

**ECONOMIC REPORT**  
**OF THE DISTRICT OF COLUMBIA**  
*A Fiscal Perspective*  
**2007**

Government of the District of Columbia  
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Office of the Chief Financial Officer  
Office of Revenue Analysis







The economy of the District of Columbia surfaces brightly in the arcane study of D.C.'s tax data. Tax data show the new—or at least the recent—economy. The data yield empirical information on income, sales, real property transactions, office buildings, usage of public utilities, and other economic events. And it remains unavailable to all but a very small number of government employees with the specialized responsibility for tax analysis.

This Economic Report draws on the tax data, in combination with other sources, to add a unique perspective on the economy of the District of Columbia. The report is structured so that it can be used by policymakers, or practitioners, the interested public, and researchers alike. The most general information is contained in the first two chapters—the overview and the description of the District's unique economy and tax base. Chapter 3 presents more detailed information on revenues and major taxes. Chapter 4 contains several special analyses. The report concludes with supplemental tax information (Chapter 5), Questions and Answers About Individual Income Tax (Appendix A), table of economic indicators (Appendix B), demographic statistics (Appendix C), a 20-year revenue table (Appendix D), a summary of major taxes in the District of Columbia (2007) (Appendix E) and references and additional sources.

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# Overview: The District of Columbia's Economy

## A Fiscal Perspective

The Office of the Chief Financial Officer (OCFO) has the authority and responsibility to collect local taxes—yielding a wealth of economic data not available anywhere else and with a special perspective on the District's economy. The OCFO prepared this document as a way to share that unique perspective.<sup>1</sup> This is the first such annual volume, which will continue to probe the District's economy through the special lens of D.C. revenue data.<sup>2</sup> These insights will be useful, and indeed critical, in forming effective policy for the District of Columbia.

### The Economy

Through 2005 the District's economy was robust. Employment grew, along with population, homeownership, the number of households and the dollar value of sales of both housing and commercial property. Revenues to the local government responded in kind, with astonishing rates of growth in revenue from incomes, real estate, and the hospitality industry. The robust growth began in 2003, as the District pulled out of the effects of weakness in the financial markets, a national recession, and the attacks of September 11, 2001.

How long the growth will last is a matter of increasing concern, as the District confronts national and international forces like higher interest rates, a nervous housing market, inflationary pressures, unpredictable energy prices, and war. While personal income continued to grow in the first half of 2006, real property sales sagged across the nation and in D.C. Inside the District, most influences remained positive, suggesting local economic strength—a good starting position even if we should face external adversity. Chapter 2 contains the analysis supporting these conclusions.

Addressing those left out of the District's economic prosperity is an additional challenge. Despite the health of the economy, 19 percent of the District's

population and 32 percent of children live in households with incomes below the poverty level. The median selling price of a home in the District was more than \$360,000 in 2005—making home ownership unrealistic for many low and middle-income families. The unemployment rate in the District was 6.5 percent in 2005, compared to 3.4 percent for the region and 5.1 percent for the U.S. Finally, income inequality has grown dramatically in the District. One study found that between the early 1980s and the early 2000s the average inflation-adjusted income of the poorest fifth of families increased by only \$382 or 3.1 percent, while over the same period the average income of the middle fifth of families increased \$9,859 or 30.8 percent, and the average income of the richest fifth of families increased by \$70,362 or 80.6 percent.<sup>3</sup>

**Population and Employment Growth:** The District has a long-term trend of losing population and gaining employment. D.C. holds 11 percent of the region's population and 23 percent of its jobs. By 2005, however, population was pushing against the 60-year trend with 11,000 more residents than in 2000 and about 2 percent more households. The new households were significantly better off (in terms of income) than the median-income households in 2000 and were fueling the rise in housing prices and the increase in the homeownership rate. The interest in housing and homeownership is so strong that 177 acres shifted from other uses into taxable single family and condominiums housing between 2001 and 2005, a surprising event in a land-locked urban center. This resulted in a net increase of 9,295 (7.7 percent) in single family properties, of which, 5,479 (60 percent) were owner-occupied (representing a 6.3 percent increase in owner-occupied properties). This effect is described in Chapter 5, “Land Use Changes as seen in the Real Property Tax Data Base, TY 2001–TY 2005.” Unfortunately, “affordable” housing for middle-income residents remains extremely scarce.

<sup>1</sup> The District's tax data are combined with other, more generally available data sources such as the U.S. Census of Population, the American Community Survey, and data series from the Bureau of Economic Analysis and the Bureau of Labor Statistics.

<sup>2</sup> Only the CFO can conduct this work because taxpayer confidentiality is of utmost concern. The original data cannot be made available to those outside the authority of the CFO, who is, by federal law, the District's chief tax collector.

<sup>3</sup> Economic Policy Institute/Center on Budget and Policy Priorities, *Pulling Apart: A State-by-State Analysis of Income Trends*, January 2006. Income includes wages and salaries, interest income, capital gains, cash benefits, the impact of the federal tax system (including the Earned Income Tax Credit) and the cash value of food stamps, subsidized school lunches, and housing vouchers.

The long-term trend of employment growth continued, with more than 31,000 new jobs created between 2000 and 2005. About 30 percent were public sector jobs and 70 percent were in industries like professional and technical services, hospitality, organizations, and business services. D.C. has a strikingly high wage economy with an average wage of about \$59,000 in 2005, which is about 56 percent above the national average. High wages and growing employment indicate the District's continuing comparative advantage as a place to create even more new jobs. And this was confirmed by 7.8 million square feet of commercial office space under construction at the end of 2005—a 6.9 percent increase in office capacity. Finding support staff, retail and construction workers, and other non-executive level employees to facilitate professional office development is extremely important. The Special Analysis “Budget Stability through Economic Development” explains the special budgetary considerations faced by the District in trying to attract and retain this important group of employees and potential residents.

## Revenue Generated by the Economy

Revenues sufficient to pay for public services do not flow easily from the city's economy.

Chapters 2 and 3 describe the unique revenue system of the District. Since 2002, both urban-type revenues (particularly related to real property) and state-type revenues (on incomes, sales and gross receipts) have risen steadily.

Across all the tax types, as in most jurisdictions, the bulk of the revenue comes from a relatively small subset of taxpayers. The District's revenue is dominated by three sources— income of residents and businesses, sales of goods and services, and real property. Chapter 3 describes the distribution of these revenues across taxpayers, which is summarized in the following paragraphs.

**Distribution of Revenue from Real Property:** The top twenty percent of residential owners paid 54 percent of the residential real property tax. (The distribution is partly determined by the value of property owned and partly by policy decisions about the distribution of residential tax burdens.) The top twenty percent of commercial properties (1,788 properties) pay 94 percent of the commercial real property tax, entirely based on the value of the property owned.

## Distribution of Revenue from Sales and Use Tax:

Remittances under the general sales and use tax were similarly concentrated among relatively few filers.

- At the 5.75 percent tax rate on general sales, 20 percent of the retailers (1,800 retailers) remitted 87 percent of the tax.
- The sales on restaurant and bar services, taxed at 10 percent, show that 20 percent of establishments (520 establishments) remitted 71 percent of the tax.
- And 64 percent of the hotel tax, at the 14.5 percent rate, were remitted by the top 20 percent of all transient accommodations (35 hotels).

## Distribution of Revenue from Business Profits:

The concentration of the profits tax on business income is much like that for commercial real property.

Ninety percent of corporate franchise revenue came from approximately 20 percent of corporations (1,485 businesses) and 90 percent of unincorporated franchise tax was paid by nearly 20 percent of the unincorporated businesses (930 businesses).<sup>4</sup> One-half of unincorporated businesses paid the minimum of \$100 a year, along with about two-thirds of corporations. Unincorporated businesses include partnerships, S-corporations, and proprietorships; in the District many of these are in the construction, property management, health, legal, and other professional services industries.

## Distribution of Revenue from Individual Income:

Chapter 3 devotes extensive attention to the individual income tax in TY 2004. As in the other tax types, individual income tax is very concentrated among relatively few filers.

- More than 40 percent of the revenue arises from filers with over \$200,000 of District Adjusted Gross Income (DCAGI); they are fewer than 4 percent of taxpayers.
- The top 1 percent of filers pays about 25 percent of the tax.
- Conversely, the median DCAGI is about \$30,000—half of filers who earn income have less than this amount of annual income.

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<sup>4</sup> Most corporations, with tax planning, can move income and expenses in a manner that minimizes D.C. tax. Many unincorporated businesses are exempt from D.C. tax due to a court finding about taxation of non-resident income. For additional details, see Chapter 3.



- Altogether, the lower half of income taxpayers has about 12 percent of the income of taxpaying residents and pay about 7 percent of the income tax.
- 44,166 low income filers (16.8 percent of all filers) qualified for the Earned Income Tax Credit.

While the middle-most taxpayer (median) has \$30,000 DCAGI, the mean (average) taxpayer has about \$75,000. More than 80 percent of filers are below the mean, and fewer than 20 percent are above.

## Filing Status of Individual Income Taxpayers

Filers choose a “status” that reflects their personal circumstances—generally speaking, these are single, single with dependents (head of household), a dependent of other filers, married with one earner, married with two earners, and married filing separately.

A consequence of filing status is that the number of people covered by a tax return varies considerably, with an estimated average household size of 1 for single, 2.2 for single with dependents, 2.6 for married with one or two incomes, and 1.2 for married filing separately.

**Income of Taxpayers by Filing Status:** On average, married filers earn nearly twice as much as single filers.

- People in single households with dependents have the lowest average per person, at \$15,000 gross income per person,<sup>5</sup>
- Single filers with no dependents average \$50,000 per person,
- Married households have higher earnings per person, with the two earner households averaging more than \$93,000 per person, and Married Filing Separate households “averaging” \$63,000 per person.<sup>6</sup>
- Married one-earner households average \$55,000 per person,

In each category, most taxpayers are below the average and far fewer than half are above average.

**Non-Filers:** More than 100,000 of D.C.'s 582,000 residents, and possibly as many as 150,000 or more, are not accounted for as part of a taxpaying household. The economy underneath the tax system is to be found in this group, but the tax data do not help to identify them. Some are university students and citizens in institutions. A few are members of the U.S. military or exempt by acts of Congress. Some are tax evaders. One cannot account for all of these non-filers.

## Revenue Volatility

The volatility of tax revenue is also described in Chapter 3. The implications of revenue volatility for budget development are critical.

With variability in revenue comes danger should policymakers budget as if “good times” continue indefinitely. Best practices in government finance require, instead, budgeting so that excess revenue in one year is used to cover unpredictable shortfalls in another. All types of tax receipts are subject to substantial volatility, as is total tax revenue. Individual income tax revenue, for example, grew 13.1 percent in 2000 and dropped 13.6 percent in 2002. The variance in dollars was about \$225 million on this one tax alone.

The special analyses “Growth in the Earmarking of Tax Revenue” and “Comparative Tax Burdens and Recent Tax Reductions” illustrate how D.C. has both used some of the revenue from “good times” and controlled for spending in the face of volatility.

- Revenue earmarking is a form of budgetary control. An earmarked project receives support from an identified revenue source, regardless of how the source varies over time. Because the project funds can be spent in several years, managers can save excess funds in “good” years and use these in the lean years. Earmarking has grown from \$84 million in FY 2001 to \$433 million in FY 2007.<sup>7</sup> Another way to look at earmarking is as a percent of total tax revenue. By this measure, over this same period, earmarking has increased from 2.6 percent of tax revenue to 8.9 percent of tax revenue.

<sup>5</sup> Fifty-seven percent of Head of Household filers were eligible for the Earned Income Tax Credit against their TY 2004 earnings. This low income credit helps offset tax burdens for the “working poor.” 1 in 9 singles and married-joint filers also received it.

<sup>6</sup> These data are based on Federal Adjusted Gross Income.

<sup>7</sup> This money is set aside for specific expenditures such as affordable housing through the Housing Production Trust Fund.

- The District has implemented a number of tax reductions since FY 2004 that have an estimated FY 2007 cost of almost \$334 million. D.C. made specific policy changes to reduce the annual tax burden by that amount. On the whole, this use of tax base will not affect volatility, although it clearly reduces revenue surpluses that might be applied to future budget shortages.

## A Structural Deficit

The U.S. General Accountability Office (GAO) has issued a report that addresses a topic with decades of prominence in D.C.: does the District have enough revenue to provide adequate services?<sup>8</sup> GAO found that it does not, even after major changes in the federal-city fiscal relationship enacted through the 1997 National Capital Revitalization Act. The special analysis, “National Capital Revitalization and Self-Government Improvement Act of 1997,” finds a net fiscal benefit of \$0.25 billion in FY 2006 from the Act and \$0.14 billion more from services provided in conjunction with the Act. The GAO’s findings, based on FY 2000, indicate a funding gap ranging from about \$0.5 to \$1.1 billion annually; this is after the benefits of the 1997 Act.

For each of the past 8 years, the District of Columbia has succeeded in balancing its budget, bringing to an end the active participation of the the D.C Financial Responsibility and Management Assistance Authority (Control Board) in D.C. finances. Economic growth, more jobs and more households, have contributed additional revenues to help make this possible, but this does not mean that service needs are adequately met. There is a long way to go in closing the funding gap.

In seeking additional revenues from economic growth to strengthen the District’s overall fiscal position, the

District has a special tension between growth focused on population and growth focused on jobs, which is explained in the special analysis, “Budget Stability through Economic Development.” Employment growth is generally beneficial because jobs tend to require less in the way of public services than do people. However, the growth of employment provides fewer revenues to the D.C. government than in states, or even in other cities (where states provide aid either in grants or services). Moreover, two of every three D.C. jobs are held by a non-resident and D.C. cannot tax the income of these non-residents.<sup>9</sup> In this limited sense, it takes three new jobs to produce one job’s worth of income tax benefit. Conversely, new residents—especially those with higher incomes—are beneficial to financing government services. D.C. has shown some success in attracting higher income households, but the problem of providing affordable housing and public services for support staff, retail and construction workers, and other non-executive level employees remains critical.

**Funding D.C.’s Public Schools:** A final special analysis, “How Does D.C. Compare With Other Jurisdictions? The Example of Public School Financing and Spending” is devoted to spending on public schools in D.C. The analysis compares the District to other core cities and to suburban neighbors. The findings highlight the complexity of the District’s economic status as a city and jurisdictional status as many levels of government.

- D.C. receives federal funds, about 14 percent of its total, while 17 comparison schools receive about 13 percent on average; in this we are similar to other jurisdictions.
- For the 17 peer-group core cities, more than half of the non-federal funds come from the state; for D.C. there is no state.
- While most of the comparison cities have some local funding independence (access to a piece of the local revenue base), this typically pays for less than half of the funds spent on schools. D.C. public schools, like those in Maryland and Virginia, do not have direct access to funding sources.

