Letter Report: Comparative Analysis of Actual Cash Collections to the Revised Revenue Estimate Through the 1st Quarter of Fiscal Year 2008

March 28, 2008
The Honorable Vincent C. Gray  
Chairman  
Council of the District of Columbia  
1350 Pennsylvania Avenue, NW, Suite 504  
Washington, D.C. 20004

**Letter Report:** Comparative Analysis of Actual Cash Collections to the Revised Revenue Estimate Through the 1st Quarter of Fiscal Year 2008

Dear Chairman Gray and Members of the Council of the District of Columbia:

This letter report presents the Office of the District of Columbia Auditor’s (ODCA) comparison of the District of Columbia’s (District) actual cash collections through the 1st quarter of fiscal year (FY) 2008 to the revised FY 2008 revenue estimate for the 1st quarter.

**BACKGROUND**

In May 2007, pursuant to the Home Rule Act, as amended by Public Law 104-8, and Public Law 106-522, the District of Columbia Appropriations Act for Fiscal Year 2001, the District’s Chief Financial Officer (CFO) issued a certified FY 2008 original revenue estimate of $5.165 billion. The $5.165 billion non-dedicated Local Fund revenue estimate was used as the baseline for the FY 2008 budget. Revisions to the $5.165 billion estimate are presented below:

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1. See Pub. L. 104-8, (109 Stat; D.C. Code Section 1-204.24c(5) (A) and (B)).


3. See FY 2008 Proposed Budget and Financial Plan, Volume 1, Executive Summary, dated June 7, 2007, page 4-16, “Operating Revenue by Source, Fiscal Years 2006 - 2011.” The FY 2008 revenue estimate presented in this report represents the non-dedicated local fund revenue estimate and does not include the FY 2008 special purpose revenue fund (O-type) estimate of $367.03 million. However, an overall discussion of special purpose revenue funds (O-type) is included in a later section of this report.
In September 2007, the CFO revised the estimate upward to $5.188 billion\textsuperscript{4} which was a net increase of $23 million over the $5.165 billion FY 2008 original revenue estimate.

**METHODOLOGY**

In conducting the comparative analysis, the Auditor reviewed: (1) the $5.188 billion estimate; (2) the FY 2008 1\textsuperscript{st} quarter Comparative Report of Cash Collections by Funds prepared by the Chief Financial Officer’s Office of Revenue Analysis (ORA); and (3) other relevant information. Additional information reviewed by the Auditor included economic data from several sources, including the National Oceanic and Atmospheric Administration (NOAA), the Federal Reserve Board Beige Book (Federal Beige Book), the District’s Department of Employment Services (DOES), the Office of Finance and Treasury (OFT), the Greater Capital Area Association of Realtors (GCAAR), United States Department of Labor, Bureau of Labor Statistics (BLS), and the Washington, D.C. Convention and Tourism Corporation (WDCCTC).

The Auditor interviewed ORA officials regarding cash collections through the 1\textsuperscript{st} quarter of FY 2008 and representatives from other governmental organizations regarding their knowledge of overall economic conditions that affect the District.

\textsuperscript{4}The CFO certified additional revenue of $30.2 million. The FY 2008-FY 2011 Budget and Financial Plan, dated June 7, 2007, included $6.7 million of policy changes. The $30.2 million in additional revenue, and the impact of the policy changes, totaling $6.7 million resulted in a net increase of $23.5 million over the $5.165 billion May 2007 FY 2008 original revenue estimate.
RESULTS OF ANALYSIS

Actual cash collections from: (1) tax, (2) non-tax, and (3) other financing sources through the 1st quarter of FY 2008 totaled $879.28 million, which were $42 million, or 5%, above the $837.29 million revised estimate through the 1st quarter. The $879.28 million in actual cash collections represented 16.9% of the $5.188 billion FY 2008 revised revenue estimate. Collections through the 1st quarter from tax, non-tax, and other financing sources are presented below.

• **Tax** - total tax collections were $784.06 million, which were $46.9 million, or 6.4%, above the revised tax estimate of $737.13 million through December 2007.

• **Non-tax** - total non-tax collections were $76.92 million, which were $3.2 million, or 4%, below the revised non-tax estimate of $80.11 million through December 2007.

• **Other financing sources** - collections from other financing sources, which consisted of legalized gambling, totaled $18.3 million. These collections were $1.7 million, or 8.7%, below the revised other financing sources estimate of $20.05 million through December 2007.

Table I compares actual cash collections to the revised estimate through the 1st quarter of FY 2008 for tax, non-tax, and other financing sources. Appendix I presents a graphical depiction of the information in Table I as well as other tables presented in this report.

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5 Rounding may affect some calculations presented in this report.

