



D.C. REPORT OF CASH COLLECTIONS

MAY 2002

Dr. Natwar M. Gandhi
Chief Financial Officer

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

GENERAL FUND COLLECTIONS

YTD collections of \$2,160.0 million are \$121.5 million (5.3%) 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 5.2 percent is above the estimate of a 3.4 percent decrease for the year. Collections for the month of May are \$321.1 million, \$757,000 (0.2%) more than May 2001 collections.

TOTAL TAX COLLECTIONS

YTD total tax collections of \$1,957.2 million are \$123.5 million (5.9%) below YTD collections for the same period last year. After the adjustments, the YTD decline of 6.1 percent is much higher than the estimated 0.5 percent decrease for the year. Tax collections for the month of May are \$296.9 million, 7.1 million (2.5%) above May 2001 collections.

COLLECTIONS BY REVENUE SOURCE

Property Tax Collections

➤ *\$31.6 million (10%) above YTD collections for the same time last year*

The YTD growth of 9.8 percent is slightly below the estimated growth of 10.5 percent for the year. Just as in April, May's real property tax collections continue to grow coupled with the fact that real property tax refunds are down 55 percent compared to the same time last year. Personal property tax collections also exceed collections compared to the same time last year. However, personal property tax refunds for the month are up over 250 percent compared to May 2001. Cumulatively, refunds are up 142 percent compared to the same time last year. Public space rental collections remain weak YTD, but there are no anomalies associated with this weakness. The bulk of cash from this source comes in during the months of June and July. Accordingly, a better picture of how this revenue source is performing will be available at that time.

General Sales and Use Tax Collections

➤ *\$29.9 million (7%) below YTD collections for the same time last year*

The YTD decline of 6.5 percent trails the estimated 1.6 percent decrease for the year. May general sales and use tax collections continue to show a modest improvement over previous months this fiscal year. Monthly collections are \$1.7 million (2.8%) above collections compared to May 2001. 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 May 2002 is \$148,000 (2%) less than May 2001. YTD

Convention Center transfer collections for May show a \$3.3 million (9%) decline from collections compared to the same time last year. This is a slight improvement over April's rate, which was 10 percent below collections compared to the same time last year.

Selected Sales and Use Tax Collections

➤ *\$1.3 million (4%) below YTD collections for the same time last year*

The YTD decline of 3.5 percent is slightly ahead of the annual estimate of 5.5 percent negative growth. YTD alcohol beverage sales collections are 1.5 percent weaker than collections compared to the same time last year. This revenue source is seasonal and during the summer months collections are expected to grow. Therefore, it may be too soon to tell how well collections for this tax will perform for the year. In April, motor vehicle excise tax collections were up 7.5 percent compared to the same time last year. This was due to automakers extending many smaller scale incentives for buying cars. However, within the last month auto sales have slowed nationally because of falling consumer confidence concerning the health of the economy.

Individual Income Tax Collections

➤ *\$80.7 million (11%) below YTD collections for the same time last year*

The YTD individual income tax decline of 10.7 percent shown in the cash collections report is above the estimate of a 0.8 percent increase for the year. However, an adjustment is required to get a true picture of the revenue flows of the individual income tax. \$18.5 million that is reflected as cash for FY 2002 should be booked as FY 2001 revenues. After making this adjustment, YTD individual income tax collections through May are down sharply by 13.2 percent.

An examination the individual income tax collections by components is revealing: May YTD withholdings collections, after making the adjustment discussed above, are 3.6 percent below YTD May 2001 withholding collections; May YTD declarations (estimated payments) are 9.9 percent below YTD May 2001 declarations; May YTD payments with returns are 27.8 percent below YTD May 2001 payments; YTD fiduciary collections are 53.8 percent below YTD May 2001 fiduciary collections; and YTD refunds are 9.6 percent above YTD May 2001 refunds. As these components of the individual income tax show, withholdings collections as well as estimated payments are down significantly while refunds are up. This suggests that the income tax collections are still being adversely affected by continued weakness in the labor and stock markets. The latest economic numbers support this. The May Economic Indicators report shows that the earnings of D.C. residents are down 6.4 percent in April 2002 from 6.7 percent growth in April 2002. Personal income growth in D.C. remains at 2.0 percent in the fourth quarter of calendar year 2001, from 4.4 percent in the previous quarter.

