for fiscal year 2004. Net collections for January 2004 are up 26.1 percent compared to collections for January 2003. This growth is in large part due to an increase in declarations and a reduction in refunds. These changes in declarations and refunds offset the reduction in collections from payments.

By components:

Declarations: YTD declarations are 46.5 percent above YTD January 2003 declarations. For the month of January, declarations are 68.3 percent above January 2003 declarations.

Payments: YTD payments are 13.4 percent above payments over the same period last year. For the month of January, payments are 61.3 percent below January 2003 payments.

Refunds: YTD refunds are 38.9 percent below refunds for the same period last year. For the month of January, refunds are 22.3 percent below January 2003 refunds.

Gross Receipts Tax Collections

- \$8.1 million (12.6%) above YTD collections for the same period last year

The YTD increase of 12.6 percent exceeds the estimated 1.6 percent growth forecasted in the revenue estimates for fiscal year 2004. For the month of January, gross receipts tax collections are 17.1 percent above January 2003 collections.

YTD public utilities collections are 9.0 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. There is a pronounced increase (20%) in collections in January 2004 compared to January 2003. Cumulative collections at the end of January are up 9 percent compared to the same period in 2003. In December, cumulative collections were up 5 percent. This is likely due to winter heating bills. Although this winter has been colder than average, it is not colder than last winter. However, increased heating bills are a function of both units used AND cost per unit. If the energy used to heat homes and offices is not greater than last year, the energy costs must be. Pepco's costs are fixed because the prices have not had a rate increase since 1999, so there is no increase in unit costs for

customers who use electricity for heat. Customers who use natural gas or heating oil are probably paying more per unit despite attempts to keep prices stable. Washington Gas had purchased and stored 35 percent of the natural gas the company expected to use this winter. In addition the company purchased 12 percent of its normal winter supplies through financial contracts to avoid price fluctuations.

YTD toll telecommunication tax collections are 21.8 percent above collections compared to the same period last year. Rates for this tax also increased from 10 percent to 11 percent effective January 1, 2003, which contributed to the increase in collections relative to last year. For the month of January, toll telecommunications tax collections are 0.8 percent above January 2003 collections.

Insurance premium payments YTD collections are 393.8 percent above YTD collections for the same period last year. At this point in the fiscal year, no firm conclusions can be made about this growth rate 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. However, January is the second consecutive month of large growth in collections for this tax. These collections may indicate a growth in non-DC regulated types of insurance premiums or they may indicate "lumpiness" in collections.

Other Tax Collections

- \$40.8 million (47.5%) above YTD collections for the same period last year

The YTD increase of 47.5 percent is considerably better than the estimated 1.3 percent decline forecasted in the revenue estimates for fiscal year 2004.

YTD estate tax collections are 19.8 percent above collections compared to the same period last year. This stems from estate tax collections being unusually high in October 2003 as a 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 29.3 percent above collections compared to the same period last year and deed transfer tax collections are 52.4 percent above collections compared to the same period last year. The recordation tax is a tax on property sales and commercial refinancing, while the transfer tax is a tax on property sales. 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. The collections growth shown for these two deed taxes is, in part, due to the higher tax rate for deed taxes, which took effect on January 1, 2003. The higher tax rate was not in effect for the first quarter of fiscal year 2003. After adjusting for the tax rate change, YTD recordation taxes are down about 3 percent, while YTD transfer taxes are higher by about 15 percent compared to the same time period last year. This reflects moderately lower refinancing activity. Base transactions still show solid growth. There continues to be 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.

YTD economic interest collections are 2,036.9 percent above 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, which tends to result in large percentage changes when relatively large collections occur. \$2.2 million, \$3.9 million, and \$4.6 million was received in November, December, and January respectively. These unexpectedly large collections alone exceed economic interest collections for all of FY 2003.

TOTAL GENERAL PURPOSE NON-TAX COLLECTIONS

YTD total general purpose non-tax collections of \$107.3 million are \$26.2 million (32.3%) above YTD collections for the same period last year. This YTD increase is significantly better than the 5.7 percent

decrease budgeted for fiscal year 2004. In January, total general purpose non-tax collections are 39.2 percent above those of January 2003.

By source:

Licenses and Permits

YTD business and non-business licenses and permits are 5.2 percent above collections compared to the same period last year. In January, collections from licenses and permits are 14.3 percent below those of January 2003.

Fines and Forfeitures

YTD fines and forfeitures collections are 25.6 percent above collections compared to the same period last year. In January, collections from fines and forfeitures are 5.3 percent below those in January 2003.

Charges for Services

YTD charges for services (parking meters and other charges) collections are 36.6 percent above collections compared to the same period last year. In January, collections from charges for services are 49.7 percent below those in January 2003.

Miscellaneous

YTD miscellaneous revenue (e.g., interest income, unclaimed property, sale of surplus property, other transfers, and other revenue) collections are 47.3 percent above collections compared to the same period last year. In January, miscellaneous revenue collections are 4,443.5 percent above those in January 2003.

SPECIAL PURPOSE FUNDS

Special purpose funds are funds generated from non-tax sources—fees, fines, assessments, or reimbursements—that are dedicated to the District agency that collects the revenue. The agency uses this revenue to cover the cost of performing the agency's functions. YTD special purpose fund collections of \$65.9 million are \$9.9 million (17.6%) above YTD collections for the same period last year. In January, special purpose fund collections are 65.0 percent above those of January 2003.