6 The $837.29 million revised revenue estimate and $879.28 million in collections through the 1st quarter of FY 2008 are presented net of funds transferred to dedicated purposes including the Washington Convention Center Authority. The estimate and transfer also does not include special purpose revenue fund (O-type).
TABLE I
Cash Collections Summary
Through the 1st Quarter of Fiscal Year 2008
($000)

<table>
<thead>
<tr>
<th>Collections Category</th>
<th>Actual Collections Through the 1st Quarter FY 2008</th>
<th>Revised Estimate Through the 1st Quarter FY 2008</th>
<th>Difference: Actual Over/(Under) Revised Estimate</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax</td>
<td>$784,060</td>
<td>$737,134</td>
<td>$46,926</td>
<td>6.4%</td>
</tr>
<tr>
<td>Non-Tax</td>
<td>76,919</td>
<td>80,108</td>
<td>(3,189)</td>
<td>(4%)</td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>18,300</td>
<td>20,049</td>
<td>(1,749)</td>
<td>(8.7%)</td>
</tr>
<tr>
<td>Total Collections</td>
<td>$879,279</td>
<td>$837,291</td>
<td>$41,988</td>
<td>5%</td>
</tr>
</tbody>
</table>


In conducting the analysis of cash collections through the 1st quarter of FY 2008, the Auditor compared the 1st quarter collection trends for the five prior fiscal years from FY 2004 through the 1st quarter of FY 2008. These comparisons are presented in Appendix II. During the five-fiscal year period, collections in each revenue category fluctuated from year to year. However, the Auditor notes that 1st quarter collections in general sales and use taxes and income tax steadily increased over the five-fiscal year period. On the other hand, 1st quarter collections in the other taxes category decreased in FY 2005 but increased from FY 2006 through FY 2008. A discussion of the fluctuation in each of the tax and non-tax revenue categories is presented later in this analysis.

Appendix III presents a comparison of collections through the 1st quarter of FY 2007 to 1st quarter collections for FY 2008 in each tax category.

GENERAL PROPERTY TAXES

General property taxes include: (A) real property taxes, (B) personal property taxes, and public space rental. The FY 2008 revised estimate for general property taxes is $1.668 billion. Collections of general property taxes through the 1st quarter of FY 2008 totaled $29.69 million, which were:

- $15.62 million, or 111.1%, above the $14.06 million 1st quarter FY 2008 revised estimate; and
- $17.96 million, or 153.1%, above collections for the same period in FY 2007.
Collections of general property taxes through the 1st quarter represented 1.8% of the annual total revised revenue estimate for this category. Table II compares actual collections of general property taxes to the revised estimate through the 1st quarter of FY 2008.

**TABLE II**

**General Property Taxes:**

*Comparison of Actual Cash Collections to the Revised Estimate Through the 1st Quarter of Fiscal Year 2008*  

($000)

<table>
<thead>
<tr>
<th>General Property Taxes</th>
<th>Actual Collections Through the 1st Quarter FY 2008</th>
<th>Revised Estimate Through the 1st Quarter FY 2008</th>
<th>Difference: Actual Over/(Under) Revised Estimate</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Property</td>
<td>$28,440</td>
<td>$13,715</td>
<td>$14,725</td>
<td>107.4%</td>
</tr>
<tr>
<td>Personal Property</td>
<td>1,331</td>
<td>348</td>
<td>983</td>
<td>282.5%</td>
</tr>
<tr>
<td>Public Space Rental⁷</td>
<td>(85)</td>
<td>0</td>
<td>(85)</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total General Property Taxes</strong></td>
<td><strong>$29,686</strong></td>
<td><strong>$14,063</strong></td>
<td><strong>$15,623</strong></td>
<td><strong>111.1%</strong></td>
</tr>
</tbody>
</table>


A. **Real Property Tax Collections**

Real property tax collections through the 1st quarter totaled $28.44 million. These collections were $14.725 million, or 107.4%, above the $13.715 million revised estimate. The real property tax category is the largest component of general property taxes.

The Auditor noted that real property tax refunds through the 1st quarter totaled $2.17 million and were $3.73 million, or 63.2%, below the $5.9 million estimate. Refunds through the 1st quarter of FY 2008 were also $1.3 million, or 38.2%, below refunds through the 1st quarter of the previous year.

Real property taxes are due March 31st and September 15th of each year. Therefore, collections in the 1st quarter do not appear to be an accurate indicator of collections for the entire fiscal year.

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⁷Public space rental collections is not used for general fund purposes but are dedicated to the District Department of Transportation.
B. **Personal Property Tax Collections**

Personal property tax collections through the 1st quarter totaled $1.331 million. These collections were $983,000, or 282.5%, above the $348,000 revised estimate. The annual due date for personal property tax returns is July 31st. Therefore, according to ORA officials, collections in the 1st quarter may represent late payments of 2007 personal property taxes rather than overall economic activity that may relate specifically to 2008 personal property tax collections.

Based on actual collection patterns and emerging trends through the 1st quarter, it appears that the District is on course to achieve the FY 2008 revenue estimate in the general property taxes category.

**GENERAL SALES AND USE TAXES**

The FY 2008 revised estimate for general sales and use taxes is $741.5 million.\(^8\) Collections of general sales and use taxes through the 1st quarter totaled $214.8 million, which were:

- $4.94 million, or 2.4%, above the $209.87 million 1st quarter revised FY 2008 estimate; and
- $6.4 million, or 2.8%, above collections for the same period in FY 2007.

General sales and use tax collections through the 1st quarter represented 29% of the total FY 2008 revised estimate for this category. Table III compares actual collections to the revised estimate through the 1st quarter of FY 2008.