<sup>8</sup> United States General Accounting Office, *District of Columbia: Structural Imbalance and Management Issues* (GAO-03-666), May 2003.

<sup>9</sup> Under federal law, D.C.’s income tax base is limited to District residents who are domiciled in the District for tax purposes. This includes wage income earned elsewhere by D.C. residents—about 25 percent of the resident labor force—and excludes non-resident workers—more than 2/3 of D.C.’s workforce.

The analysis compares expenditures per student in the other 17 cities and in D.C., (adjusting for differences in wages across jurisdictions) and in surrounding jurisdictions.

- Compared to the 17 cities, the District's spending is 6th, 13 percent above the average, for most educational services (all expenses excluding building maintenance, transportation, and contractual services for special education.). Some of D.C.'s higher per student expenditure may result from District expenditures for “state-like” functions that in other jurisdictions are paid for directly by states.
- D.C.'s per student costs (excluding special education and transportation) are about comparable to those in Montgomery and Fairfax counties, below Arlington and Alexandria, and above Prince George's county.

The 17-city peer group, many of which also have high poverty and special education enrollment rates, have educational problems. Fairfax County and Montgomery County do achieve national norms, but they have far fewer low-income students and students in special education and the District competes with these counties for skilled teachers and administrators.

Additional information on the general economy and on D.C.'s revenue system is contained in the chapters that

follow. Detailed graphs and tables will be referenced in the chapters and located in supplemental sections. The appendices also provide some special data series based on tax data and other regularly compiled sources.









# The Unique Economy and Revenue Base of the District of Columbia

A city painstakingly built near a swamp, initially for the sole purpose of housing the federal government, the District of Columbia's unique economy is to be expected and prized.

- As the nation's capital, the District of Columbia draws much of its economic strength from the federal government, its monuments and history, and from activities like lobbying and tourism that are related to this presence. These, and the services that support them and that support the people who live here, form the core of the District's economy.
- The District, with a population estimated by the Census Bureau to be 582,049 in 2005, is the nation's 21st city in size.<sup>10</sup> The District's population is smaller than all but one state (Wyoming), yet the 61.4 square miles that encompass the District of Columbia's urban economy house more wage and salary jobs than 12 states<sup>11</sup> and originate more value of output than 16 states.<sup>12</sup>
- As the central city of the nation's 8th largest metropolitan area, the District houses 23 percent of the region's jobs and accounts for 11 percent of its population and 20 percent of its unemployment. The District has the spending burdens typical of a central city, as 19 percent of its population and 32 percent of children under 18 live in households with incomes below the poverty level. In addition, the District must finance state-like functions for its citizens, and, as well, provide services to large numbers of commuters and visitors.
- Unlike other jurisdictions in the United States, the District is able to levy (with some limitations) the full range of state and local taxes. Accordingly, the District's tax base draws deeply and broadly from the District's economy, with major taxes levied on income, sales, and property.
- Significant limitations on District finances result from federal policy and the unique nature of the jurisdiction:
  - D.C.'s main employer (the federal government) pays no direct taxes—no real property tax, no sales taxes on purchases, no business income tax. (It does pay some taxes indirectly through utility bills and rent on leased commercial office space.)
  - D.C. is not able to tax individual incomes earned in the city by non-residents.
  - Unlike other cities, D.C. has no state to assist it in meeting its fiscal obligations (either direct or by way of services provided).

D.C.'s unique challenge in paying for services from taxes on the local economy has been documented by the U.S. General Accountability Office.

GAO found that:

- “[T]he cost of delivering an average level of services per capita in the District far exceeds that of the average state fiscal system due to factors such as high poverty, crime, and a high cost of living.”
- “[T]he District's per capita total revenue capacity is higher than all state fiscal systems but not to the same extent that its costs are higher.”<sup>13</sup>

This helps to explain D.C.'s high statutory tax rates on individual income, business income, public utilities and other tax bases.

Like every jurisdiction in the country, the District of Columbia's economy is influenced by events in the national economy—inflation, interest rate changes,

<sup>10</sup> Ranking is from the 2005 Census.

<sup>11</sup> The states are Alaska, Delaware, Hawaii, Idaho, Maine, Montana, New Hampshire, North Dakota, Rhode Island, South Dakota, Vermont, and Wyoming.

<sup>12</sup> In addition to all the states with fewer jobs than the District, D.C.'s Gross State Product (GSP) also exceeds those of Mississippi, Nebraska, New Mexico, and West Virginia.

<sup>13</sup> United States General Accounting Office, *District of Columbia: Structural Imbalance and Management Issues* (GAO-03-666), Highlights.



slowdowns or recessions, and stock market changes. However, the District of Columbia's economy is uniquely sensitive to decisions taken by the federal government. Federal actions to down-size or add employees, to out-source, to centralize, to improve homeland security, and numbers of other decisions will all impact the local economy and local revenue generation—sometimes favorably and other times not so favorably. D.C.'s economy and revenues are, of course, also sensitive to local policies and action.

The driving factor in revenue change is the economy that generates the revenues. This chapter reviews features of this economy, and the chapter that follows reviews features of the revenue system.<sup>14</sup>

In recent years, the District's economy and revenues derived from it have done quite well, in sharp contrast to most of the decade of the 1990s.

- From FY 2000 to FY 2005, revenues increased 33.5 percent, reflecting an economy where Gross State Product and Personal Income increased 41 percent and 30.5 percent respectively. (Year-to-year growth in revenue has, however, been quite variable, as noted in the next chapter.)
- During the same period, the gains in the D.C. economy as measured by jobs located in D.C., output and income, have outpaced those of the U.S. economy.

- Increases in population and in the number of higher income households have contributed to the rising tax base.
- Property values and the value of real estate transactions have been rising sharply.

The strong performance of revenues and the economy over the past few years does not mean that this will continue to be the story in coming years. Risk factors, such as changes in interest rates, market conditions, or federal actions, can quickly alter key features of the economy. The response of tax revenues to economic changes can be particularly swift, as illustrated by the sharp decline in D.C. individual income tax collections following the 2001 stock market decline.

## Gross State Product and Employment

In 2005, there was an average of 681,700 wage and salary jobs in the District of Columbia, and Gross State Product (GSP) was \$82.8 billion.<sup>15</sup> These two broad measures of economic activity increased during the past 5 years. Employment grew 4.8 percent from 2000 to 2005 and inflation-adjusted GSP grew 19.8 percent, percentage changes that exceed those of the U.S. economy as a whole and that indicate strong growth in labor productivity within the District of Columbia.

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<sup>14</sup> Supplemental statistical information about the District's economy and population is contained in the Appendix of this report will be also available at [www.cfo.dc.gov](http://www.cfo.dc.gov), the web site of the Office of the Chief Financial Officer.

<sup>15</sup> GSP is a measure of the value of all the goods and services produced in the District's economy, and is the equivalent of the Gross Domestic Product measure for the U.S. economy. As measured by the U.S. Bureau of Economic Analysis, GSP is the sum of all wages, benefits, rent, interest, profits, indirect business taxes, and capital depreciation occurring within a state.

**Figure 2-1** District of Columbia Gross State Product and Employment: 2000 to 2005

	2000	2005	Percent change from 2000 to 2005	
			D.C.	U.S.
Gross State Product (\$ Billion)	58.70	82.78	41.0	27.2
Gross State Product adjusted for inflation (in \$2000)	58.70	70.32	19.8	13.4
Wage and salary employment (thousands)	650.3	681.7	4.8	1.3

Source: Bureau of Economic Analysis and Bureau of Labor Statistics, accessed through Global Insight, Inc.

D.C.'s employment and output have not always fared so well when compared to the U.S. economy. While more volatile than national employment, changes in D.C.'s employment did generally converge with national changes from 1985 to 1991, ending with a national recession<sup>16</sup>. The nation then launched into the longest economic recovery on record. But things got worse in D.C., led by federal government cutbacks.

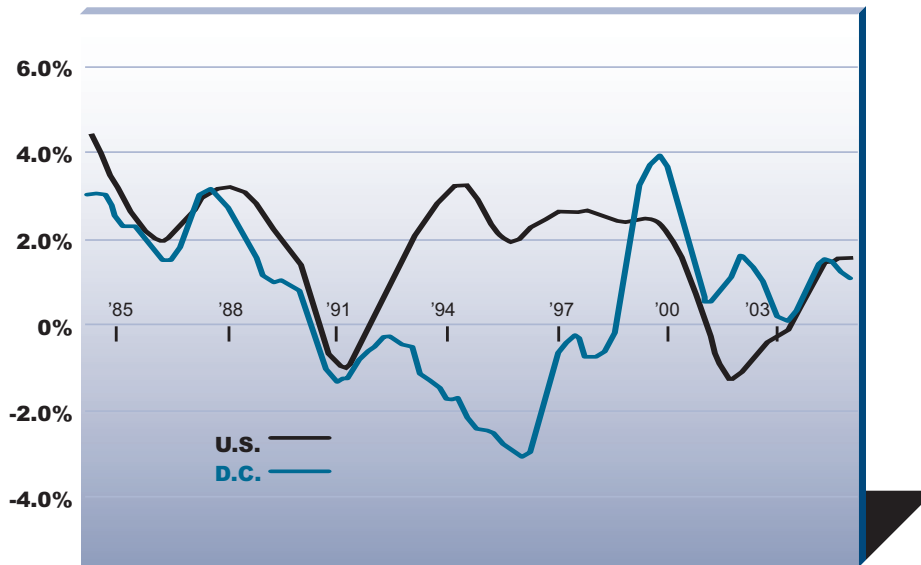
The decline was intensified by the District's government service and financial breakdowns. After 6 counter-cyclical years, the District's rate of employment growth again reached the nation's during 1998 and then seemed to enjoy a "catch up" period. D.C. growth in jobs outstripped the nation even during the recession beginning in the spring of 2001 and following the events of September 11, 2001.



<sup>16</sup> Other measures of the District's economy—GSP and Personal Income—show the same story as that of employment over the period 1985 to 2005.



**Figure 2-2** Annual Percent Change in Wage and Salary Employment in the District of Columbia and the U.S.:1985 to 2005 (Percent change from the prior year in the 12-month moving average; data shown for each quarter)



Source: Bureau of Labor Statistics

### Structure of the D.C. Economy

The federal government remains the underpinning of the District's economy. In FY 2004, the federal government spent \$37.6 billion in the District, including \$15.6 billion for wages and salaries and \$13.3 billion for contracts. The total increased 37.2 percent between 2000 and 2004, with the largest percentage increase in federal procurement. More than 85 percent of the spending is for activities outside of the Department of Defense.

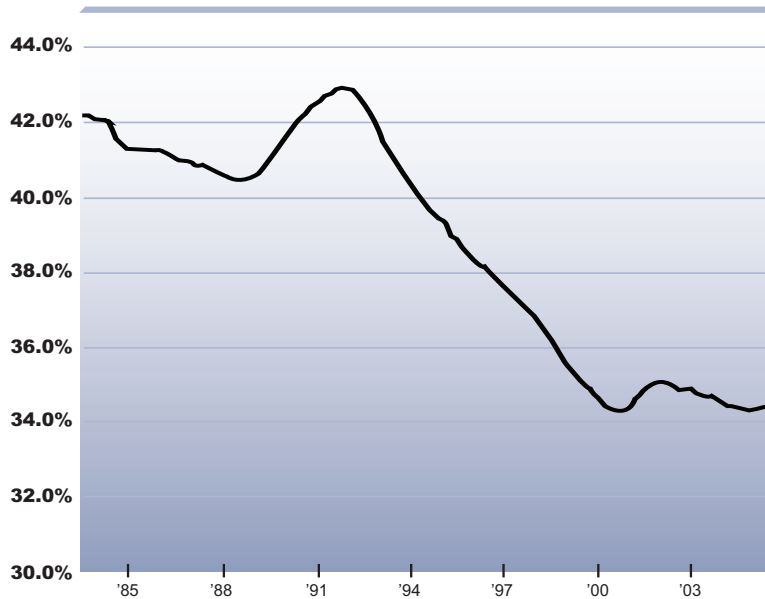
Over the past 20 years, the private sector became increasingly important for jobs and output in the District. The public sector share of employment declined from 42 percent in 1985 to 34 percent in 2005. A short up-tick early in this decade resulted from the 2001 recession (when private sector jobs declined) and the events of 9/11 (after which government employment increased). In 2005 the public sector share of employment was about the same as in 2000.

**Figure 2-3** Direct Federal Expenditures and Obligations in Washington D.C. in FY 2004

	\$ Millions	Percent of Washington Metro Area
Wages and salaries	15,526	53.6
Grants	4,205	52.8
Other direct payments	2,670	49.8
Procurement	13,347	25.3
Retirement and disability	1,882	14.6
<b>Total</b>	<b>37,630</b>	<b>34.9</b>
Defense	5,264	15.7
Non defense	32,366	43.5

Source: U.S. Dept. of Commerce, Economics and Statistics Administration, Bureau of the Census, Consolidated Federal Funds Report, FY 2004, accessed through the Metropolitan Washington Council of Governments

**Figure 2-4** Government Share of D.C. Wage and Salary Employment: 1985-2005 (% of total based on 12-month moving average; shown quarterly)



Source: Bureau of Labor Statistics

**Leading sectors:** As noted above, wage and salary employment increased from 650,300 in 2000 to 681,700 in 2005, a gain of 31,400 (4.8 percent). In this period, professional and technical services gained the most (12,000 jobs), followed by the federal government (9,700), organizations (7,600), and hospitality (6,200). Business services, health, and trade also showed some gain.

Business activity contributes to the tax base in a number of ways. Wages paid to D.C. residents and profits earned by businesses operating in the District contribute directly to the individual and business income tax bases, respectively. Sales and excise taxes are levied on the sales of enterprises. The cash flow of businesses contributes to the real property tax base directly for owned property and indirectly through rent, and businesses also are taxed on purchases of utilities, supplies, and equipment.

The relative amount of tax revenue generated varies by industry and is not proportionate to employment. Industries such as professional and business services pay relatively high salaries, and their share of all D.C. wages exceeds their share of employment—although the contribution to the

D.C. tax base depends just upon the wages paid to D.C. residents. The hospitality and trade sectors contribute heavily to the sales tax base. In 2005, for example, these sectors accounted for more than half of all sales and use tax revenues, but smaller shares of general economic variables such as: 11.1 percent of jobs, 5.4 percent of wages, and 5.5 percent of gross state product.

