

D.C. REPORT OF CASH COLLECTIONS

MAY 2003

GENERAL FUND COLLECTIONS

Year-to-date (YTD) collections of \$2,196.4 million are \$36.5 million (1.7%) above collections compared to the same time last year. This YTD general fund growth is slightly below the budgeted estimate of a 1.9 percent increase for the year. Collections for the month of May are \$232.2 million, \$88.8 million (27.7%) less than May 2002 collections.

TOTAL TAX COLLECTIONS

YTD total tax collections of \$1,984.7 million are \$27.6 million (1.4%) more than YTD collections compared to the same period last year. This YTD increase is about the same as the 1.5 percent increase budgeted for the year. Tax collections for the month of May are \$203.4 million, \$93.5 million (31.5%) below May 2002 tax collections.

COLLECTIONS BY REVENUE SOURCE

Property Tax Collections

- \$77.1 million (22.0%) above YTD collections for the same time last year

The YTD growth of 22.0 percent is considerably greater than the estimated growth of 12.5 percent forecasted in the revenue estimates. Real property tax payments are due twice a year, the first payment was due March 31 and the second payment is due September 15. The increase in YTD real property collections is likely due to higher assessments and higher tax rate for the new Class 3 for vacant and abandoned property. The higher assessments are mainly due to the ending of triennial for Tri-group 2. Personal property tax collections and public space rental collections have annual due dates of July 31. However, some isolated payments are received throughout the year.

General Sales and Use Tax Collections

- \$12.1 million (2.8%) above YTD collections for the same time last year

The YTD increase of 2.8 percent is below the estimated 3.6 percent growth forecasted in the revenue estimates. Monthly collections for May 2003 are 3 percent below last May's collections, which is a smaller decline in revenue compared to April's 11 percent drop. The slight increase in nationwide retail sales reported by the Department of Commerce may explain the small rebound from April to May in sales tax revenue collections.

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 weakened from a 17.2 percent decline in April to an 18.2 percent decline for May. The decline in the transfer may be attributed to the continued drop in the tourism industry due to the rainy weather, fears of terrorism and the SARS (severe acute respiratory syndrome) outbreak.

Selected Sales and Use Tax Collections

- \$3.4 million (9.3%) above YTD collections for the same time last year

YTD alcohol beverage sales collections are 2.2 percent ahead of collections compared to the same time last year. The steady increase in collections from alcoholic beverage taxes is a result of increased audit efforts. YTD cigarette tax collections are \$2.4 million or 22.7 percent ahead of collections compared to the same time last year. The cigarette tax rate was increased beginning January 2003. However, in March and April, cigarette tax collections were unusually high due to the fact that many merchants were unaware until then about the January tax increase. The sharp downturn in May is likely connected to the previous months' unusual increases. Smokers quitting (an expected event with large cigarette tax increases) may also be a factor. YTD Motor vehicle excise tax collections are 3.9 percent above the same time last year. The decrease in collections noted in March and April 2003 has been reversed for May 2003. Monthly motor vehicle excise tax collections for May are 248.1% above collections compared to May 2002.

Individual Income Tax Collections

- \$57.5 million (8.5%) below YTD collections for the same time last year

The YTD individual income tax collections show a decline of 8.5 percent compared to a 1.9 percent decline forecasted in the revenue estimates. Monthly individual income tax collections are \$36.3 million below May 2002 collections. By components:

Withholdings: May YTD withholdings collections are 1.4 percent below YTD May 2002 withholding collections.

Declarations: May YTD declarations (estimated payments) are 16.2 percent below YTD May 2002 declarations. Declarations are collected quarterly. Declarations filing dates are January 15, April 15, June 15, and September 15. The May YTD collections include the first two declarations payments for FY2003.

Payments: May YTD final payments with returns are 11 percent below YTD May 2002 payments. Final payments are due in April yet some payments are received after the due date. Some also receive an extension until September.

Fiduciary: May YTD fiduciary collections are 70.2 percent below YTD May 2002 fiduciary collections.

Refunds: May YTD refunds are 10.4 percent above YTD May 2002 refunds.

Corporate Franchise Tax Collections

- \$11.1 million (17.3%) above YTD collections for the same time last year

The YTD increase of 17.3 percent shown in the cash collections report is significantly more than the estimated 11.3 percent decline forecasted in the revenue estimates. Monthly May collections are 26.8 percent below collections for last May. The main reason for the comparative decrease in collections for May is an increase in refunds. The increase in refunds for corporate franchise collections is likely related to a 2001 law change. Corporations are now allowed to consolidate and the parent company can take losses from a subsidiary. By components:

Declarations: YTD declarations (estimated payments) are 3.6 percent below YTD declarations compared to the same time last year, likely due to the sluggish economy.

Payments: YTD payments with returns are 7.6 percent below YTD May 2002 payments.

Refunds: YTD refunds are 34.1 percent below YTD May 2002 refunds as a result of the law change previously mentioned.