\(^{8}\)Presented net of dedicated general sales and use taxes transferred to other dedicated purposes including the Washington Convention Center Authority.
TABLE III  
General Sales and Use Taxes:  
Comparison of Actual Cash Collections to the Revised Estimate  
Through the 1st Quarter of Fiscal Year 2008  
($000)

<table>
<thead>
<tr>
<th>General Sales and Use Taxes</th>
<th>Actual Collections Through the 1st Quarter FY 2008</th>
<th>Revised Estimate Through the 1st Quarter FY 2008</th>
<th>Difference: Actual Over/(Under) Revised Estimate</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Sales and Use Taxes</td>
<td>$214,811</td>
<td>$209,871</td>
<td>$4,940</td>
<td>2.4%</td>
</tr>
</tbody>
</table>


Collections of general sales and use taxes through the 1st quarter totaled $214.81 million. Actual collections through the 1st quarter were $4.94 million, or 2.4%, above the $209.87 million revised 1st quarter estimate. Collections of general sales and use taxes may be higher than the estimate because of an increase in the number of visitors to the District. According to data obtained from WDCCTC, hotel occupancy rates for the 1st quarter of FY 2008 were, on average, approximately 1.3% higher than the average occupancy rates for the same period in FY 2007. Also, total room revenue for the 1st quarter of FY 2008 was approximately $37 million higher than room revenue for the 1st quarter of FY 2007.

Although collections through the 1st quarter were higher than the estimate, District officials should monitor this tax category closely because of the slowdown in the economy. This slowdown may result in fewer tourists visiting the District thus resulting in reduced collections of general sales and use taxes.

SELECTIVE SALES AND USE TAXES

Selective sales and use taxes include: (A) alcoholic beverage, (B) cigarette, and (C) motor vehicle excise taxes. The FY 2008 revised estimate for selective sales and use taxes is $73.2 million. Collections through the 1st quarter of FY 2008 totaled $17.2 million which were:

✦ $114,000, or .67%, above the $17.1 million 1st quarter FY 2008 revised estimate; and
✦ $65,000, or 1.8%, above collections for the same period in FY 2007.

Selective sales and use tax collections through the 1st quarter represented 23.5% of the total FY 2008 revised estimate for this category. Table IV compares actual collections to the revised estimate through the 1st quarter of FY 2008.
TABLE IV
Selective Sales and Use Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2008
($000)

<table>
<thead>
<tr>
<th>Selective Sales and Use Taxes</th>
<th>Actual Collections Through the 1st Quarter FY 2008</th>
<th>Revised Estimate Through the 1st Quarter FY 2008</th>
<th>Difference: Actual Over/(Under) Revised Estimate</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcoholic Beverage</td>
<td>$1,329</td>
<td>$1,301</td>
<td>$28</td>
<td>2.2%</td>
</tr>
<tr>
<td>Cigarette</td>
<td>5,754</td>
<td>5,262</td>
<td>492</td>
<td>9.4%</td>
</tr>
<tr>
<td>Motor Vehicle Excise</td>
<td>10,142</td>
<td>10,548</td>
<td>(406)</td>
<td>(3.8%)</td>
</tr>
<tr>
<td>Total Selective Sales and Use Taxes</td>
<td>$17,225</td>
<td>$17,111</td>
<td>$114</td>
<td>.67%</td>
</tr>
</tbody>
</table>


A. **Alcoholic Beverage Tax**

Alcoholic beverage tax collections through the 1st quarter totaled $1.329 million. These collections were $28,000, or 2.2%, above the $1.301 million revised estimate.

B. **Cigarette Tax**

Cigarette tax collections through the 1st quarter totaled $5.754 million. These collections were $492,000, or 9.4%, above the $5.262 million revised estimate.

C. **Motor Vehicle Excise Tax**

Motor vehicle excise tax collections through the 1st quarter totaled $10.142 million. These collections were $406,000, or 3.8%, below the $10.548 million revised estimate. ORA representatives could not identify any particular economic reason for the lower 1st quarter collections other than the current general slowdown in the national economy. However, the representative noted that motor vehicle excise tax collections fluctuate from quarter to quarter and the 1st quarter collections are not necessarily an indication of future performance in this tax category throughout the year.

Based on actual collection patterns and emerging trends through the 1st quarter, it appears that the District is on course to achieve the FY 2008 revenue estimate in the selective sales and use taxes category.
INCOME TAX

Income tax includes: (A) individual income tax, (B) corporate franchise tax, and (C) unincorporated business franchise tax. The FY 2008 revised estimate for the income tax category is $1.760 billion. Collections through the 1st quarter of FY 2008 totaled $348.053 million which were:

- $2.447 million, or .7%, below the $350.5 million 1st quarter revised estimate; and
- $25.5 million, or 7.9%, above collections for the same period in FY 2007.

Income tax collections through the 1st quarter represented 19.78% of the total FY 2008 revised revenue estimate for this category. Table V compares actual collections to the revised estimate through the 1st quarter of FY 2008.