**Figure 2-5:** Wage and salary employment in the District of Columbia: 2000 to 2005

Sector	2000	2005	Change	Percent Change	Percent of 2005 Total	Percent of Change 2000-2005
Federal government	183.6	193.3	9.7	5.3	28.4	30.8
Local government	40.4	39.9	-0.4	-1.0	5.9	-1.3
Professional and technical services	88.6	100.6	12.0	13.6	14.8	38.2
Business services	44.5	47.6	3.1	6.9	7.0	9.8
Information and finance	58.6	52.6	-5.9	-10.1	7.7	-18.9
Education	40.6	40.3	-0.3	-0.8	5.9	-1.1
Health	50.9	52.0	1.1	2.1	7.6	3.4
Trade	21.8	22.2	0.4	2.0	3.3	1.4
Hospitality	47.9	54.1	6.2	12.9	7.9	19.7
Organizations	44.5	52.1	7.6	17.0	7.6	24.1
Other private	29.0	27.1	-1.9	-6.6	4.0	-6.1
<b>Total</b>	<b>650.3</b>	<b>681.7</b>	<b>31.4</b>	<b>4.8</b>	<b>100.0</b>	<b>100.0</b>

Source: Bureau of Labor Statistics, accessed through Global Insight, Inc.



**Other Features of the D.C. Economy—High Wages:**

The District's share of wages and benefits in GSP is higher than the U.S. average. Conversely, the District has a smaller share of GSP accounted for by other items such as rent, profits, dividends, interest, indirect business taxes, and capital depreciation. Thus, by virtue of its status as a government and service economy, the District's composition of GSP varies from the U.S. economy as a whole.

**Many Small Businesses:** The District's private sector is made up of many small firms and a few large ones. In 2004 the District had 19,518 private establishments that had at least one employee<sup>19</sup>. Most are quite small; 67.6 percent employ less than 10 persons. There were 736 establishments that employed 100 or more persons. Twenty-eight establishments employed 1,000 or more persons, of which 18 were in the education and health sectors of the economy.

**Figure 2-6** Share of Wages and Benefits in U.S. and D.C. Gross Product: CY 2005

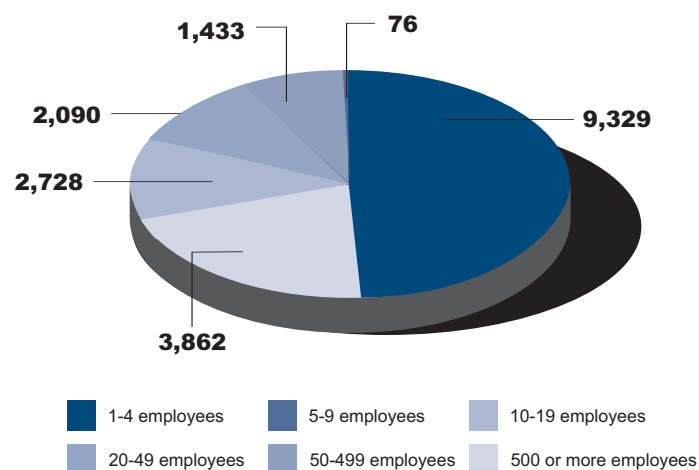
Jurisdiction	Percent Wages	Percent Benefits	All Other
D.C.	58.8	16.7	24.5
U.S.	45.8	11.2	42.9

Source: Bureau of Economic Analysis, accessed through Global Insight, Inc.

The District is a strikingly high wage economy. The average wage paid in the District of Columbia in 2005 was \$59,110, 56.1 percent higher than the U.S. average and the District's median wage of \$47,580 was 61.7 percent above the U.S. median<sup>17</sup>. Two reasons account for this: the high degree of skill and education demanded in government and many professional service industries, and the high cost of living in this urban area that makes it necessary to pay higher wages to attract employees. Not all wages, of course, are high; 25 percent of employed workers in D.C. earn less than \$15 per hour, \$29,410 annually on a full-time basis.

High prevailing wages contribute to the District's tax base (to the extent that they are paid to D.C. residents) but also to the spending requirements of the District government. Aside from service demand, the wage structure in D.C.'s urban economy contributed significantly to the General Accountability Office's (GAO) conclusion that "the cost of delivering an average level of services per capita in the District of Columbia exceeds that of the average state fiscal system by approximately 75 percent."<sup>18</sup>

**Figure 2-7** Establishments by Number of Employees, 2004



Source: U.S. Bureau of the Census, "County Business Patterns", 2004

<sup>17</sup> Bureau of Labor Statistics, National and State Cross-Industry Wage and Salary Estimates, May 2005.

<sup>18</sup> U.S. General Accounting Office, *Structural Imbalance and Management Issues*, (GAO-03-666), p. 10.

<sup>19</sup> U.S. Bureau of the Census, *County Business Patterns*, 2004.

## Personal Income and Demographics

Personal income (PI) is a general measure of the economy that shows the wage and non-wage income received by District of Columbia residents. While GSP is a measure of the local economy, PI is more nearly a monitor of the well-being of D.C.'s residents.<sup>20</sup>

- For 2005, D.C.'s PI was \$30.14 billion, of which \$16.0 billion (53 percent) was wage generated.
- PI increased 30.5 percent from 2000 to 2005. Wages increased by 34.3 percent, proprietor's income by 39.3 percent, and benefits by 53.9 percent.<sup>21</sup>
- The 30.5 percent growth in the District's PI exceeds the 21.6 percent national growth. The strong pace mirrors the job and industry activity described earlier.

These recent gains in income indicate strength in both the local and the regional economy, as about one quarter of D.C. residents work in Maryland, Virginia, or occasionally elsewhere. Personal income contributes to the District's tax base because most income of residents is taxed in D.C., including wage income earned elsewhere.

Average (mean) measures of District of Columbia personal income on a per capita or per household basis are higher than the national average. For example, in 2000 the per capita income in the District of Columbia, \$40,461, was 35.6 percent higher than the national average. By 2005, D.C.'s estimated per capita income, \$54,787, had risen 35.4 percent (21.6 percent in real terms)—and was 58.6 percent higher than the national average.

The picture of median household income, however, is a very different one, suggesting that a large segment of the District's population is not affluent and has not shared in recent income gains. In 2005 in D.C.'s expensive urban economy, median household income—\$44,993—was 3 percent below the U.S. average.<sup>22</sup> Furthermore, adjusted for inflation, median household income in D.C. (as in the U.S.) was lower in 2005 than in 2000 (by 4 percent in D.C.'s case).

**Changing Population Dynamics:** Until recently, the District seemed to be more attractive as a place to work than to live. Over the past 20 years, for example, the District's population declined by 53,000 while employment increased—also, by coincidence, by 53,000 jobs. This decline in population has drained away some personal income growth that would otherwise exist in a city with rising employment.

**Figure 2-8** Estimated Personal Income in the District of Columbia by Component: 2000 to 2005 (\$Billions)

Component	2000	2005	Percent Change
Wages and salaries earned by D.C. residents*	11.91	15.99	34.3
Proprietor's income	2.72	3.79	39.3
Benefits	2.97	4.57	53.9
Personal contributions to social insurance (deduct)	-1.44	-2.01	39.6
subtotal, earnings by D.C. residents	16.16	22.34	38.2
Dividends, interest, and rent	4.12	4.14	0.5
Pensions and other transfer payments	2.82	3.66	29.8
<b>Total personal income</b>	<b>23.10</b>	<b>30.14</b>	<b>30.5</b>
Addendum: real personal income (\$2000)	23.10	27.07	17.2

\* Approximately 25 percent of these wages are earned outside of the District of Columbia

Source: D.C. resident wages are estimated by the D.C. Office of Revenue Analysis from the U.S. Bureau of Economic Analysis, Personal Income accounts

<sup>20</sup> For the U.S. economy as a whole, Personal Income is 82 percent of Gross Domestic Product, whereas for the District of Columbia Personal Income is just 36 percent of GSP because so many employees working in the District live outside of the city.

<sup>21</sup> Adjusted for inflation, the PI increase was 17.2 percent.

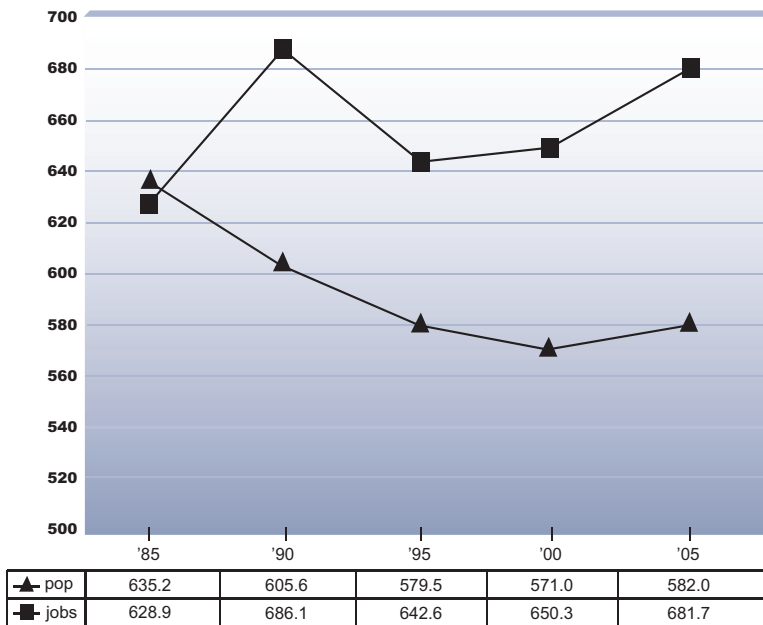
<sup>22</sup> Median household income is defined by the Census Bureau to include cash income only. It does not include the value of benefits.



The District is once again attracting additional population as well as additional jobs. In August 2006, for example, in a raised estimate, the Bureau of the Census determined that the population of the District as of July 1, 2005 was 582,049.<sup>23</sup> This means that the population is about 11,000 higher than it was in 2000.

- 1990 to 1995: both jobs (-43,500) and population (-26,100) decline.
- 1995 to 2000: stabilization, with slight increase in jobs (+7,700) and slight decrease in population (-8,500).
- 2000 to 2005: revival, with strong job growth (+31,300) and some population growth (+11,000).

**Figure 2-9** Population and Wage and Salary Employment in the District of Columbia: 1985 to 2005 (\$000)



Source: U.S. Bureau of the Census and U.S. Bureau of Labor Statistics, accessed through Global Insight, Inc.

Looking more closely at the past 20 years, distinct features stand out that cast light on the current revival occurring in the District's economy and income<sup>24</sup>.

- 1985 to 1990: jobs surge (+57,200), but population declines (-29,600).

Today, D.C. is becoming a more attractive place to live for more affluent households. The number of all households increased by a net of 4,571 (1.9 percent) from 2000 to 2004.<sup>25</sup> Increases occurred, however, only in households with incomes above \$50,000,<sup>26</sup> which exceeds the median income, \$46,574, of all households in the survey. The percentage increase is highest in households with more than \$100,000 income, where about 11,000 households were added. Accordingly, average (mean) household income rose faster than median income (the income of the household in the middle of the income distribution).<sup>27</sup>

Tax records in the District of Columbia reinforce these findings. The households now in D.C. are financially better off, and probably better housed, than previously. Supporting findings will be presented in Chapter 3 and Chapter 5 in this document. For example:

- The number of homeowners and the number of households in private sector single family housing have both increased in the last 5 years. (See Chapter 5 "Land Use Changes as Seen in Real Property Tax Data Base, TY 2001 TY 2005.")

<sup>23</sup> The new estimate is more than 30,000 higher than the one for that date released just 6 months earlier. Details about the recent population estimate, the pattern of change since 2000, and the impact that this might have on other measures such as households, labor force, resident employment, and personal income are not yet available and will not be for some months. Arguably, however, the population decline is significantly attributable to the drop in average household size, and only mildly to the reduction in number of households. According the Census Bureau, 46.5 percent of all households in the District of Columbia were single person households.

<sup>24</sup> No particular economic significance is connected with using 1985 for a starting date. The date simply defines the beginning of a 20 year horizon. A graph showing population and jobs from 1950 is contained in the Special Analysis "Budget Stability through Economic Development."

<sup>25</sup> Census Bureau's 2004 American Community Survey.

<sup>26</sup> The American Community Survey, ACS, U.S. Bureau of the Census

<sup>27</sup> When the average (mean) equals the median, then income is evenly distributed, like a bell-shaped curve. A growing spread between mean and median indicates that many households have a smaller percentage of all income and a few households have a larger share of income.

- Although the number of income tax returns dropped by 3 percent between TY 2001 and TY 2004—from 270,645 to 262,328—the number reporting incomes above \$50,000 grew from 67,450 to 76,010, or 13 percent. They were 25 percent of all D.C. filers in TY 2001 and 29 percent by TY 2004. (See Chapter 3.)
- The Federal Adjusted Gross Income (FAGI) reported by D.C.'s own tax-filers was \$15.7 billion in TY 2001 and 10.5 percent greater in TY 2004 at \$17.4 billion. For those with income of \$50,000 or more, this growth was 15.4 percent. In just three years, the share of FAGI of these filers increased from 68.5 percent to 71.5 percent. (See Chapter 3)

## Real Property Markets

The District of Columbia's real estate market is a significant component of the local tax base. In FY 2005, taxes on real property value and transactions accounted for \$1.41 billion in revenue, 30.2 percent of all revenues in that year. These revenues have increased 96 percent in the past 5 years, reflecting for the most part remarkable changes in the value of and number of transactions of D.C. real estate.<sup>28</sup>

Land is increasingly valuable in the District of Columbia, as the number of jobs grows, the number of households creeps up, and the transportation costs of commuting to the District get higher in both money and time.<sup>29</sup> Although susceptible to changes in the economic health of the region, land values in D.C. are not likely to drop rapidly unless the whole Washington Metropolitan Area undergoes a substantial change.

**Figure 2-10** Change in Number of D.C. Households by Income Class: 2000 to 2004

Income Category	Change in the Number of Households	Percent Change
Less than \$25,000	-7,227	-9.4
\$25,000 to less than \$50,000	-3,329	-5.1
\$50,000 to less than \$100,000	4,105	6.8
\$100,000 to less than \$200,000	6,290	21.0
\$200,000 and above	4,732	43.1
<b>Net Change</b>	<b>4,571</b>	<b>1.9</b>
Addendum		
Percent change in median household income.....	13.8%	
Percent change in mean (average) household income.....	15.0%	
Source: OCFO analysis of data from the U.S. Bureau of the Census, American Community Survey		

<sup>28</sup> The largest contribution of real estate is the tax on real property, \$1.06 billion in FY 2005. The tax is levied upon property assessment made by the D.C. Office of Tax and Revenue (OTR). These assessments are intended to represent the fair market value of the property as of the assessment date, which is generally almost 2 years prior to the year in which the tax is paid. The amount of tax collected, of course, depends upon the rates applied to the assessed value. In 2005 the assessed value of taxable property in D.C. was \$86.8 billion, an amount that exceeded the District's GSP by 5 percent.

