



D.C. REPORT OF CASH COLLECTIONS

JULY 2002

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GENERAL FUND COLLECTIONS

YTD collections of \$2,639.6 million are \$161.0 million (5.7%) 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 6.0 percent is more than the budgeted estimate of a 3.4 percent decrease for the year. Collections for the month of July are \$224.5 million, \$14.1 million (5.9%) less than July 2001 collections.

TOTAL TAX COLLECTIONS

YTD total tax collections of \$2,399.2 million are \$142.0 million (5.6%) below YTD collections for the same period last year. After the adjustments, the YTD decline of 5.5 percent is much higher than the budgeted estimate of 0.5 percent decrease for the year. Tax collections for the month of July are \$205.6 million, 5.4 million (2.7%) below July 2001 collections.

COLLECTIONS BY REVENUE SOURCE

Property Tax Collections

➤ *\$44.0 million (12%) above YTD collections for the same time last year*

The YTD growth of 12.1 percent is slightly above the estimated growth of 10.5 percent for the year. July's real property tax collections continue to grow. Moreover, real property tax refunds are down 53.1 percent compared to July 2001. Personal property tax collections are up 86.8 percent compared to the same time last year, which is a vast improvement over June's rate in which personal property tax collections were down 7.7 percent compared to the same time last year. Public space rental collections are also 13.7 percent above collections compared to the same time last year.

General Sales and Use Tax Collections

➤ *\$29.1 million (5%) below YTD collections for the same time last year*

The YTD decline of 5.0 percent trails the estimated 1.6 percent decrease for the year. July general sales and use tax collections continue to show modest improvement over previous months this fiscal year. 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 July is \$262,000 (5%) less than July 2001. This is significant improvement over June's 25 percent difference. Despite that improvement, YTD

Convention Center transfer collections show a \$5.0 million (10%) decline from collections compared to the same time last year suggesting that the hospitality industry continues to suffer in a larger way than general retail.

Selected Sales and Use Tax Collections

➤ *\$4.5 million (9%) below YTD collections for the same time last year*

The YTD decline of 9.2 percent is worse than the 5.5 percent decline forecasted in the revenue estimates. YTD alcohol beverage sales collections are 2.9 percent weaker than collections compared to the same time last year while YTD cigarette tax collections are 3.4 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 15.3 percent less than July 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

➤ *\$91.3 million (10%) below YTD collections for the same time last year*

The YTD individual income tax collections show a sharp drop of 9.9 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 is \$18.5 million in collections that is reflected as cash for FY 2002, but represents revenue correctly booked to FY 2001. After making this adjustment, YTD individual income tax collections through July are actually down by 11.9 percent.

An examination of the individual income tax collections by components is revealing: 1) July YTD withholdings collections, after making the adjustment discussed above, are 1.9 percent below YTD July 2001 withholding collections; 2) July YTD declarations (estimated payments) are 11.2 percent below YTD July 2001 declarations; 3) July YTD final payments with returns are 26.2 percent below YTD July 2001 payments; 4) YTD fiduciary collections are 50.6 percent below YTD July 2001 fiduciary collections; and 5) YTD refunds are 18.7 percent above YTD July 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

- *\$142.5 million (62%) below YTD collections for the same time last year*

Before any adjustments, the YTD decline of 61.8 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 July 2002 cash, YTD corporate franchise tax collections are down 53.5 percent. As with the individual income tax collections, an examination of the components is revealing: YTD declarations (estimated payments) are 14.0 percent below YTD declarations for the same time last year; YTD payments with returns are 58.7 percent below YTD payments in July 2001; YTD refunds (excluding refunds related to the judgment) are 69.3 percent above YTD July 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

- *\$14.2 million (24%) below YTD collections for the same time last year*

The YTD decline of 24.4 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 22.2 percent. Both YTD declarations and YTD payments are doing well. YTD declarations are 8.5 percent ahead of YTD July 2001 declarations while YTD payments are 8.9 percent above the same period last year. YTD refunds (excluding refunds related to the judgment) are 690.9 percent above refunds for the same time last year.

Gross Receipts Tax Collections

- *\$4.9 million (3%) above YTD collections for the same time last year*

The YTD growth of 2.5 percent is slightly 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, monthly insurance premium tax collections are \$10.1 million below July 2001. This is due to the majority of the insurance premium collections being recorded in July of 2001 whereas during this fiscal year the majority of collections were recorded in June 2002. Public utility tax collections are 1.2 percent below collections compared to the same time last year. Public utilities tax collections are less robust than they have been in previous months. However, due to the record heat experienced in the Washington area in August, it is expected that collections will increase as Washington residents pay for increased PEPCO power use.

Other Tax Collections

- *\$90.8 million (61%) above YTD collections for the same time last year*

The YTD growth of 60.7 percent is significantly ahead of the estimated 0.5 percent decline for the year. YTD estate tax collections are 160.3 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. However, the YTD growth rates have been declining in the months prior to July. 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 26.1 percent above collections compared to the same time last year. Deed transfer taxes are 8.3 percent above collections compared to the same time last year. There were no economic interests payments collected in July. However, YTD this tax is 195.7 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

- *\$17.1 million (9%) below YTD collections for the same time last year*

Licenses and permits for the month of July are 7.9 percent below collections compared to July 2001. This is primarily due to a decrease in collections from business licenses of \$1.8 million, which was transferred to a new O-type account per recent legislation. However, it should be noted that discussions are underway to determine whether the transfer of these revenues will be permanent. Thus, the status of this revenue source may change. Also, motor vehicle registration collections have been lower in FY 2002 compared to unusually high collections in FY 2001 particularly in May and June.

YTD fines and forfeitures collections are 57.2 percent above July 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.

YTD charges for services collections are 54.4 percent below July 2001 collections. In FY 2002, only \$18 million will be deposited into the general fund. However, this amount is expected to be received later in the fiscal year as opposed to early in the year as was the case in FY 2001.

Miscellaneous revenue collections for the month are 105.5 percent below July 2001 collections. This is due to a processing error that was made in recording the collections in SOAR. Interest income collections are actually \$1.56 million for the month of July. Sale of surplus property shows a deficit of \$1.2 million for the month due to an adjustment made by the Department of Corrections to remove an amount that was erroneously recorded in that account earlier in the fiscal year. The unclaimed property unit has paid a large amount in claims over the past two months. The WASA PILOT was not collected during this month as it was in July 2001. A corrected monthly cash amount is \$1.8 million, which is \$11.8 million (87%) below monthly

collections for July 2001. YTD miscellaneous revenue collections are 20.3 percent below collections compared to the same time last year. This is largely due to the sale of the New York Ave. property in January as well as the errors in recording interest income. A corrected YTD cash amount is \$68,134, which is \$9 million (15.3%) above collections for the same time last year.