



D.C. REPORT OF CASH COLLECTIONS

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GENERAL FUND COLLECTIONS

YTD collections of \$2,415.2 million are \$146.9 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 5.7 percent is more than the budgeted estimate of a 3.4 percent decrease for the year. Collections for the month of June are \$256.8 million, \$23.8 million (8.5%) less than June 2001 collections.

TOTAL TAX COLLECTIONS

YTD total tax collections of \$2,193.6 million are \$147.4 million (6.3%) below YTD collections for the same period last year. After the adjustments, the YTD decline of 6.2 percent is much higher than the budgeted estimate of 0.5 percent decrease for the year. Tax collections for the month of June are \$236.4 million, 23.9 million (9.2%) below June 2001 collections.

COLLECTIONS BY REVENUE SOURCE

Property Tax Collections

➤ *\$32.6 million (10%) above YTD collections for the same time last year*

The YTD growth of 9.7 percent is slightly below the estimated growth of 10.5 percent for the year. June's real property tax collections continue to grow despite the fact that real property tax refunds for the month are up 58.9 percent compared to June 2001. Personal property tax collections are down 7.7 percent compared to the same time last year. As the District economy slows, investment levels are expected to decrease. This will result in a decrease in personal property tax revenue because the tax is levied on the depreciated values of all property used in trade or business except for inventories held for sale. Additionally, personal property tax refunds for the month are up 234.9 percent compared to June 2001. Public space rental collections are 25.8 percent below collections compared to the same time last year. However, there are no anomalies associated with this weakness. The bulk of cash from this source comes in during the months of June and July. While collections in June have exceeded collections in previous months, collections for the month are still rather weak compared to the same time last year. A better picture of how this revenue source is performing will be available after the July collections have been processed.

General Sales and Use Tax Collections

➤ *\$29.6 million (6%) below YTD collections for the same time last year*

The YTD decline of 5.7 percent trails the estimated 1.6 percent decrease for the year. June 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 June is \$1.5 million (25%) less than June 2001, a considerable weakening from last month's 2 percent difference. YTD Convention Center transfer collections show a \$4.8 million (11%) decline from collections compared to the same time last year.

Selected Sales and Use Tax Collections

➤ *\$4.6 million (11%) below YTD collections for the same time last year*

The YTD decline of 10.5 percent is worse than the 5.5 percent decline forecasted in the revenue estimates. YTD alcohol beverage sales collections are 3.4 percent weaker than collections compared to the same time last year. YTD motor vehicle excise tax collections are 15.5 percent less than collections compared to the same time last year. 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

➤ *\$89.0 million (10%) below YTD collections for the same time last year*

The YTD individual income tax collections show a sharp drop of 10.4 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 June are actually down by 12.6 percent.

An examination of the individual income tax collections by components is revealing: 1) June YTD withholdings collections, after making the adjustment discussed above, are 2.2 percent below YTD June 2001 withholding collections; 2) June YTD declarations (estimated payments) are 14.4 percent below YTD June 2001 declarations; 3) June YTD final payments with returns are 26.4 percent below YTD June 2001 payments; 4) YTD fiduciary collections are 53.0 percent below YTD June 2001 fiduciary collections; and 5) YTD refunds are 13.0 percent above YTD June 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

➤ *\$142.4 million (62%) below YTD collections for the same time last year*

Before any adjustments, the YTD decline of 62.4 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 June 2002 cash, YTD corporate franchise tax collections are down 54.0 percent. As with the individual income tax collections, an examination of the components is revealing: YTD declarations (estimated payments) are 14.3 percent below YTD declarations for the same time last year; YTD payments with returns are 59.6 percent below YTD payments in June 2001; YTD refunds (excluding refunds related to the judgment) are 150.7 percent above YTD June 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

➤ *\$13.3 million (23%) below YTD collections for the same time last year*

The YTD decline of 23.1 percent shown in the cash collections report is slightly 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 20.9 percent. Both YTD declarations and YTD payments are doing well. YTD declarations are 5.3 percent ahead of YTD June 2001 declarations while YTD payments are 8.4 percent above the same period last year. YTD refunds (excluding refunds related to the judgment) are 1,493.2 percent above refunds for the same time last year.

Gross Receipts Tax Collections

➤ *\$14.4 million (9%) above YTD collections for the same time last year*

The YTD growth of 8.8 percent is ahead of 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. In contrast, public utility tax collections are 1.7 percent below collections compared to the same time last year. Public utilities tax collections are less robust than they have been in previous months. This may be attributed to the mild temperatures experienced in the area. It appears that a majority of the June insurance premiums collections were collected in May. YTD insurance premiums collections have done very well and are 50.8 percent above collections for the same period last year. Since the two payment

dates for this tax have passed, there will likely be very little activity from this revenue source for the remainder of the fiscal year.

Other Tax Collections

➤ *\$84.4 million (62%) above YTD collections for the same time last year*

The YTD growth of 61.4 percent is significantly ahead of the estimated 0.5 percent decline for the year. Estate tax collections for the month of June are 44.1 percent below collections compared to June 2001. However, YTD estate tax collections are 161.8 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 slightly 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 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 22.2 percent above collections compared to the same time last year. Deed transfer taxes are 5.9 percent above collections compared to the same time last year. There were no economic interests payments collected in June. However, YTD this tax is 288.8 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

➤ *\$3.2 million (2%) below YTD collections for the same time last year*

The YTD decline of 2.0 percent is less than the estimated 27.5 percent decrease for the year. However, the Non-tax category should also include *Sale of Surplus Property* and *Other Transfer* categories under the “Other Financing Sources” heading. After making this adjustment, YTD non-tax collections show a 6.4 percent growth for the year. Licenses and Permits for the month of June are 85.1 percent below collections compared to June 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.

Fines and forfeitures collections are 70.8 percent above June 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.

Charges for services collections are 149.6 percent above June 2001 collections. This is due to an adjustment made in June 2001 to correct a recording error. However, YTD collections are 52.2 percent below collections compared to the same time last year. 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 are 161.9 percent below June 2001 collections. There were a large number of claims paid out for Unclaimed Property as was anticipated for the month of June. Interest income collections are 74.6 percent below collections compared to June 2001 because in June 2001 there was transfer of funds from the Control Board to the District's general fund. Other miscellaneous revenue shows a deficit for the month due to an adjustment removing \$11.5 million from that category to the Sale of Surplus Property.