<sup>29</sup> "Daily Misery Has a Number-Commute 2-nd Longest in U.S.," by D'Vera Cohen and Robert Samuels, Washington Post, August 30, 2006, p. A1.



**Figure 2-11** Residential Real Estate Sales and Prices: CY 2000 to CY 2005

Item	2000	2001	2002	2003	2004	2005
<b>Number sold</b>						
Amount						
Single family	5,592	5,189	5,642	5,801	5,784	5,123
Condominium	2,720	2,767	3,206	3,601	4,009	4,413
Percent change						
Single family (%)		-7.2	8.7	2.8	-0.3	-11.4
Condominium (%)		1.7	15.9	12.3	11.3	10.1
<b>Average selling price</b>						
Amount						
Single family (\$)	284,800	348,800	381,500	408,300	485,700	596,600
Condominium (\$)	165,500	213,400	243,100	285,200	348,700	415,400
Percent change						
Single family (%)		22.5	9.4	7.0	19.0	22.8
Condominium (%)		28.9	13.9	17.3	22.3	19.1
Index of total value of Single family and condominium sales	100	118	144	166	206	239

Source: Metropolitan Regional Information System, accessed through Greater Capital Area Association of Realtors



**Figure 2-12** D.C. Commercial Office Space Inventory and Sales: CY 2000 to CY 2005

Item	2000	2001	2002	2003	2004	2005
Commercial office space <sup>(a)</sup>						
Inventory ( <i>million square feet</i> )	102.31	105.55	106.98	110.00	112.07	113.69
Leased space ( <i>million square feet</i> )	98.93	101.84	102.06	103.06	106.36	107.89
Under construction ( <i>million square feet</i> )	6.14	5.00	4.93	5.61	6.19	7.81
Vacancy rate (including sublet)	4.0	6.0	6.5	7.1	6.0	6.0
Sales of commercial office buildings <sup>(b)</sup>						
Square feet sold ( <i>million square feet</i> )		6.65	6.14	8.93	9.11	10.63
Average price per square foot (\$)		256	288	316	333	431
Index of total value of office building sales		100	104	166	178	269
<sup>(a)</sup> end of year <sup>(b)</sup> total for the year						
Source: Delta Associates						



The value of both residential and commercial office buildings, along with the value of transactions in both markets, increased sharply in the years since 2000. The District's housing market was transformed in this period. The average prices of both single family and condominium units more than doubled, and the value of all residential transactions increased by 139 percent. The growth in sales of single-family homes, especially, was interrupted for a period during the recession and after the September 11 attacks, but the market rebounded. The share of condominiums in all home sales has increased from about 33 percent in 2000 to about 46 percent in 2005, indicating the changing market as single family homes became very expensive for many potential home buyers. Due to increases in the number of square feet sold and average price per square foot, the value of commercial office building transactions increased 169 percent in the past 4 years.

As we write, the real property market in D.C. is slowing yet remains quite strong, although the market is “nervous”. The erosion is small and, within the Washington Metropolitan Area, D.C. holds its place as having the lowest vacancy rate and highest rental rates for office spaces. This is true in spite of the addition of 11.4 million square feet (msf) of office space in the past 5 years, with 7.8 msf under construction or undergoing major renovation in the 4th quarter of 2005 alone.

Condominium sales began to drop in the first quarter of 2006, as single-family home sales did a year earlier. With the consistent increase in mortgage interest rates, limited space for new construction, and prices in the 2nd quarter of 2006 that average about \$620,000 for a

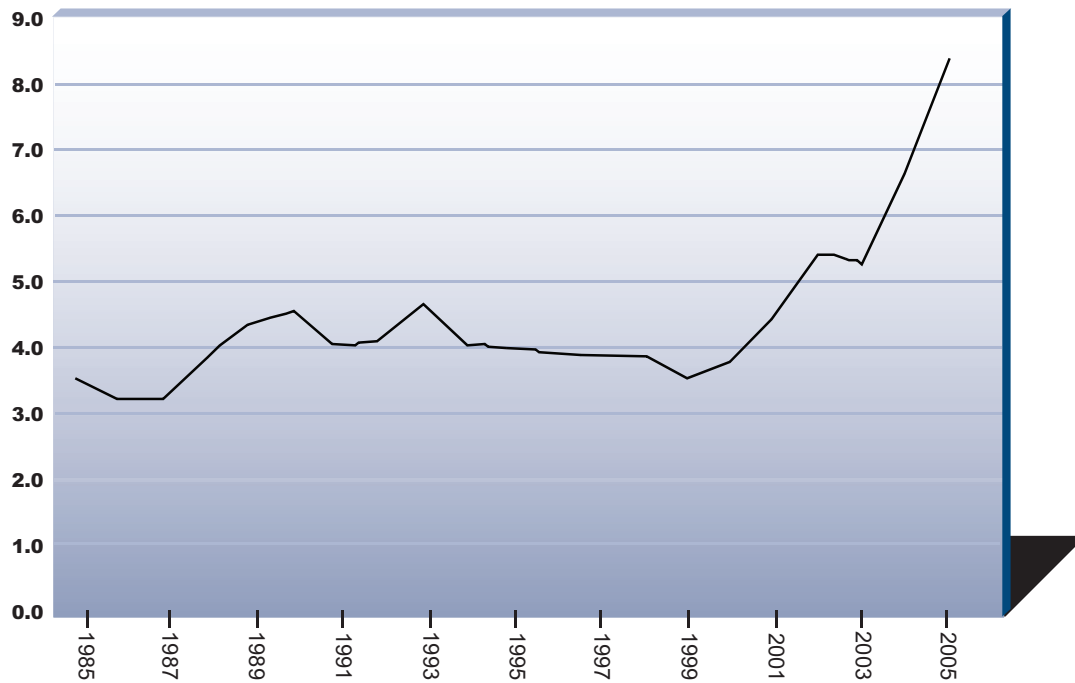
single family home and about \$410,000 for a condominium, we expect some softening of the market. These high mean prices suggest very high prices for top range properties.

We do not, however, expect a “slowing” to become a crash. With long-term growth in high-paying jobs, the District is an attractive location for professionals with no school-age children who prefer not to spend time in commuting. These times are getting longer as congestion grows and travel distances increase. Some commuters will prefer a different lifestyle.

The District does have a real property problem that could potentially damage the city's economy. This is a problem of housing supply, particularly of “affordable” or “workforce” housing. With the median price of a condominium in the 2nd quarter of 2006 at about \$360,000 and of a single-family home at \$475,000, very few “middle class” households can purchase a home in the city. The District's median income for a working household, based on income tax records, is about \$30,000. A middle-income household with \$30,000 income is very hard pressed to buy a condominium at 360,000! It is not surprising that only 43.6 percent of D.C. households own their own home.



**Figure 2-13:** Ratio of Median D.C. Housing Price to Median D.C. Household Income: 1985 to 2005



Source: U.S. Bureau of the Census and Global Insight, Inc. (See Appendix Figures A-4 and A-5.)

With owner-occupied housing so expensive, the District is not a very hospitable place for lower-income households trying to work their way up the income ladder and purchase a home; there are very few places for them to live. And the city, in turn, faces shortages of workers ranging from receptionists and office support staff to construction workers, retail clerks and managers, and any number of other critical jobs. The high-powered government, hospitality, and professional engines of the D.C. economy need these employees. These employees need housing.

### Looking Ahead

If history is destiny, then the District of Columbia will continue to be a place of employment growth. Only significant policy decisions by the federal government, or major disruptions, would change that. The federal government could implement true downsizing (not outsourcing) or move substantial numbers of employees elsewhere; these actions would seriously hurt the District. D.C. could be the victim of a successful and devastating attack, or the pervasive fear of such an attack or persistent acts of terrorism; these also would seriously hurt the District. Massive federal investment in a regional transportation system would probably add

to the District's attractiveness as a place to work, but might slow its nascent new appeal as a place to live because people could more easily come into the District from surrounding areas. Barring these events of considerable enormity, D.C. should remain a node for employment.

Nonetheless, the D.C. economy is subject to economic swings that affect the region, the nation and the world. Recession and terrorism quickly hit the tourism and travel industry—as do high energy prices and other types of inflation—and this directly hurts the District's economic base. More than 10 percent of the District's revenues can be traced to hospitality. More competition from our Maryland and Virginia neighbors, especially in office locations, could affect the professional and business services activities, which are the backbone of the growth in private employment in D.C. And the inability of the District's government to deliver high-quality services could again seriously damage the city's economy. Filling potholes, controlling crime, educating children, and providing other city services—in spite of the chronic budgetary stress the city faces—are part of the baseline for economic success.



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# Revenue System

*The District's revenue system draws from a wide range of revenue sources.*

This chapter discusses the District's revenue system and analyzes the relationship between the major taxes and the District's economy. The most striking feature of the District's revenue system is its use of almost the full range of revenue sources available to state and local governments. As the figures in Figure 3-1 through Figure 3-3 show, the District's revenue system includes

city-type and state-type taxes as well as various non-tax sources (fees, fines, charges for services). One would expect that having such a broad portfolio of revenue sources would add a measure of stability to the District's revenue system. But as we discuss below, the District's revenue system is quite volatile.

**Figure 3-1** D.C. Revenue System

Revenue Category	Revenue source
City-type taxes	<ul style="list-style-type: none"> <li>■ Real property</li> <li>■ Personal Property</li> <li>■ Public space rental</li> <li>■ Deed recordation</li> <li>■ Deed transfer</li> <li>■ Economic interest</li> </ul>
State-type taxes	<ul style="list-style-type: none"> <li>■ Individual income</li> <li>■ Corporate franchise</li> <li>■ Unincorporated business franchise</li> <li>■ General sales &amp; use</li> <li>■ Excise (alcohol, cigarette, motor vehicle)</li> <li>■ Gross receipts (utilities, telecommunications, insurance premiums)</li> <li>■ Estate</li> </ul>
Non-tax revenue	<ul style="list-style-type: none"> <li>■ Licenses and permits</li> <li>■ Fines</li> <li>■ Service charges</li> <li>■ Interest income</li> <li>■ Lottery</li> </ul>
Special Purpose/Dedicated revenue agency that collects the revenues	<ul style="list-style-type: none"> <li>■ Fees, fines, assessments that are dedicated to the District to cover the cost of performing the function.</li> <li>■ The “dedication” of the revenue to the collecting agency is the only thing that distinguishes this category from the non-tax revenue category above.</li> </ul>



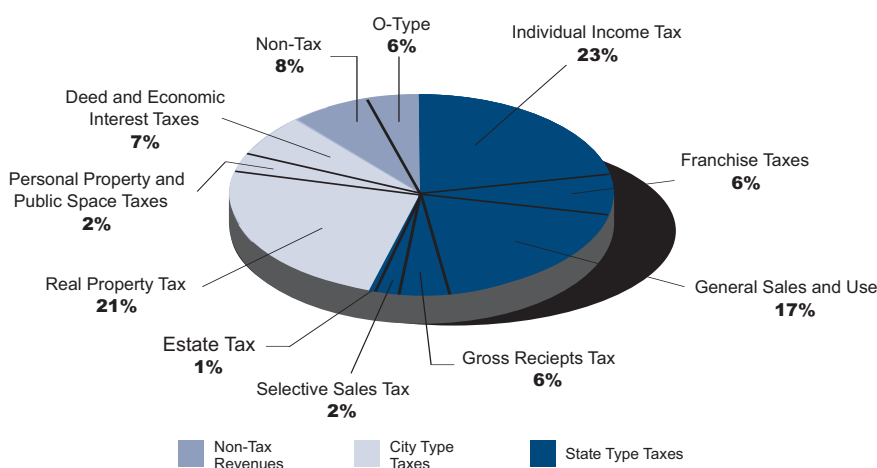
**Figure 3-2** FY 2005 Revenue by Source\*

Revenue Source	Amount, (\$000)	Percent
<b>State-Type Taxes</b>	<b>2,753,121</b>	<b>55.1</b>
Individual Income	1,160,074	23.2
Corp. Franchise	195,492	3.9
U.B. Franchise	116,866	2.3
General sales and use tax	861,078	17.2
Gross receipts	294,665	5.9
Selective Sales	95,689	1.9
Estate	29,257	0.6
<b>City-Type Taxes</b>	<b>1,505,903</b>	<b>30.1</b>
Real Property	1,060,637	21.2
Deed Recordation	190,048	3.8
Deed Transfer	146,929	2.9
Personal Property	82,068	1.6
Economic Interest	10,593	0.2
Public Space Rental	15,628	0.3
Non-tax Revenues	423,877	8.5
Special Purpose (O Type) Revenue	311,789	6.2
<b>Total Revenues</b>	<b>4,994,690</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

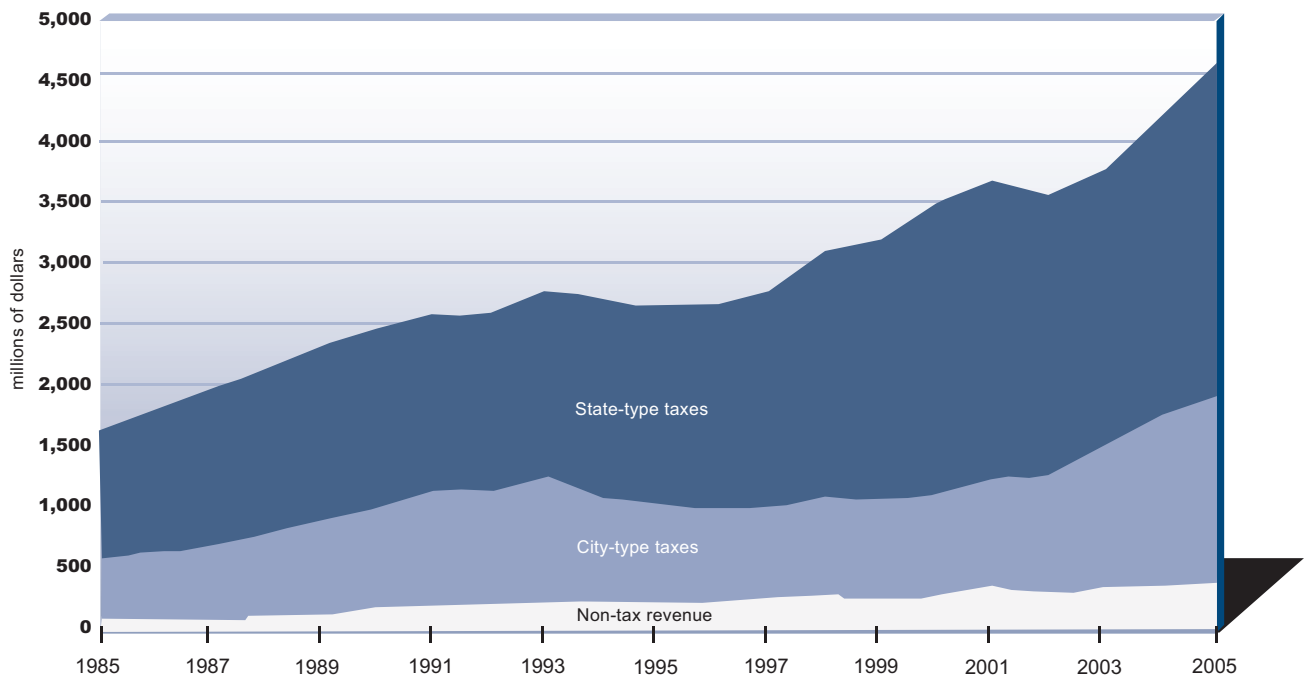
\* The data in this table includes earmarked revenue and therefore does not agree with the the data in the D.C. Comprehensive Annual Financial Report (CAFR).