**TABLE V**

**Income Tax:**

Comparison of Actual Cash Collections to the Revised Estimate Through the 1st Quarter of Fiscal Year 2008

($000)

<table>
<thead>
<tr>
<th>Income Tax</th>
<th>Actual Collections Through the 1st Quarter FY 2008</th>
<th>Revised Estimate Through the 1st Quarter FY 2008</th>
<th>Difference: Actual Over/Under Revised Estimate</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Income Tax</td>
<td>$269,034</td>
<td>$268,466</td>
<td>$568</td>
<td>.2%</td>
</tr>
<tr>
<td>Corporate Franchise Tax</td>
<td>59,965</td>
<td>48,459</td>
<td>11,506</td>
<td>23.7%</td>
</tr>
<tr>
<td>Unincorporated Business</td>
<td>19,054</td>
<td>33,575</td>
<td>(14,521)</td>
<td>(43.2%)</td>
</tr>
<tr>
<td>Franchise Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Income Tax</strong></td>
<td><strong>$348,053</strong></td>
<td><strong>$350,500</strong></td>
<td><strong>($2,447)</strong></td>
<td><strong>(.7%)</strong></td>
</tr>
</tbody>
</table>


A. **Individual Income Tax**

Individual income tax collections through the 1st quarter totaled $269.034 million. This tax is the largest in the income tax category. These collections were $568,000, or .2%, above the $268.466 million revised estimate. The Auditor noted that collections from individual income withholding through the 1st quarter totaled $229.05 million and were $5.97 million, or 2.5%, below the $235.02 million estimate through the 1st quarter. On the other hand, individual income tax payments (amount owed to District government when a taxpayer files a return) totaled $31.05
million and were $17.96 million, or 137.1%, above the $13.09 million estimate through the 1st quarter. An ORA representative indicated that the increase may be due to the fact that two years ago Congress moved the deadline for filing extensions of federal returns from August to October and the District income tax law regarding the filing deadline conforms to the federal government. The representative stated that it seems that this year more people took advantage of the new filing deadline. Normally the extended payments would be due in the fourth quarter of the previous year.

B. Corporate Franchise Tax

Corporate franchise tax collections through the 1st quarter totaled $59.965 million. The collections were $11.5 million, or 23.7%, above the $48.46 million revised estimate. Corporate franchise taxes for FY 2008 are not due in the 1st quarter, therefore collections in the 1st quarter may not represent the overall economic activity that may affect FY 2008 collections in this tax category. However, District officials should monitor this tax category closely. A slowdown in the economy may cause corporations to experience lower profit growth.

C. Unincorporated Business Franchise Tax

Unincorporated business franchise tax collections through the 1st quarter totaled $19.054 million. The collections were $14.5 million, or 43.2%, below the $33.575 million revised estimate. According to ORA representatives, many unincorporated business franchise taxpayers are partnerships associated with the real estate management industry. The lower than estimated collections may be due, in part, to the slowing of the real estate market. Additionally, declarations (estimated tax payments) of unincorporated business franchise tax through the 1st quarter of FY 2008 totaled $15.26 million. These declarations were $13.41 million, or 46.8%, below the estimate of $28.67 million through the 1st quarter.

Since income tax collections were below the estimate through the 1st quarter, District officials should monitor this tax category closely for the remainder of FY 2008.

GROSS RECEIPTS TAX

Gross receipts tax includes: (A) public utilities tax, (B) toll telecommunications tax, and (C) insurance premium tax. The total FY 2008 revised estimate for the gross receipts tax category is $247.24 million. Collections of gross receipts taxes through the 1st quarter of FY 2008 totaled $49.24 million, which were:
$1.93 million, or 4.1%, above the $47.31 million 1st quarter FY 2008 revised estimate; and
$2.29 million, or 4.9%, above collections for the same period in FY 2007.

Gross receipts tax collections through the 1st quarter represent 20% of the total FY 2008 revised estimate for this category. Table VI compares actual collections to the revised estimate through the 1st quarter of FY 2008.

<table>
<thead>
<tr>
<th>Gross Receipts Tax</th>
<th>Revised Estimate Through the 1st Quarter FY 2008</th>
<th>Actual Collections Through the 1st Quarter FY 2008</th>
<th>Difference: Actual Over/(Under) Revised Estimate</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Utilities Tax</td>
<td>$33,730</td>
<td>$33,852</td>
<td>$122</td>
<td>.36%</td>
</tr>
<tr>
<td>Toll Telecommunications Tax</td>
<td>13,522</td>
<td>15,331</td>
<td>1,809</td>
<td>13.4%</td>
</tr>
<tr>
<td>Insurance Premiums Tax</td>
<td>56</td>
<td>59</td>
<td>3</td>
<td>5.4%</td>
</tr>
<tr>
<td>Total Gross Receipts Tax</td>
<td>$47,308</td>
<td>$49,242</td>
<td>$1,934</td>
<td>4.1%</td>
</tr>
</tbody>
</table>


A. Public Utilities Tax

Public utilities tax collections through the 1st quarter totaled $33.852 million. The collections were $122,000, or .36%, above the $33.730 million revised estimate. The fact that collections were above the estimate may result, in part, from increased energy costs. Based on data obtained from the BLS, Washington-Baltimore area energy prices rose .3 percent in December 2007 as measured by the Consumer Price Index for All Urban Consumers (CPI-U). According to the BLS, the recent increase was led by higher prices for utility (piped) gas service and higher prices for electricity and fuel oil. Electricity prices rose .4 percent in December and were 34.2 percent higher than a year ago.