Unincorporated Franchise Tax Collections

- \$17.8 million (49.2%) above YTD collections for the same time last year

The YTD increase of 49.2 percent shown in the cash collections report is more than the estimated 10.1 percent growth forecasted in the revenue estimates. The extraordinary growth noted in April 2003 continues in May 2003 compared to the previous year. The growth in YTD collections can be attributed to a decrease in refunds as well as an increase in payments compared to the same time last year. Given that UB collections are prone to large month-to-month variations, it is uncertain if this growth level will be sustained throughout the fiscal year. By components:

Declarations: YTD declarations are 13.5 percent below YTD May 2002 declarations.

Payments: YTD payments are 52.3 percent above the same period last year.

Refunds: YTD refunds are 59.1 percent below refunds for the same time last year.

Gross Receipts Tax Collections

- 12 million (7.8%) above YTD collections for the same time last year

The YTD increase of 7.8 percent is ahead of the estimated 5.2 percent growth forecasted in the revenue estimates.

YTD public utilities collections continue to grow and are 22.4 percent above collections compared to the same time last year. This is likely the result of increased collections due to the unusually cold temperatures experienced in Washington this winter. Also, effective January 1, 2003 public utility tax rates increased from 10 percent to 11 percent as part of the Mayor's efforts to avert a potential budget shortfall in the District's FY 2003 budget.

YTD toll telecommunication tax collections are 12.3 percent below collections compared to the same time last year. While rates for this tax also increased from 10 percent to 11 percent effective January 2003, long-distance providers are suffering from growth of the wireless industry, which now includes inexpensive long-distance calling plans as part of the standard features. Yet, while the wireless industry is growing, it is seeing slowing subscriber growth after years of rapid gain. Thus, revenues in this industry are steadily declining.

Insurance premium payments YTD collections are 14.8% below YTD collections for the same time last year. Insurance premium payments are due in March and June. May 2002's collections were unusually high because a large portion of the June payments came in early.

Other Tax Collections

- \$48.3 million (23.1%) below YTD collections for the same time last year

The YTD decline of 23.1 percent is slightly worse than the estimated 21.3 percent decline forecasted in the revenue estimates.

YTD estate tax collections are 83 percent below collections compared to the same time last year. The decrease in YTD collections can be attributed to the fact that by the same time last year the District received approximately \$22 million from four very large estate tax payers. This year the District has yet to receive a comparably large estate tax payment.

Recently, the District's estate tax legislation officially decoupled from the federal government's estate tax legislation. This has caused the Office of Tax and Revenue (OTR) to devise new estate tax forms. This has left estate tax payers confused, as OTR has yet to state the new estate tax policy or release the revised tax form needed to pay the appropriate taxes. This is likely another cause behind the decline in YTD estate tax revenue.

YTD deed recordation tax collections are 44.2 percent above collections compared to the same time last year. YTD deed transfer tax collections are 45.8 percent above collections compared to the same time last year. The tax rate increases in the deed recordation and transfer taxes as well as the significant level of real estate activity have made deed tax collections remain relatively ahead of last year. The District continues to remain a safe haven for investors since the stock market and other investment opportunities are weak.

YTD economic interest collections are 84.9 percent below collections compared to the same time last year. This is an unstable and unpredictable tax throughout the year, and zero to minimal collections in any given month is quite common. Monthly collections for May were zero, just as they were in May 2002. Despite the irregular collections pattern, economic interest collections are on target to meet the estimate for fiscal year 2003.

TOTAL NON-TAX COLLECTIONS

YTD total non-tax collections of \$163 million are \$5.6 million (3.5%) above YTD collections for the same time last year. This YTD increase is more than the 6.1 percent decrease budgeted for the year. Non-tax collections for the month of May are \$21.6 million, \$2.9 million (15.6%) above May 2002 tax collections.

NON-TAX COLLECTIONS BY SOURCE

Licenses and Permits

YTD licenses and permits are 12.2 percent above collections compared to the same time last year. The increase is due to higher collections from insurance licenses, motor vehicle registration and driver's licenses as a result of fee increases.

Fines and Forfeitures

YTD fines and forfeitures collections are 15.5 percent below collections compared to the same time last year. While collections from traffic fines are consistently high, they have not maintained the same level as last year.

Charges for Services

YTD charges for services collections are 28.2 percent above collections compared to the same time last year. Monthly collections are \$2.8 million (99.2%) above monthly collections compared to May 2002. This is largely due to higher collections from deed recordation and corporation recordation fees, which were increased during the year.

Miscellaneous

YTD miscellaneous revenue collections are 10.2 percent above collections compared to the same time last year. Monthly collections are 8.6 percent below monthly collections for May 2002. The decline in collections is due to a decline in the May collections of interest income and unclaimed property compared to the same time last year. Interest income is generated through the investment of excess cash balances. Compared to May 2002 short-term interest rates have decreased 50 basis points, which is reflected in our interest income collections. As the Federal Reserve reduces interest rates, our cash balances will generate less interest income. Unclaimed property collections are 68.5 percent below collections compared to May 2002. Last year, unclaimed property collections increased due to property that was recovered as a result of audits. Other Transfer collections are \$2.1 million above May 2002 collections. This revenue source consists of the WASA PILOT payment, which is scheduled to be paid quarterly. However, payments are oftentimes sporadic.