**Figure 3-3** Revenue Sources: FY 2005



- The individual income tax represents 23 percent almost one quarter—of all general fund revenue (GFR) in FY 2005.
- The real property tax is the second largest revenue source, representing 21 percent of all GFR in FY 2005.
- The general sales and use tax represents the third largest GFR source, accounting for 17 percent.

**Figure 3-4** District Revenue Trends: 1985–2005



■ In 2005, state-type taxes account for about 55 percent of total GFR, city-type taxes 30 percent, and non-tax revenue 15 percent.

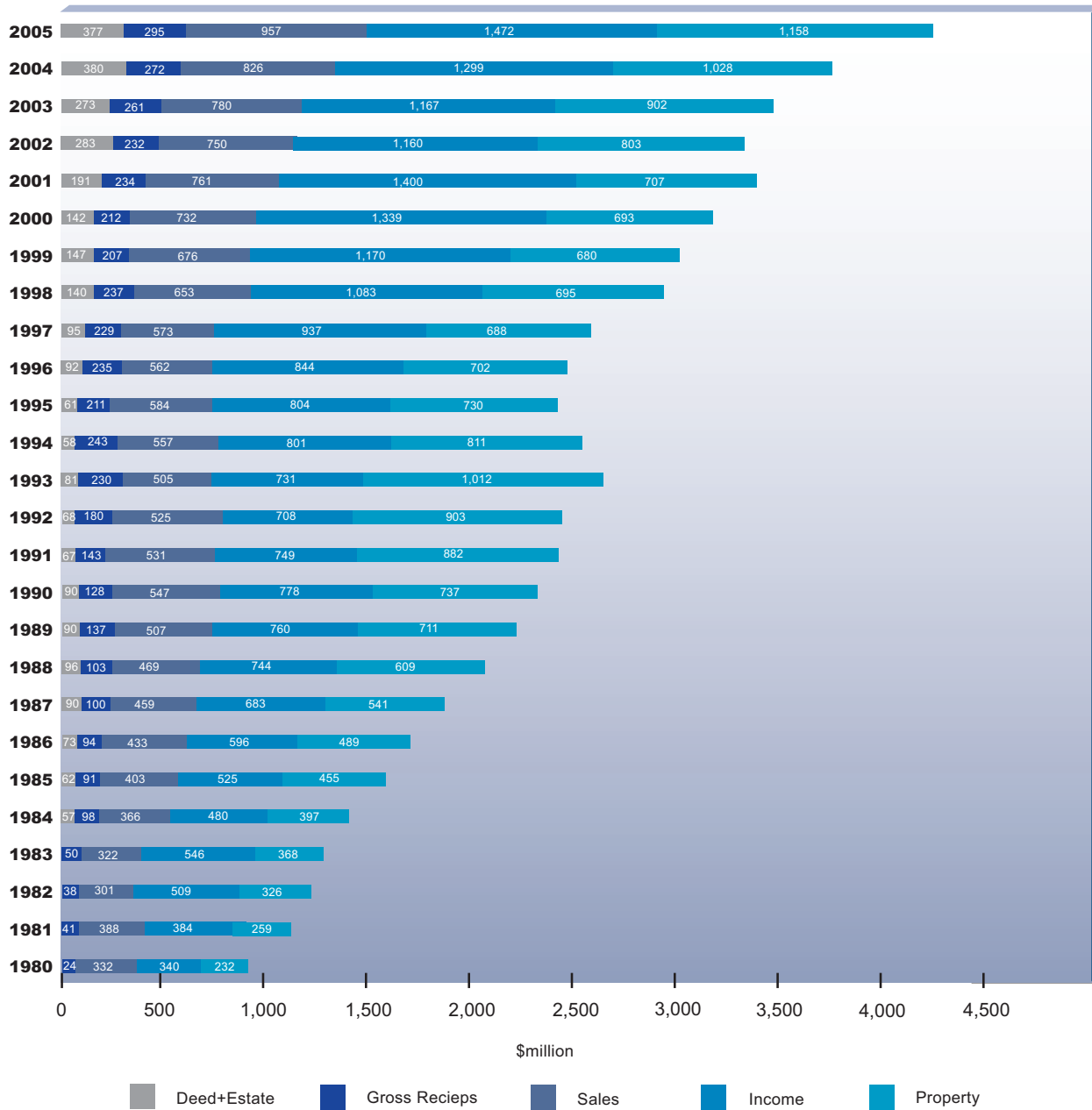
■ In 1985, state-type taxes accounted for 63 percent, city-type taxes 30 percent, and non-tax revenue 7 percent.

*The District revenue system is quite volatile.*

As mentioned at the beginning of the chapter, despite having a broad portfolio of revenue sources, the tax system of the District of Columbia is quite volatile, like many other jurisdictions, where volatility refers to the fluctuations in the rate of growth of tax revenue from one year to the next. The rapid revenue growth in the last year or two is not at all likely to continue; this has implications for expenditure planning over the next few years.

■ The graph of figure 3-5, for example, shows that actual tax revenue in FY 2003 was below FY 2002. The decline was led by the income tax that did not return to its FY 2001 level until FY 2005.

**Figure 3-5** Actual Collections of Tax Revenue, FY 1980–2005



Source: D.C. Comprehensive Annual Financial Report

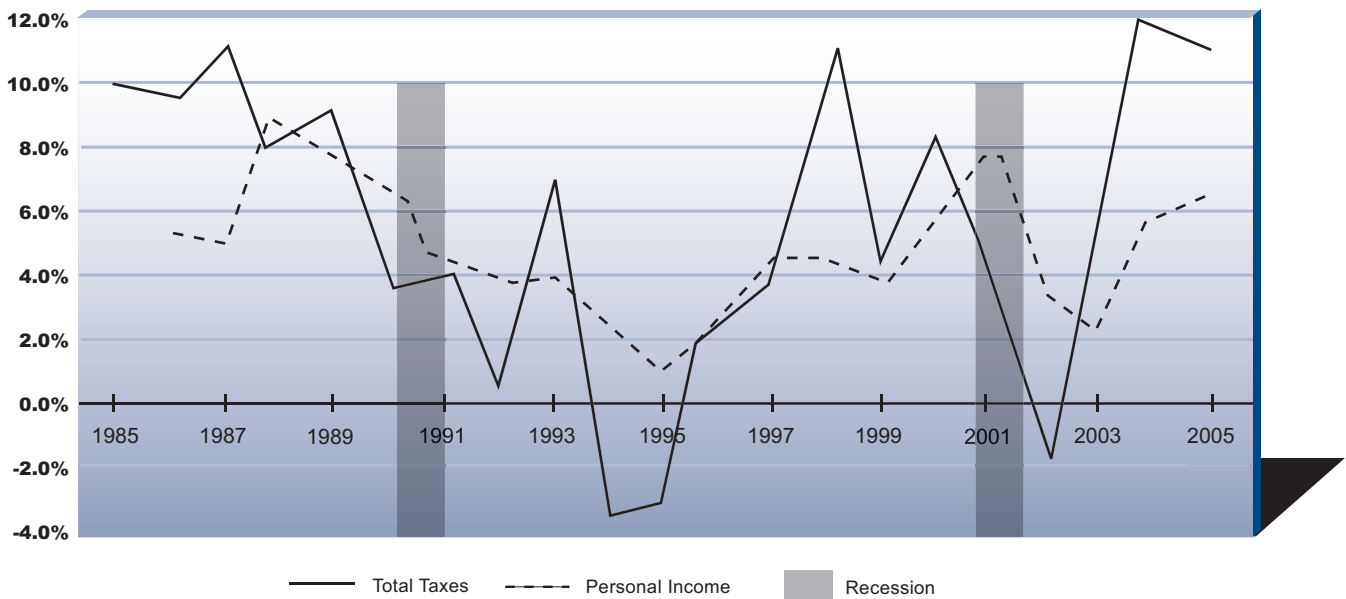


The graph of figure 3-6 illustrates the volatility, with tax revenue growth ranging from highs of, 12 percent, to lows of minus 3.4 percent, minus 3.2 percent, and minus 1.9 percent.

- A long period of sustained prosperity—a least in revenue collections—occurred between FY 1985 and FY 1989. Growth was 8 percent or more in each year.

- Beginning in FY 1990, revenue growth is more erratic. This second period includes two recessions, the attacks of September 11, 2001, the financial collapse of the District government, and a major displacement of the financial markets. Each of these left an impact on revenue growth.

**Figure 3-6** Annual Percent Change in Tax Revenue and Personal Income, FY 1985–2005



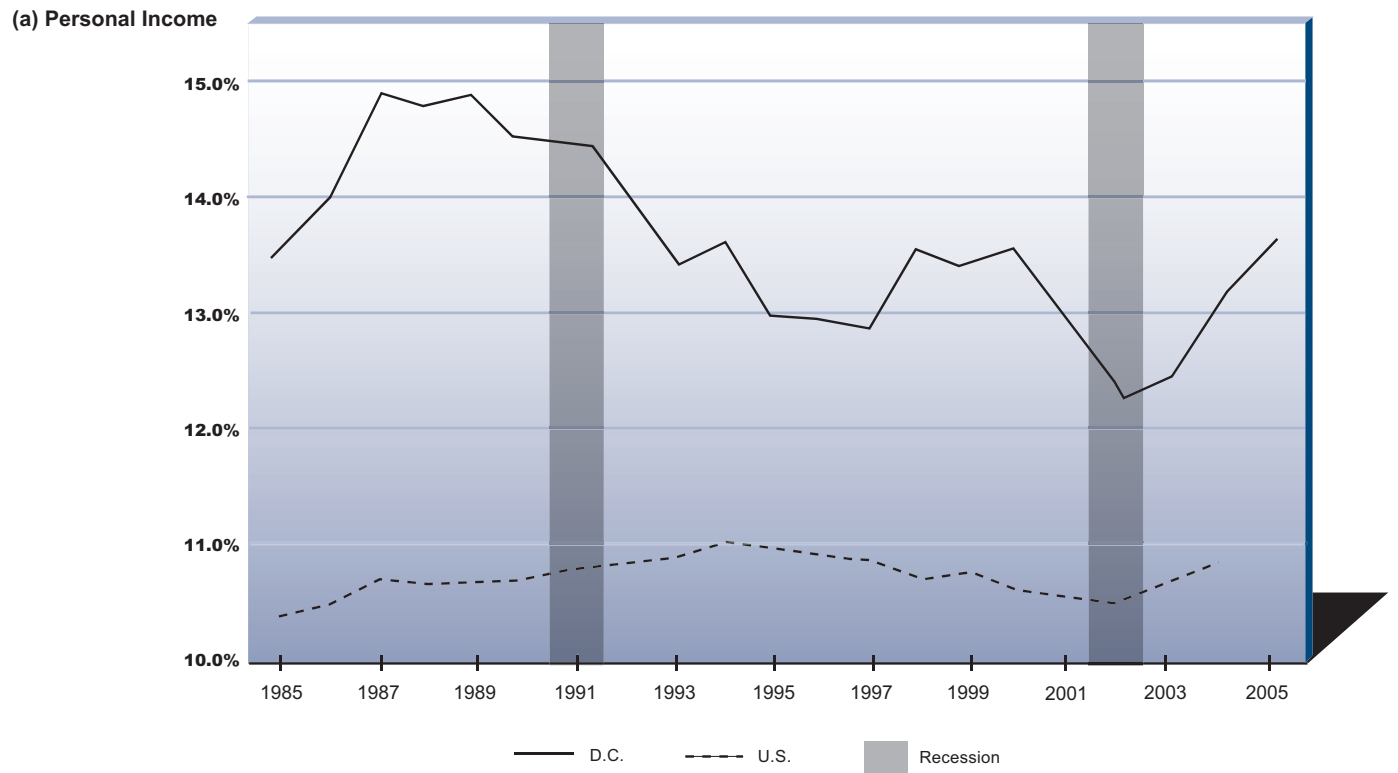
Source: D.C. Comprehensive Annual Financial Report, Bureau of Economic Analysis

The graph of figure 3-6 shows that some of the volatility in the revenue is driven by fluctuations in the District's economy.