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9 The public utility tax is imposed on the gross receipts of television, radio and telephone companies; the usage per gallon for heating oil; per therm for natural gas; and per kilowatt hour for electric distribution.
B. **Toll Telecommunications Tax**

Toll telecommunications tax collections through the 1st quarter totaled $15.331 million. The collections were $1.809 million, or 13.4%, above the $13.522 million revised estimate. The increase in this tax may be the result of more consumers switching from the use of land line phones to cell phone service for long distance calls. Additionally, internet telephone services, such as Vonage and Skype, offer services to consumers at a reduced rate. As consumers use more of these services, the price of traditional land line services may decrease thus resulting in the collection of less gross receipts to companies in the telephone service industry.

C. **Insurance Premium Tax**

Insurance premium tax collections through the 1st quarter totaled $59,000. The collections were $3,000, or 5.4%, above the $56,000 revised estimate.

Based on collections patterns and emerging trends through the 1st quarter, it appears that the District is on course to achieve the FY 2008 revenue estimate in the gross receipts tax category

**OTHER TAXES**

Other taxes include: (A) estate tax, (B) deed recordation tax, (C) deed transfer tax, and (D) economic interest transfer tax. The total FY 2008 revised estimate for the other taxes category is $293.5 million. Collections of other taxes through the 1st quarter of FY 2008 totaled $125 million, which were:

- $26.76 million, or 27.2%, above the $98.28 million 1st quarter FY 2008 revised estimate; and
- $19.98 million, or 19%, above collections for the same period in FY 2007.

Collections of other taxes through the 1st quarter represented 42.6% of the total FY 2008 revised estimate for this category. Table VII compares actual collections to the revised estimate through the 1st quarter of FY 2008 for other taxes.
TABLE VII
Other Taxes:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2008
($000)

<table>
<thead>
<tr>
<th>Other Taxes</th>
<th>Actual Collections Through the 1st Quarter FY 2008</th>
<th>Revised Estimate Through the 1st Quarter FY 2008</th>
<th>Difference: Actual Over/(Under) Revised Estimate</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estate Tax</td>
<td>$12,067</td>
<td>$11,704</td>
<td>$363</td>
<td>3.1%</td>
</tr>
<tr>
<td>Deed Recordation Tax</td>
<td>41,684</td>
<td>51,321</td>
<td>-(9,637)</td>
<td>(18.8%)</td>
</tr>
<tr>
<td>Deed Transfer Tax</td>
<td>33,312</td>
<td>33,595</td>
<td>-(283)</td>
<td>(.8%)</td>
</tr>
<tr>
<td>Economic Interest Tax</td>
<td>37,980</td>
<td>1,661</td>
<td>36,319</td>
<td>2,186.6%</td>
</tr>
<tr>
<td>Total Other Taxes</td>
<td>$125,043</td>
<td>$98,281</td>
<td>$26,762</td>
<td>27.2%</td>
</tr>
</tbody>
</table>


A. Estate Tax

Estate tax collections through the 1st quarter totaled $12.067 million. The collections were $363,000, or 3.1%, above the $11.704 million revised estimate. According to an ORA representative, estate tax revenue is dependent on two variables that are inherently difficult to predict: the number of deaths in any given year and the total value of decedents’ estates which, in turn, depends on the performance of financial and real estate markets. An ORA representative indicated that this tax will be monitored closely and may be revised downward later in the fiscal year.

B. Combined Deed Recordation and Transfer Tax

Combined deed recordation and transfer tax collections through the 1st quarter totaled $75 million. The recordation tax is imposed on the recording of real estate deeds in the District while the transfer tax is imposed on each transfer of real property at the time the deed is submitted for recordation. These combined collections were $9.92 million, or 11.7%, below the $84.92 million revised estimates. The decrease in these tax collections may result from a decrease in the number of single family homes sold as well as a decrease in the average sales price of homes sold during the 1st quarter. According to data obtained from GCAAR, there was an overall average decline in contracts and settlements of single family homes during the 1st quarter of FY 2008 as compared to the 1st quarter of FY 2007.
C. Economic Interest Tax

Economic interest tax collections through the 1\textsuperscript{st} quarter totaled $37.98 million. The collections were $36.319 million, or 2,186.6\%, above the $1.661 million revised estimate. According to an ORA representative, this tax is difficult to forecast because of the infrequent transfer of corporate ownership interests in the District of Columbia. As a result, ORA does not attempt to estimate this tax using any economic factors.

Based on collections patterns and emerging trends through the 1\textsuperscript{st} quarter, it appears that the District is on course to achieve the FY 2008 revenue estimate in the other taxes category.