Corporate Franchise Tax Collections

➤ *\$138.2 million (69%) below YTD collections for the same time last year*

Before any adjustments, the YTD decline of 68.4 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 judgement will therefore not affect FY 2002 revenues. After making this adjustment to the May 2002 cash, YTD corporate franchise tax collections are down 27.4 percent. As with the individual income tax collections, an examination of the components is revealing: YTD declarations (estimated payments) are 19.1 percent below YTD declarations for the same time last year; YTD payments with returns (after adjusting for a one-time payment) are 1.3 percent above YTD payments in May 2001; YTD refunds (excluding refunds related to the judgment) are 123.6 percent above YTD May 2001 refunds. Declarations and payments with returns are down while refunds are up sharply. The sharp fall off 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

➤ *\$9.3 million (20%) below YTD collections for the same time last year*

The YTD decline of 20.4 percent shown in the cash collections report is slightly ahead of the estimated 13.8 decrease for the year. Unincorporated franchise tax collections are also effected 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 17.6 percent. Both YTD declarations and YTD payments are strong. YTD declarations are 15.1 percent ahead of YTD May 2001 declarations while YTD payments are 12.0 percent above the same period last year. YTD refunds (excluding refunds related to the judgment) are 1828.0 percent above refunds for the same time last year.

Gross Receipts Tax Collections

➤ *\$16.8 million (12%) above YTD collections for the same time last year*

The YTD growth of 12.2 percent is ahead of the estimated 5.8 percent growth for the year. Both YTD public utility tax collections and toll telecommunication tax collections continue to exceed collections compared to the same time last year. However, May 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. Monthly insurance premium collections are 730.6 percent above May 2001 collections. Insurance premium collections were due in March and it appears that a large portion of the June payments have come in early. It may be too early to begin drawing conclusions about this revenue source until the remainder of the June payments are accounted for and the collections pattern has smoothed out.

Other Tax Collections

➤ *\$87.4 million (72%) above YTD collections for the same time last year*

The YTD growth of 71.7 percent is significantly ahead of the estimated 0.5 percent decline for the year. Estate tax collections of \$64.6 million are significantly higher than the May 2001

collections of \$5.1 million. This large increase can be attributed to a large one-time payment for the month. 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 growth in commercial refinancing is still strong. YTD deed recordation tax collections are 24.8 percent above collections compared to the same time last year. Likewise, deed transfer taxes are 9.8 percent above collections compared to the same time last year.

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

➤ *\$9.4 million (7%) above YTD collections for the same time last year*

The YTD growth of 6.6 percent is ahead of the estimated 27.5 percent decrease for the year. Fines and forfeitures collections are 114.5 percent above May 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.

Under the Charges for Services category, collections from a number of fees attributed to the Department of Consumer and Regulatory Affairs such as the corporation recordation fee are lower compared to May 2001. These fees for permits, registrations and inspections are more sensitive to changes in local economic conditions and as a result have been lower throughout this fiscal year. Right of way rental collections are 100 percent below collections compared to the same time last year. As of FY 2002, right of way rental fees are no longer considered general fund revenue and are being posted to the Highway Trust Fund. Under the Miscellaneous category, interest income collections are 66.4 percent higher than May 2001 collections because in May 2001 the Control Board managed a portion of the revenue. The interest earned on this revenue was not made available to the District's General Fund until the end of that fiscal year. Unclaimed property collections are 284.1 percent above May 2001 collections. This increase is due to property that was recovered as a result of recent audits.