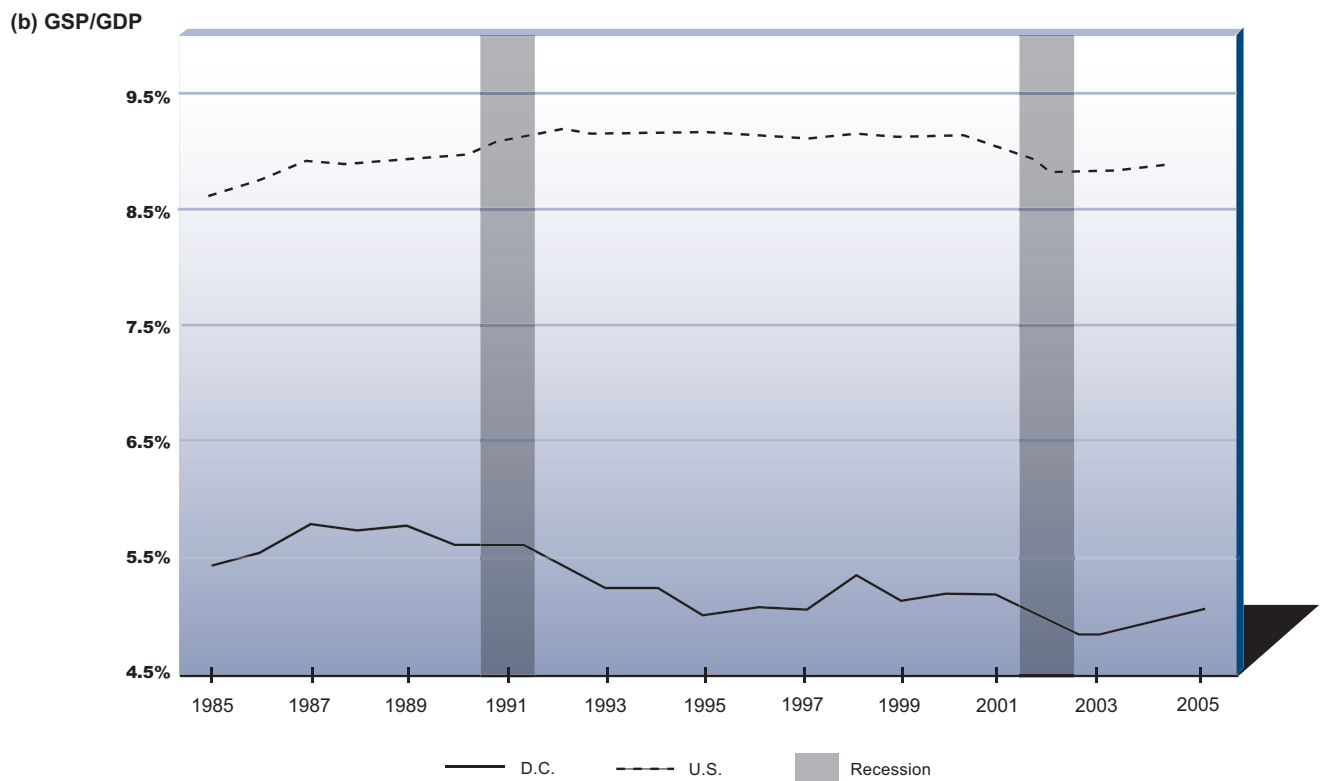
- As the District's personal income growth slowed from 9 percent in 1988 to less than 1 percent in 1995, tax revenue growth slowed from 9 percent in 1989 to a negative 3 percent in 1995.
- At the same time, the graph of figure 3-6 also illustrates that local economic fluctuations do not fully explain the volatility. For example, in 1992, despite personal income growth of 4 percent, tax revenue growth was almost flat; and in 1993 the tax revenue growth of about 7 percent was much greater than the personal income growth of only 4 percent.

- National economic fluctuations also drive the volatility of the District's tax revenue. In particular, volatility in the stock market, through its impact on individual income and franchise tax revenues, contributes to volatility of D.C. tax revenue. (Further information on the relationships between the stock market and the volatility of the D.C. tax system are presented below in this chapter and in chapter 5 "Individual Income Tax Information".)
- Other factors that contribute to the volatility of the D.C. tax system are tax policy changes (discussed in Chapter 4, "Growth in the Earmarking of Tax Revenue") and the lag between when income is generated in the local economy and when it enters (or leaves, in the case of refunds) the tax system.

**Figure 3-7** D.C. and U.S. State & Local Tax Revenue as Percent of (a) Personal Income and (b) GSP/GDP, FY 1985–2005



Source: D.C. Comprehensive Annual Financial Report, Census of Government Finances, U.S. Bureau of Economic Analysis



Source: D.C. Comprehensive Annual Financial Report, Census of Government Finances, U.S. Bureau of Economic Analysis

*While District tax revenue is large relative to the income of its residents, it is small relative to the size of the District's economy.*

The graphs of figure 3-7 compare D.C. tax revenue and U.S. state and local revenue in relation to the size of their respective economies. The comparison uses two different measures of the size of the economy—personal income and gross state (domestic) product. The graphs show that, compared to U.S. state and local revenue, D.C. tax revenue is a higher share of personal income; it is, however, a smaller share of GSP/GDP.

- This result, which at first seems paradoxical, is explained by the commuter nature of the District's economy. Economic activity generated in the District (as measured by GSP) is much greater than the income earned by its residents (as measured by personal income). This is because, as a central city, the economic activity generated by the District is large in relation to the size of its population (two thirds of D.C. workers are commuters).
- Although D.C. tax revenue as a share of D.C. personal income seems high when compared to U.S. state and local revenue's share of U.S. personal income, not all the taxes are borne by District residents. Because of the commuter nature of the city, some of the taxes (e.g., franchise taxes, commercial property tax, restaurant and hotel sales taxes, etc.) are borne largely by non-residents.
- Whereas U.S. state and local tax revenue relative to the size of the economy shows a slight trending up for the period 1985 to 2004 (U.S. state and local

revenue was 8.6 percent of GDP and 10.3 percent of personal income in 1985 and 8.9 percent of GDP and 10.8 percent of personal income in 2004), D.C. tax revenue relative to the size of the economy has trended down over the same period (5.4 percent of GSP and 13.5 percent of personal income in 1985 compared to 4.9 percent of GSP and 13.2 percent of personal income in 2004).

## Real Property Taxes

The District's real property tax is an annual tax paid by all owners of taxable real property. It amounted to \$1.06 billion in FY 2005 and was the second largest single source of revenue for the district's general fund, with a 21 percent share of all total general fund revenue in FY 2005.

*A large share of District real property is exempt from taxation.*

- Approximately 57 percent of the District's total assessable land area is exempted from the District's real property tax. Property owned by the U.S. Government in the District accounts for the largest share, 39 percent, of land area classified as tax exempt property.
- The remaining 18 percent of land area classified as tax exempt property is owned by the District government, foreign governments, non-profit organizations, educational facilities and others.

**Figure 3-8** Summary of Assessed Real Property in the District of Columbia (taxable and exempt), Tax Year 2005

	Land Area (acres) <sup>30</sup>	Percent	Assessed Value (\$ Millions)	Percent
Taxable	12,691	43.1	88,263	65.1
Tax Exempt	16,774	56.9	47,353	34.9
U.S. Government	11,612	39.4	27,303	20.1
D.C. Government	1,808	6.1	5,004	3.4
All other Exempt	3,354	11.4	15,046	11.1
<b>Total</b>	<b>29,465</b>	<b>100</b>	<b>135,616</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

<sup>30</sup> The District of Columbia has a total of approximately 69 square miles of land area including approximately 7 square miles of water area and 16 square miles of streets and alleys. TY 2005 real property tax data, that is maintained by the Office of Tax and Revenue/Real Property Tax Administration, represents 46.0 square miles of land area. That is, 19.8 square miles of taxable land area and 26.2 square miles of total tax-exempt land area (640 acres equal one square mile).



*The District's real property tax system taxes property at differential rates based on use.*

- Unlike most jurisdictions, which tax all properties at the same rate, the District currently has three real property tax classes, each of which is taxed at a different rate depending on the use of the real property.

**Figure 3-9** Real Property Tax Characteristics for Tax Years 2005–2007

Item	Rate per \$100 of assessed value		
	2005	2006	2007
Class 1 (Residential)			
Non-Homestead Properties	0.96	0.92	0.88
Homestead Properties			
Non-senior Homestead Properties	Less than 0.96*	Less than 0.92*	Less than 0.88*
Senior Homestead Properties	Less than 0.96**	Less than 0.92**	Less than 0.88**
Class 2 (Commercial)	1.85	1.85	1.85
Class 3 (Vacant or Abandoned Properties)	5.00	5.00	5.00
* Homestead properties receive a \$60,000 exemption and are subject to a tax cap of 10 percent. ** Seniors with incomes less than \$100,000 receive a tax credit equal to 50 percent of their tax liability in addition to the Homestead exemption and property tax cap. Source: OCFO, D.C. Office of Tax and Revenue			

- Homestead properties in the District are owner occupied properties that are eligible for a number of tax credits, exemptions and other real property tax relief.
- Senior homestead properties are homestead properties occupied by residents that are 65 years of age or older and whose income is \$100,000 or less. These properties are subject to a 50 percent reduction in the total real property tax liability on an annual basis.
- The basic tax rate for Class 1 properties was \$0.96 for Tax Year 2005. This rate was lowered to \$0.92 for Tax Year 2006. Starting in 2007, Class 1 properties will be subject to a variable tax rate calculated each year to limit the growth in total residential collections to no more than 9 percent; in TY 2008 the limit will be 8 percent, and 7 percent in each tax year thereafter. For 2007 the rate is calculated to be \$0.88.

**Figure 3-10** Real Property Assessed Value and Tax Liability by Class, Tax Year 2005

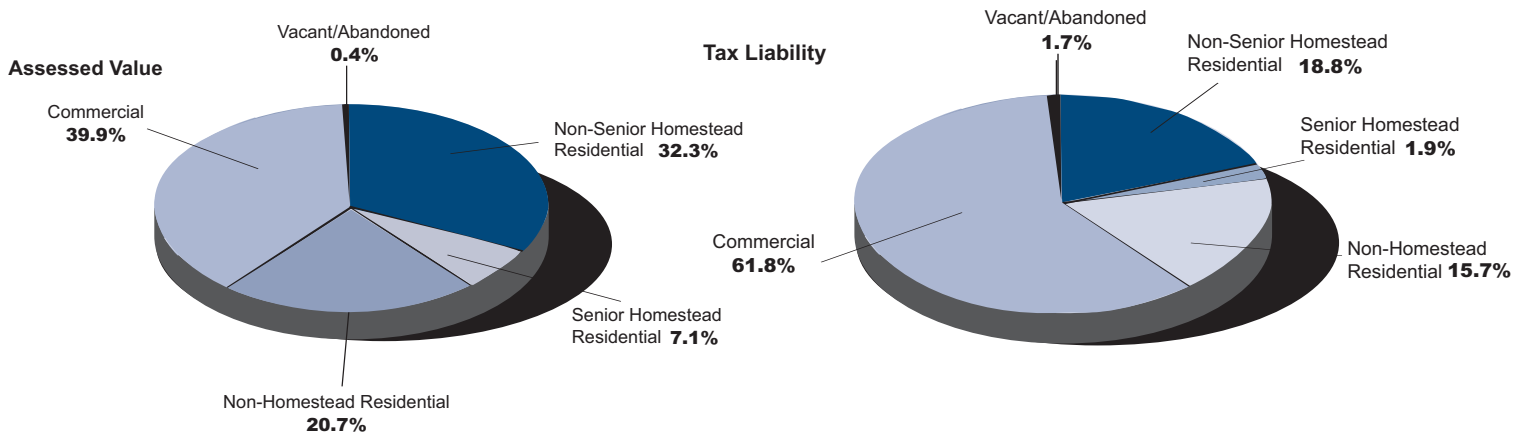
Class	Number of Properties	Acres	Percent Acres	Assessed Value (\$ Millions)	Percent Assessed Value	Tax Liability (\$000)	Percent of Liability	Effective Tax Rate
Class 1 (Residential)	153,061	10,094	79.5	53,039.4	60.1	377.6	36.6	0.71
Non-Homestead	60,914	3,810	30.0	18,267.0	20.7	162.2	15.7	0.89
Homestead	92,147	6,285	49.5	34,772.4	39.4	215.4	20.8	0.62
Non-Senior	70,625	4,681	36.9	28,499.2	32.3	194.6	18.8	0.68
Senior	21,522	1,603	12.6	6,273.2	7.1	19.6	1.9	0.31
Class 2 (Commercial)	8,941	2,227	17.5	34,848.9	39.5	638.2	61.8	1.83
Class 3 (Vacant/Abandoned)	3,423	369	2.9	374.7	0.4	17.3	1.7	4.61
<b>Total</b>	<b>165,425</b>	<b>12,691</b>	<b>100</b>	<b>88,263.0</b>	<b>100</b>	<b>1,033.0</b>	<b>100</b>	<b>1.17</b>

Source: OCFO, D.C. Office of Tax and Revenue

**NOTE:** The effective rate is the tax liability divided by the assessed value. The effective tax rate differs from the nominal tax rate for respective tax classes for two major reasons: 1) tax policy and 2) tax administration. It is tax policy that eligible homestead properties are subject to a maximum of 10 percent annual growth rate in their annual taxable assessment value, and receive a homestead deductions, and/or senior citizen tax exemption. Elected officials also agree to grant special tax exemptions to distinctive properties for exceptional reasons. In terms of tax administration, the city tends to collect less in real property taxes, in total, than the full tax liability in any given year because of real property owners that are delinquent and/or negligent in tax payments.

- Class 1 properties account for 80 percent of total acreage, 60 percent of assessed value, and 37 percent of total liability.
- Class 2 and 3 properties account for 20 percent of total acreage, 40 percent of the value, but due to the significantly higher tax rates 63 percent of total liability.

**Figure 3-11** Residential Tax Liability and Assessed Value by Use

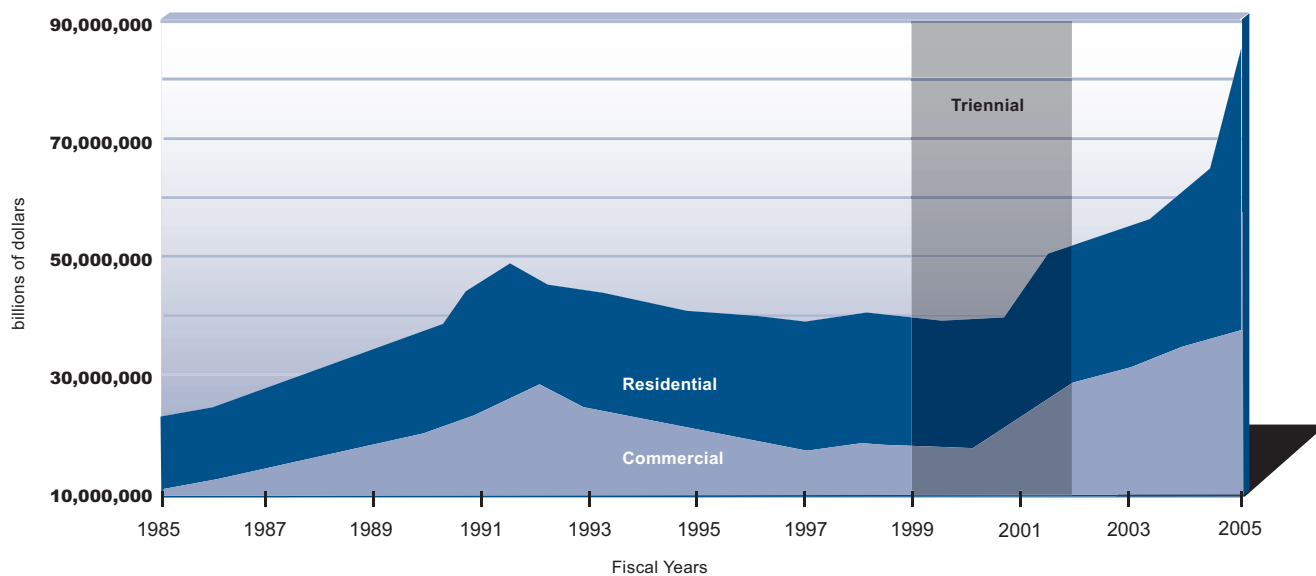


Source: OCFO, D.C. Office of Tax and Revenue

*Effective tax rates on residential property are low relative to the rates on commercial real property.*

- Table 3-10 shows that District real property tax has relatively low effective tax rates on residential property (in particular, owner-occupied property) and higher rates on commercial property.