NON-TAX REVENUE

Non-tax revenue includes: (A) licenses and permit fees, (B) fines and forfeitures, (C) charges for services, and (D) miscellaneous revenue. The total FY 2008 revised estimate for the non-tax revenue category is $332.36 million. Collections through the 1\textsuperscript{st} quarter totaled $76.92 million, which were:

\begin{itemize}
  \item $3.19 million, or 4\%, below the $80.11 million 1\textsuperscript{st} quarter FY 2008 revised estimate; and
  \item $14.48 million, or 15.8\%, below collections for the same period in FY 2007.
\end{itemize}

Non-tax revenue collections through the 1\textsuperscript{st} quarter represented 23\% of the total FY 2008 revised estimate for this category. Table VII compares non-tax revenue collections to the revised estimate through the 1\textsuperscript{st} quarter of FY 2008.
TABLE VIII
Non-Tax Revenue:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2008
($000)

<table>
<thead>
<tr>
<th>Non-Tax Revenue</th>
<th>Actual Collections Through the 1st Quarter FY 2008</th>
<th>Revised Estimate Through the 1st Quarter FY 2008</th>
<th>Difference: Actual Over/(Under) Revised Estimate</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licenses and Permits</td>
<td>$16,663</td>
<td>$14,588</td>
<td>$2,075</td>
<td>14.2%</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>25,521</td>
<td>27,470</td>
<td>(1,949)</td>
<td>(7.1%)</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>7,216</td>
<td>9,137</td>
<td>(1,921)</td>
<td>(21%)</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td>27,519</td>
<td>28,913</td>
<td>(1,394)</td>
<td>(4.8%)</td>
</tr>
<tr>
<td>Total Non-Tax Revenue</td>
<td>$76,919</td>
<td>$80,108</td>
<td>($3,189)</td>
<td>(4%)</td>
</tr>
</tbody>
</table>

December 2007, prepared by ORA

A. **Licenses and Permit Fees**

Licenses and permit fees collected through the 1st quarter totaled $16.663 million. Collections were $2.075 million, or 14.2%, above the $14.588 million revised estimate.

B. **Fines and Forfeitures**

Fines and forfeitures collected through the 1st quarter totaled $25.521 million. The collections were $1.95 million, or 7.1%, below the $27.47 million revised estimate. The fact that collections were below the estimate for fines and forfeitures may be due, in part, to a reduction in collections from photo radar enforcement.

C. **Charges for Services**

Charges for services collected through the 1st quarter totaled $7.22 million. The collections were $1.92 million, or 21%, below the $9.14 million revised estimate. The lower than expected collections in charges for services may be due, in part, to a decrease in collections of emergency ambulance fees recorded in the general fund.
D. **Miscellaneous Revenue**

Miscellaneous revenue includes: (1) interest income, (2) unclaimed property, (3) sale of surplus property, (4) other transfers,\(^\text{10}\) and (5) other revenue.\(^\text{11}\) Miscellaneous revenue collected through the 1st quarter totaled $27.52 million. The collections were $1.39 million, or 4.8%, below the $28.91 million revised estimate for the 1st quarter. The fact that collections were below the estimate may be due, in part, to a decrease in short-term interest rates, thus resulting in reduced interest income to the District from earnings on short-term investments. According to information obtained from OFT, the average interest rate for pooled cash investments through the 4th quarter of FY 2007 was approximately 5.25% while the average rate through the 1st quarter of FY 2008 decreased to approximately 4.81%.

Since collections of non-tax revenues were below the estimate through the 1st quarter, District finance officials should monitor this tax category closely for the remainder of FY 2008.

**OTHER FINANCING SOURCES**

Other financing sources consist of legalized gambling transfers to the General Fund from the D.C. Lottery. The total FY 2008 revised estimate for the other financing sources category is $72.1 million. Collections through the 1st quarter totaled $18.3 million which were:

- $1.75 million, or 8.7%, below the $20.05 million 1st quarter FY 2008 revised estimate; and;
- $950,000, or 5.5%, above collections for the same period in FY 2007.

Collections from other financing sources through the 1st quarter represented 25.4% of the total FY 2008 revised estimate for this category. Table IX compares actual collections to the estimate through the 1st quarter of FY 2008.

---

\(^{10}\)Includes the WASA Pilot (payment in lieu of taxes) Transfer.

\(^{11}\)Includes revenue from dishonored checks, payroll service fees, or other revenue from agencies.
TABLE IX
Other Financing Sources:
Comparison of Actual Cash Collections to the Revised Estimate
Through the 1st Quarter of Fiscal Year 2008
($000)

<table>
<thead>
<tr>
<th>Other Financing Sources</th>
<th>Actual Collections Through the 1st Quarter FY 2008</th>
<th>Revised Estimate Through the 1st Quarter FY 2008</th>
<th>Difference: Actual Over/(Under) Revised Estimate</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legalized Gambling</td>
<td>$18,300</td>
<td>$20,049</td>
<td>($1,749)</td>
<td>(8.7%)</td>
</tr>
</tbody>
</table>


Legalized gambling (transfers to the General Fund from the D.C. Lottery) through the 1st quarter totaled $18.3 million. The transfers were $1.75 million, or 8.7%, below the $20.05 million revised 1st quarter estimate. According to Lottery’s Agency Fiscal Officer, the transfers were below the estimate primarily because overall lottery ticket sales for all games have been slow resulting in a lower transfer to the General Fund. Lottery ticket sales are down, in part, due to the overall slowdown in the economy as well as the fact that there were no big prize payouts in FY 2007. Prize payouts related to the D.C. Four game were approximately $12.6 million more than the estimate. The Lottery Agency Fiscal Officer also indicated that the Lottery is considering reducing the FY 2008 Lottery estimate downward, from $72.1 million to $70 million.

Since collections of other financing sources were below the estimate through the 1st quarter, and because Lottery officials have expressed concern about achieving the estimate, District finance officials should monitor this category closely for the remainder of FY 2008.

SPECIAL PURPOSE REVENUE FUND (O-TYPE)

The special purpose revenue fund (O-type) estimate for FY 2008 is $367.03 million. Collection of special purpose revenue funds (O-type) through the 1st quarter of FY 2008 totaled $79.35 million. These collections were $33.85 million, or 74.4%, above the $45.5 million 1st quarter revised estimate. Collections through the 1st quarter of FY 2008 were $14.85 million, or 23%, above the $64.5 million in collections for the same period in FY 2007.

Based on collection patterns and emerging trends through the 1st quarter, it appears that the District is on course to achieve the FY 2008 revenue estimate in the special purpose revenue fund (O-type) category.
CONCLUSION

Overall, the Auditor’s analysis indicated that actual cash collections were above the revised estimate through the 1st quarter of FY 2008. The District’s cash collections through December 2007 (excluding special purpose revenue fund (O-type) totaled $879.28 million, which were $41.99 million, or 5%, above the $837.29 million revised estimate through the 1st quarter. The $879.28 million in actual cash collections represented 16.9% of the total $5.188 billion revised FY 2008 revenue estimate.

Specifically, collections were above the estimate through the 1st quarter in the following categories: 1) general property taxes; 2) general sales and use taxes; 3) selective sales taxes; 4) gross receipts taxes; 5) other taxes; and 6) licenses and permits. Collections were also above the estimate for the special purpose revenue fund (O-type). On the other hand, collections were below the estimate in the following categories: 1) income tax; 2) fines and forfeitures; 3) charges for services; 4) miscellaneous revenue; and 5) legalized gambling (transfers to the General Fund from the D.C. Lottery).

Based on our review and analysis of economic data from various sources as well as revenue collection patterns through the 1st quarter, it appears that the District is on course to achieve the $5.188 billion FY 2008 revised revenue estimate.

Respectfully submitted,

[Signature]

Deborah K. Nichols
District of Columbia Auditor
APPENDICES
APPENDIX I

GRAPH I
Summary of the Revised Revenue Estimate Through the 1st Quarter FY 2008 to Actual Cash Collections

GRAPH II
General Property Taxes: Comparison of the Revised Revenue Estimate Through the 1st Quarter FY 2008 to Actual Cash Collections
GRAPH III
General Sales and Use Taxes:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2008 to Actual Cash Collections

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Through the 1st Quarter FY 2008 to Actual Cash Collections
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Through the 1st Quarter FY 2008 to Actual Cash Collections

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Through the 1st Quarter FY 2008 to Actual Cash Collections
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Comparison of the Revised Revenue Estimate
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Non-Tax Revenue:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2008 to Actual Cash Collections

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GRAPH IX
Other Financing Sources:
Comparison of the Revised Revenue Estimate
Through the 1st Quarter FY 2008 to Actual Cash Collections
## APPENDIX II

Comparison of Cash Collections Through the 1st Quarter
Fiscal Years 2004 - 2008\(^{12}\)

($000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Property Taxes</td>
<td>$5,036</td>
<td>$14,005</td>
<td>$11,317</td>
<td>11,731</td>
<td>29,686</td>
</tr>
<tr>
<td>General Sales and Use Taxes*</td>
<td>166,824</td>
<td>192,743</td>
<td>193,707</td>
<td>208,454</td>
<td>214,811</td>
</tr>
<tr>
<td>Selective Sales and Use Taxes</td>
<td>17,297</td>
<td>15,997</td>
<td>17,466</td>
<td>17,162</td>
<td>17,225</td>
</tr>
<tr>
<td>Income Tax</td>
<td>267,190</td>
<td>293,995</td>
<td>312,064</td>
<td>322,552</td>
<td>348,053</td>
</tr>
<tr>
<td>Gross Receipts Tax</td>
<td>52,312</td>
<td>51,476</td>
<td>50,386</td>
<td>46,952</td>
<td>49,242</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>103,646</td>
<td>81,919</td>
<td>98,557</td>
<td>105,060</td>
<td>125,043</td>
</tr>
<tr>
<td>Non-Tax Revenue</td>
<td>88,343</td>
<td>64,880</td>
<td>82,021</td>
<td>91,403</td>
<td>76,919</td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>23,425</td>
<td>15,575</td>
<td>17,425</td>
<td>17,350</td>
<td>18,300</td>
</tr>
<tr>
<td>Total Cash Collections Financing the Appropriation(^{13})</td>
<td>$724,073</td>
<td>$730,590</td>
<td>$782,943</td>
<td>$829,664</td>
<td>$879,279</td>
</tr>
</tbody>
</table>

Source: ORA

*Collections of general sales and use taxes are reported on a net basis after the transfer of tax revenue to dedicated purposes including the Washington Convention Center Authority.

---

\(^{12}\) Differences in totals presented in this table are due to rounding.