**Figure 3-12** Assessed Value Trends by Sector: 1985–2005



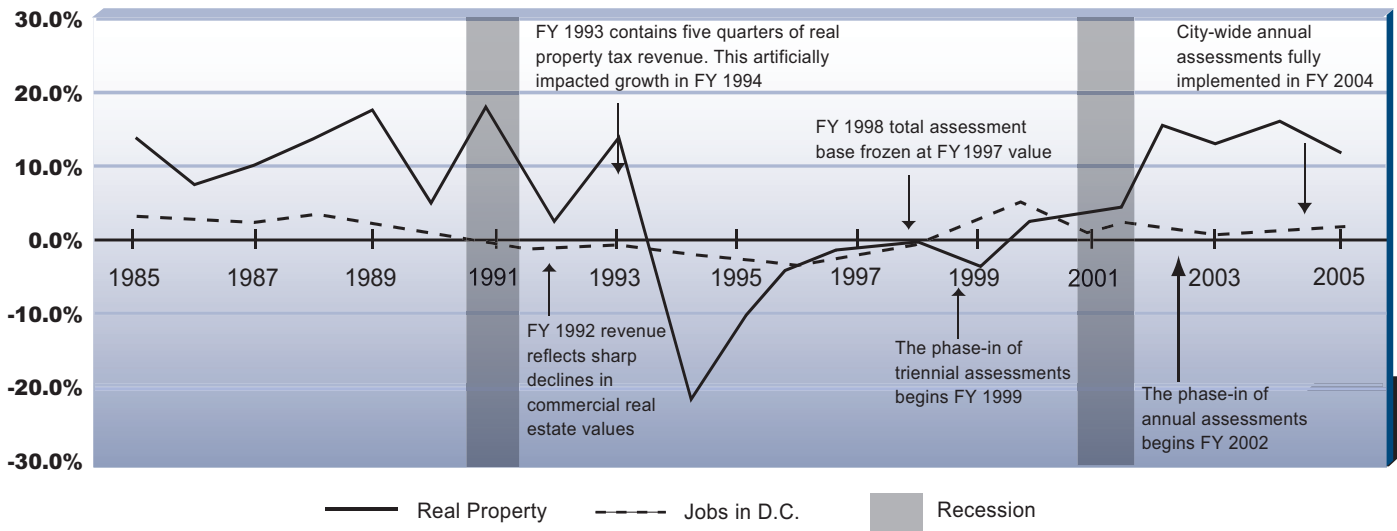
Source: OCFO, D.C. Office of Tax and Revenue

- Like many other major real estate markets in the country, the District experienced sharp declines in commercial assessment values after Fiscal Year 1992.
- For the next 8 years the D.C. real estate market remained in a slump as jobs disappeared.
- The recovery in property tax revenues might have been delayed by the assessment freeze in 1998 and the implementation of a triennial assessment system from 1999 to 2002.<sup>31</sup>
- Significant annual growth began in FY 2002 when annual assessments began to be phased in as triennial assessment was being phased-out.

<sup>31</sup> Under the triennial assessment system, properties in the District were divided into three assessment groups called triennial groups (tri-groups). Annual decreases in assessed value were immediately realized while annual increases in assessed value were phased in over a three-year period. The triennial system was phased out between FY 2002 and FY 2004.



**Figure 3-13** Annual Percent Change in Real Property Tax Revenue and FY 1985 to 2005



Source: OCFO, D.C. Office of Tax and Revenue, U.S. Bureau of Labor Statistics, National Bureau of Economic Research



*A relatively small share of properties account for a large share of the tax within both the residential and the commercial sectors.*

**Figure 3-14** Class 1 (Residential Real Property by Decile, Tax year 2005)

Decile	Number of Taxpayers	Assessed Value (\$ Millions)	Percent of Assessed Value of Class	Average Value (\$000)	Median Value (\$000)
1st	15,306	240.6	0.5	15.7	15
2nd	15,310	1,454.50	2.7	95	100.1
3rd	15,302	2,066.80	3.9	135.1	134.8
4th	15,306	2,621.60	4.9	171.3	171.5
5th	15,302	3,118.20	5.9	203.8	203.2
6th	15,313	3,780.60	7.1	246.9	246.4
7th	15,302	4,773.30	9.0	311.9	309.8
8th	15,307	6,434.50	12.1	420.4	417.5
9th	15,307	8,711.50	16.4	569.1	565.7
10th	15,306	19,837.80	37.4	1,296.10	875.3
<b>Total</b>	<b>153,061</b>	<b>53,039.40</b>	<b>100</b>	-	-

Source: OCFO, D.C. Office of Tax and Revenue

**Figure 3-15** Class 2 (Commercial Real Property by Decile, Tax year 2005)

Decile	Number of Taxpayers	Assessed Value (\$ Millions)	Percent of Assessed Value of Class	Average Value (\$000)	Median Value (\$000)
1st	894	15	0	16.2	14.8
2nd	894	64.2	0.2	71.9	72.3
3rd	894	113	0.3	126.5	126.7
4th	894	163.9	0.5	183.3	183
5th	894	230.8	0.7	258.2	256.7
6th	895	327.7	0.9	366.2	365.5
7th	894	485.4	1.4	542.9	539.9
8th	894	786.1	2.3	879.4	858
9th	894	1,857.10	5.3	2,077.20	1,859.40
10th	894	30,806.10	88.4	34,458.70	17,544.00
<b>Total</b>	<b>8,941</b>	<b>34,848.90</b>	<b>100</b>	-	-

Source: OCFO, D.C. Office of Tax and Revenue

- The top 20 percent of residential taxable properties account for 54 percent of the total residential assessment.
- The top twenty percent of commercial properties (1,788 properties) pay 94 percent of the commercial real property tax, entirely based on the value of the property owned.
- Within Class 2 properties, the subsector of large commercial office buildings are the prominent component in terms of tax liability and collections. Large office buildings account for 6 percent of the total Class 2 properties but 71 percent of Total Class 2 liability and 44 percent of the total real property tax liability for FY 2005 (See Chapter 5).
- Wards 2, 3 and 6 account for 82 percent of total liability for the real property tax. (See Chapter 5).

## Individual Income Taxes

The individual income tax is imposed on individuals who have a permanent residence in the District for part of or all of the tax year or maintain an abode in the District for 183 or more days during the year.

- Individuals that are exempt from income tax in the District include elected officials of the federal government, presidential appointees subject to confirmation by the U.S. Senate, U.S. Supreme Court justices who are not domiciled in the District, employees of legislative staffs who are residents of the state of their elected official, and all persons who are employed in the District but live outside of the District.
- Non-filers include many students in higher education, citizens in nursing homes and other institutions, and members of the military (except for

those who listed the District as their home of record for either a part of or the full tax year). Depending on age and filing status, the gross income threshold for filing a D.C. individual income tax return ranges from \$8,200 (single, under 65 years old) to \$18,400 (married filing jointly, 65 years old or older).

- Like the federal income tax, D.C. income subject to taxation is derived from a number of sources including wages, pensions, interest, dividends, rents, and capital gains.
- One key difference between the federal income tax and the District's income tax is that D.C. does not tax Social Security income.

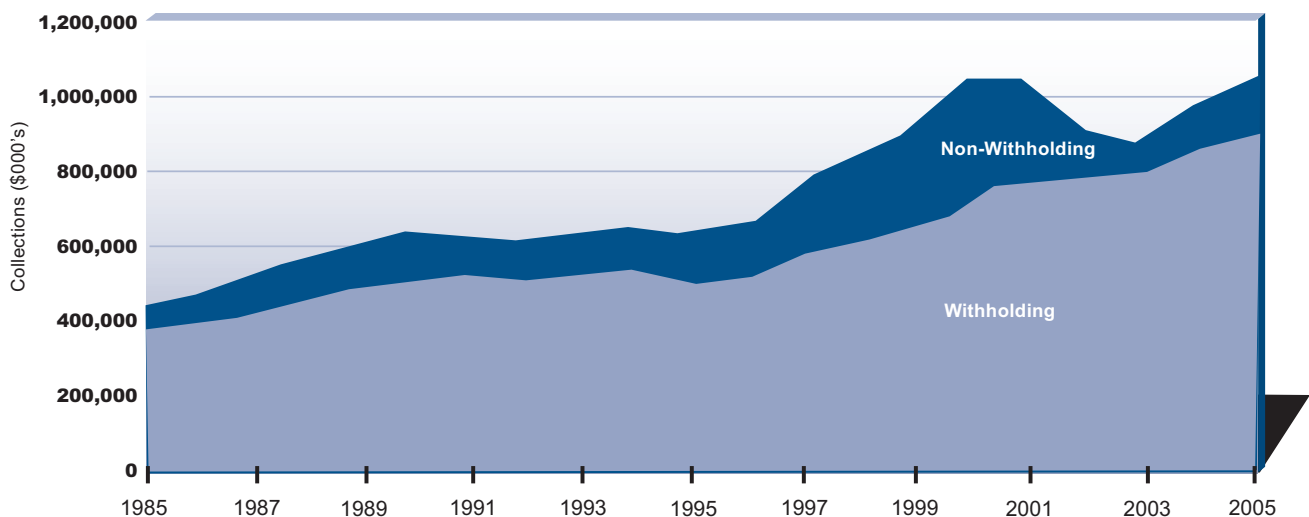
For tax years 2005, 2006 and 2007 the individual income tax rates will be:

**Figure 3-16** Individual Income Tax Rates, 2005–2007

Net Taxable Income	2005	2006	2007
\$0- \$10,000	5.00	4.50	4.00
\$10,001-\$30,000	7.50	7.00	6.00
\$30,001-\$40,000	9.00	8.70	6.00
\$40,000 and above	9.00	8.70	8.50

Source: OCFO, D.C. Office of Tax and Revenue

**Figure 3-17** Individual Income Tax Collections for Withholding and Non-Withholding 1985–2005



Source: OCFO, D.C. Office of Tax and Revenue

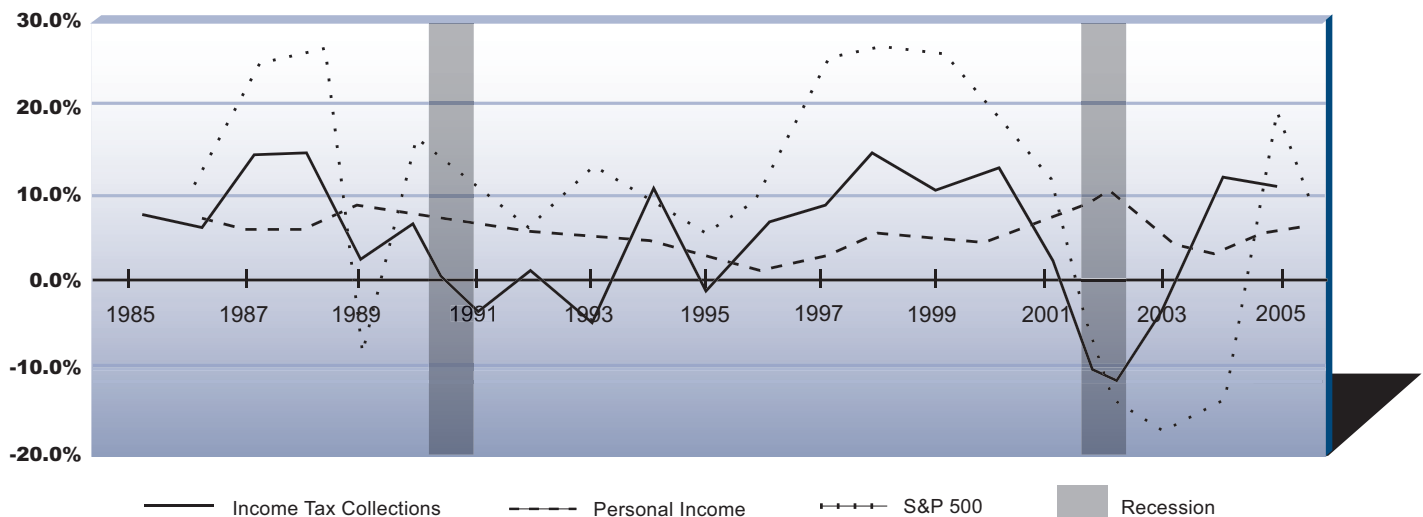


- In FY 2005, individual income tax generated revenues of approximately \$1.2 billion, which represents about 23 percent of total District of Columbia revenues.
- There are two key components of individual income tax collections: withholding and non-withholding.
- Withholding is the part of the tax that is withheld at source and principally tied to the level of wages and salaries.
- Components of non-withholding include declarations (estimated payments), final payments, and refunds and tend to be driven by non-wage parts of income. This includes stock market returns, stock options, and bonuses.

*Collections of individual income tax are quite volatile.*

- As the graph of figure 3-17 shows, the non-withholding portion of the income tax revenue is volatile compared to the withholding portion (for further analysis see Chapter 5, "Individual Income Tax Information").
- In FY 1985, individual income tax collections were \$417.5 million. By FY 2005, these increased by 178 percent to \$1,160.1 million.
- The annual rate of steady growth needed to generate this change is 5.2 percent a year.
- Instead, the actual annual growth ranged from a high of 15.5 percent in FY 1988 to a low of -13.6 percent in FY 2002.

**Figure 3-18** Percent Change in Individual Income Tax Collections, Personal Income and S&P 500: 1985–2005



Source: D.C. Comprehensive Annual Financial Report, Bureau of Economic Analysis and Yahoo! Finance

*D.C. has a relatively small number of married filers who pay a large share of the tax.*

**Figure 3-19** Filer Types for Individual Income Tax, TY 2004

<b>Filer Type</b>	<b>Description</b>
Single	A taxpayer who is unmarried or legally separated as of December 31 of the tax year or widowed and not remarried before January 1 of the following year.
Head of Household	A taxpayer who is unmarried or legally separated as of December 31 of the tax year and paid over half of the cost of keeping a home for a qualifying person, such as a child or parent. Certain married people who lived apart from their spouse for the last 6 months of the tax year may also be able to use this filing status.
Married Filing Separately	The taxpayer is married and both spouses had income. Each would report only their income, exemptions, deductions and credits, as well as report one half of the income from any securities bank accounts, real estate, etc that are registered or titled in both names.
Married Filing Jointly	The taxpayer is married and both spouses were D.C. residents as of December 31 of the tax year, or the spouse died in the tax year and the taxpayer did not remarry in the tax year. If legally separated, this filing status can't be used.
Married Filing Combined Separately	The taxpayer and spouse must combine their separate income amounts so that they will receive one refund or make one payment. The taxpayer may also claim a credit for child and dependent care expenses; the credit is not allowed if the taxpayer files on separate returns. If the taxpayer and spouse were part-year residents during different periods of the tax year, then the tax payer cannot file separately on the same return; separate returns must be filed.
Dependent	The taxpayer is claimed as a dependent on another individual's return for the tax year, and as a result the taxpayer cannot claim an exemption for him/her.