\(^{13}\) Total collections presented in this Appendix does not include special purpose revenue fund (O-type).
## APPENDIX III

### Comparison of Collections Through the 1st Quarter of FY 2008 to Collections Through the 1st Quarter of FY 2007

($000)

<table>
<thead>
<tr>
<th>Collections Category*</th>
<th>Collections Through the 1st Quarter Fiscal Year 2008</th>
<th>Collections Through the 1st Quarter Fiscal Year 2007</th>
<th>Difference 1st Quarter FY 2008 (Over/Lesser) 1st Quarter FY 2007</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Property Taxes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Property</td>
<td>$28,440</td>
<td>$29,763</td>
<td>$18,677</td>
<td>191.3%</td>
</tr>
<tr>
<td>Personal Property</td>
<td>1,331</td>
<td>1,968</td>
<td>(637)</td>
<td>(32.4%)</td>
</tr>
<tr>
<td>Public Space Rental</td>
<td>(85)</td>
<td>0</td>
<td>(85)</td>
<td>0%</td>
</tr>
<tr>
<td>Total General Property Taxes</td>
<td>$29,686</td>
<td>$11,731</td>
<td>$17,955</td>
<td>153.1%</td>
</tr>
<tr>
<td>General Sales and Use Taxes</td>
<td>$214,811</td>
<td>$208,454</td>
<td>$6,357</td>
<td>3%</td>
</tr>
<tr>
<td>Selective Sales and Use Taxes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alcoholic Beverage</td>
<td>1,329</td>
<td>1,319</td>
<td>19</td>
<td>1.5%</td>
</tr>
<tr>
<td>Cigarette</td>
<td>5,754</td>
<td>5,292</td>
<td>462</td>
<td>8.7%</td>
</tr>
<tr>
<td>Motor Vehicle Excise</td>
<td>10,142</td>
<td>10,560</td>
<td>(418)</td>
<td>(4%)</td>
</tr>
<tr>
<td>Selective Sales and Use Taxes</td>
<td>$17,225</td>
<td>$17,162</td>
<td>63</td>
<td>.37%</td>
</tr>
<tr>
<td>Income Tax:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>$269,034</td>
<td>$235,005</td>
<td>$34,029</td>
<td>14.5%</td>
</tr>
<tr>
<td>Corporate Franchise</td>
<td>50,955</td>
<td>59,615</td>
<td>350</td>
<td>6%</td>
</tr>
<tr>
<td>Unincorporated Business Franchise</td>
<td>19,054</td>
<td>27,932</td>
<td>(8,878)</td>
<td>(31.8%)</td>
</tr>
<tr>
<td>Total Income Tax</td>
<td>$348,053</td>
<td>$322,552</td>
<td>$25,501</td>
<td>7.9%</td>
</tr>
<tr>
<td>Gross Receipts Taxes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Utilities</td>
<td>$33,852</td>
<td>$32,682</td>
<td>$1,170</td>
<td>3.6%</td>
</tr>
<tr>
<td>Toll Telecommunications</td>
<td>15,331</td>
<td>14,151</td>
<td>1,180</td>
<td>8.3%</td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td>50</td>
<td>110</td>
<td>(51)</td>
<td>(46.4%)</td>
</tr>
<tr>
<td>Healthcare Provider Tax</td>
<td>0</td>
<td>9</td>
<td>(9)</td>
<td>0%</td>
</tr>
<tr>
<td>Total Gross Receipts</td>
<td>$49,424</td>
<td>$46,052</td>
<td>$2,390</td>
<td>4.9%</td>
</tr>
<tr>
<td>Estate Tax</td>
<td>12,067</td>
<td>$18,203</td>
<td>(6,136)</td>
<td>(33.7%)</td>
</tr>
<tr>
<td>Deed Recodination</td>
<td>41,684</td>
<td>46,345</td>
<td>(4,661)</td>
<td>(10.1%)</td>
</tr>
<tr>
<td>Deed Transfer</td>
<td>33,312</td>
<td>36,147</td>
<td>(2,835)</td>
<td>(7.8%)</td>
</tr>
<tr>
<td>Economic Interest</td>
<td>37,980</td>
<td>4,365</td>
<td>33,615</td>
<td>730.1%</td>
</tr>
<tr>
<td>Total Other Taxes</td>
<td>$125,043</td>
<td>$105,060</td>
<td>$19,983</td>
<td>19%</td>
</tr>
<tr>
<td>Total Tax Collections</td>
<td>$784,869</td>
<td>$711,911</td>
<td>$72,958</td>
<td>10.1%</td>
</tr>
<tr>
<td>Non-Tax Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>$16,665</td>
<td>$12,628</td>
<td>$4,035</td>
<td>31.9%</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>25,521</td>
<td>25,279</td>
<td>242</td>
<td>1%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>7,216</td>
<td>11,099</td>
<td>(3,883)</td>
<td>(35%)</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td>27,519</td>
<td>42,397</td>
<td>(14,878)</td>
<td>(35.1%)</td>
</tr>
<tr>
<td>Total Non-Tax Revenue</td>
<td>$76,919</td>
<td>$91,403</td>
<td>$14,484</td>
<td>15.8%</td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>$18,300</td>
<td>$17,350</td>
<td>$950</td>
<td>5.5%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$879,279</td>
<td>$820,664</td>
<td>$58,615</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

Source: OCFO ORA

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14 Rounding may affect some calculations presented in this table.

15 Total collections presented in this Appendix does not include special purpose revenue fund (O-type). General sales and use taxes are presented net of dedicated general sales and use taxes transferred to other dedicated purposes including the Washington Convention Center Authority.