**Figure 3-20** Distribution of Filers, Taxes, and Average Federal Adjusted Gross Income by Flier Type, TY 2004

Filer Type	Number of Filers	Distribution of Filers	Tax (\$)	Distribution of Tax	Average Tax per Filers (\$)	Federal Gross Income (\$)
All Filers*	261,086	100.0	968,591,638	100.0	3,710	66,248
Single, 1.0 persons/return	145,433	55.7	408,010,567	42.1	2,805	50,436
Head of Household, 2.2 persons/return	57,197	21.9	80,534,593	8.3	1,408	32,601
Dependent, 1.0 person/return	7,799	3.0	2,732,886	0.3	350	9,176
<i>Subtotal: Non-married Filers</i>	<i>210,429</i>	<i>80.6</i>	<i>491,278,046</i>	<i>50.7</i>	<i>2,335</i>	
Married Separate, 1.2 persons/return	8,003	3.1	33,097,247	3.4	4,136	75,780
Married Combined, 2.7 persons/return	14,825	5.7	233,724,053	24.1	15,766	252,028
Married Joint, 2.6 persons/return	27,829	10.7	210,492,292	21.7	7,564	143,143
<i>Subtotal: Married Filers</i>	<i>50,657</i>	<i>19.4</i>	<i>477,313,592</i>	<i>49.3</i>	<i>9,422</i>	

\*A few returns are not clearly classified by filer type and are not included  
Source: OCFO, D.C. Office of Tax and Revenue

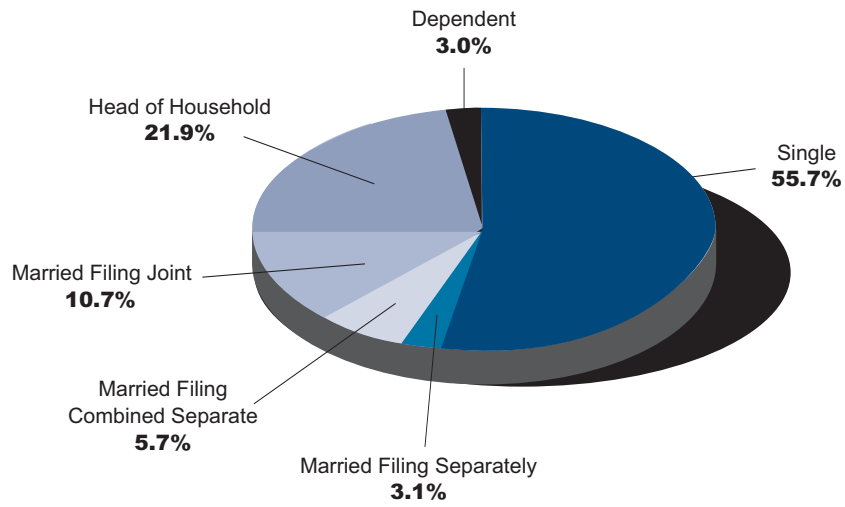
**NOTE:** A tax year (TY) is equivalent to a calendar year beginning January 1 and ending December 31, while a fiscal year is a 12-month period beginning October 1 and ending September 30.

- Married filers comprise about 19 percent of the total income tax payers, but because of their higher incomes, they pay nearly half of the tax.
- Head of household filers and dependents have the lowest incomes and tax burdens.

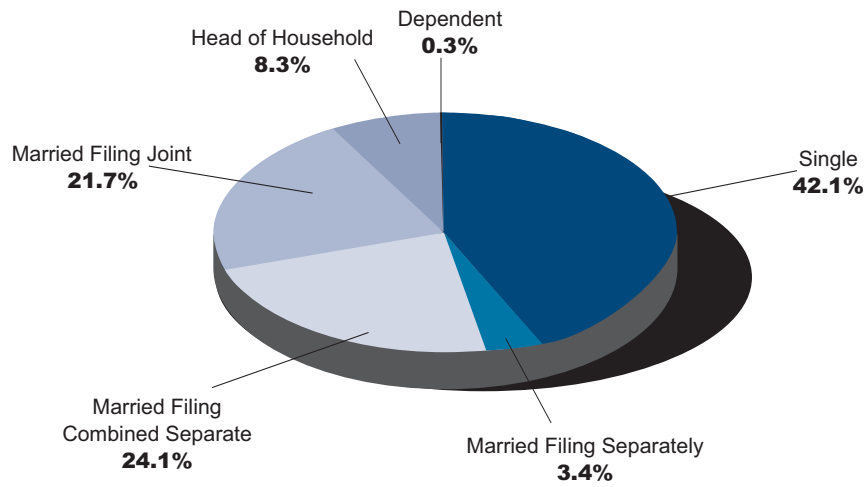


**Figure 3-21** Distribution of Filers and Taxes by Filer Type, TY 2004

**Filers**



**Taxes**



Source: OCFO, D.C. Office of Tax and Revenue

*The distribution of adjusted gross income among tax filing households is highly uneven.*

- The first half of filers have about 12 percent of the income. Average income (as measured by DCAGI) per filing house-hold is about \$59,000; roughly three-quarters of tax filers are below this “average” income amount.

**Figure 3-22** Distribution of Filers, Tax and Adjusted Gross Income (AGI) by Income Category, TY 2004

Income Category	Number of Filers	Distribution of Filers	Cumulative Distribution of Filers	D.C. AGI (\$ Millions)	Distribution of D.C. AGI	Cumulative Distribution of D.C. AGI (\$ Millions)	Tax (\$ Millions)	Distribution of Tax	Cumulative Distribution of Tax
Breakeven and Loss	6,813	2.6	2.6	-22.8	-0.1	-0.1	1.3	0.1	0.1
\$0.01 Under \$10,000	41,368	15.8	18.4	216.8	1.4	1.3	3.3	0.3	0.5
\$10,000 Under \$20,000	43,718	16.7	35.0	655.5	4.2	5.5	21.3	2.2	2.7
\$20,000 Under \$30,000	39,596	15.1	50.1	984.3	6.3	11.8	42.3	4.4	7.1
\$30,000 Under \$50,000	54,823	20.9	71.0	2,132.1	13.7	25.6	111.7	11.5	18.6
\$50,000 Under \$75,000	31,148	11.9	82.9	1,895.9	12.2	37.8	114.8	11.9	30.4
\$75,000 Under \$100,000	15,397	5.9	88.8	1,326.2	8.6	46.3	86.6	8.9	39.4
\$100,000 Under \$150,000	13,817	5.3	94.0	1,672.7	10.8	57.1	114.9	11.9	51.2
\$150,000 Under \$200,000	5,827	2.2	96.3	1,000.7	6.5	63.6	71.4	7.4	58.6
\$200,000 Under \$500,000	7,299	2.8	99.0	2,116.5	13.6	77.2	155.0	16.0	74.6
\$500,000 Under \$1,000,000	1,606	0.6	99.7	1,116.3	7.2	84.4	79.9	8.2	82.9
\$1,000,000 and Over	916	0.3	100	2,415.6	15.6	100	166.0	17.1	100
<b>Total</b>	<b>262,328</b>	<b>100</b>		<b>15,509.9</b>	<b>100</b>		<b>968.6</b>	<b>100</b>	

Source: OCFO, D.C. Office of Tax and Revenue

- The median tax-filer has \$30,000 in D.C. Adjusted Gross Income, DCAGI.
- The lower-income half of tax-filers have 12 percent of income and pay about 7 percent of the tax.
- Tax-filers with \$100,000 or more DCAGI account for 11 percent of filers, 54 percent of income, and 61 percent of D.C. income tax.
- Over 50 percent of filers were single filers in TY 2001 and TY 2004, though the percentage of single filers was slightly smaller in TY 2004.
- Joint filers was the only filer type that experienced an increase in the number of filers increase between TY 2001 and TY 2004.

*The total number of tax filers fell by 3 percent between tax years 2001 and 2004.*

**Figure 3-23** Distribution of Filers by Filer Type, TY 2001 and TY 2004

Filer Type	Number of Filers		Distribution of Filers		Change in the Number of Filers	
	TY 2001	TY 2004	TY 2001	TY 2004		
All Filers*	268,752	261,086	100	100	-7,666	-2.9
Single	150,416	145,433	56.0	55.7	-4,983	-3.3
Married Filing Separately	8,708	8,003	3.2	3.1	-705	-8.1
Married Filing Combined Separate	15,179	14,825	5.6	5.7	-354	-2.3
Joint	27,573	27,829	10.3	10.7	256	0.9
Head of Household	58,977	57,197	21.9	21.9	-1,780	-3.0
Dependent	7,899	7,799	2.9	3.0	-100	-1.3

\*A few returns are not clearly classified by filer type and are not included  
Source: OCFO, D.C. Office of Tax and Revenue



**Figure 3-24** Comparing Statistics of Income, TY 2001 and TY 2004

Income Category	Number of Filers, TY 2001	Number of Filers, TY 2004	Change in the Number of Filers		Change in Tax	
Less than \$30,000	146,684	131,495	(15,189)	-10.4	(8,647,405)	-11.2
\$30,000-\$50,000	55,896	54,823	(1,073)	-1.9	(2,966,155)	-2.6
\$50,000-\$75,000	29,801	31,148	1,347	4.5	4,210,048	3.8
\$75,000-\$100,000	13,674	15,397	1,723	12.6	9,266,386	12.0
\$100,000-\$200,000	16,889	19,644	2,755	16.3	26,308,609	16.4
\$200,000-\$500,000	5,912	7,299	1,387	23.5	30,615,807	24.6
\$500,000 and over	1,789	2,522	733	41.0	42,986,231	21.2
<b>Total</b>	<b>270,645</b>	<b>262,328</b>	<b>(8,317)</b>	<b>-3.1</b>	<b>101,773,521</b>	<b>11.7</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Although the total number of filers is down, income and tax collections are both up. All income categories above \$50,000 show gains in the number of filers.
- The income distribution shifted upward in this four-year period, carried both by inflation and an increase in real incomes at the upper income levels.
- By TY 2004 almost 30,000 filers had D.C. Adjusted Gross Incomes of \$100,000 or more, as compared to nearly 25,000 filers in TY 2001.
- As the number of filers at the top grew, the amount of tax paid to D.C. by those with \$100,000 incomes also increased, by \$99.9 million.
- The average tax due per filer of \$3,200 in TY 2001 increased to about \$3,700 by TY 2004.
- In TY 2004, there were 44,166 EITC returns; of these over 90 percent were submitted by filers with incomes less than \$30,000. (For further analysis see Chapter 5, "Individual Income Tax Information").

### General Sales and Use Tax

The general sales and use tax is paid by the purchaser to the seller and remitted by the seller to the government. The sales tax applies to purchases of goods but also applies to a number of services, such as dry cleaning and laundry services.

- The tax is a complex one, as it is paid not only by individuals in making retail purchases, but also by businesses in purchasing goods and services, including, for example, computers, copy paper, and construction materials.
- Groceries and both prescription and non-prescription drugs are among the items that are sales tax exempt.
- The general sales and use tax accounted for \$861.1 million in revenue in FY 2005, which was 17 percent of the general fund revenue.

The general sales and use tax has 5 different rate classes. Some revenues from the sales and use taxes are earmarked.

**Figure 3-25** General Sales and Use Tax Characteristics

General Sales and Use Tax Category	Tax Rate
Tangible personal property sold or rented within the District and on selected services.* Applies to sales to individuals and business to business sales.	5.75%
Gross receipts of the sales or charges for spirituous or malt liquors, beers, and wine sold for consumption off the premises where sold.	9%
Restaurant meals, liquor sold for consumption on premises, baseball tickets, rental vehicles and prepaid calling cards.	10%
Parking motor vehicles in commercial lots.	12%
Transient accommodations.	14.5%
Use tax is paid at the same rate as the sales tax rate on purchases made outside the District and then brought into the District, providing the purchaser has not paid sales tax on the purchases to another jurisdiction.	5.75%, 9%, 10% as applicable
* Sales tax on selected services including: local telephone service (service to businesses); repair services for tangible property; copying, photocopying, reproducing, addressing, mailing and public stenographer services; laundering, dry cleaning, or pressing services; parking, storing or keeping vehicles and trailers; maintenance and landscaping services; data processing and information services.	

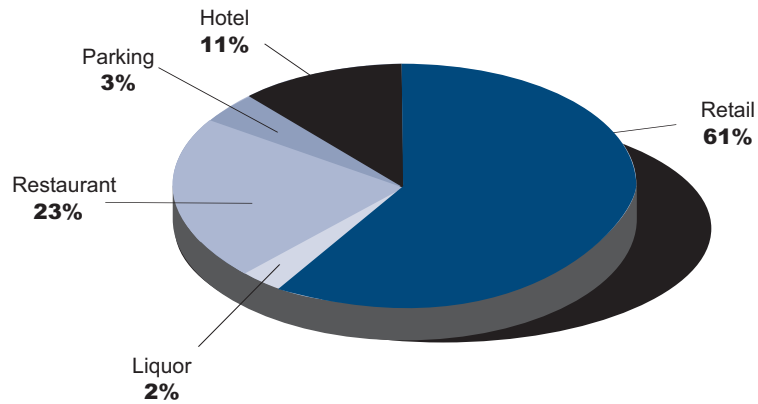
**Figure 3-26** General Sales and Use Tax Revenues, Tax Year 2005

Rate	Taxable sales (\$ Millions)	Percent of Total	Tax Liability (\$ Millions)	Percent of Total	Earmarked Portion (\$ Millions)
5.75%	6,492.4	60.8	373.3	44.1	
9%	218.4	2.0	19.7	2.3	
10%	2,461.0	23.4	246.1***	29.2	33.1*
12%	289.3	2.7	34.7	4.1	
14.5%	1,186.3	11.1	172.0	20.3	52.9**
<b>Total</b>	<b>10,674.7</b>	<b>100.0</b>	<b>845.8***</b>	<b>100</b>	<b>86.0</b>
Source: D.C. Comprehensive Annual Financial Report, 2005, FY 2007 Proposed Budget and Financial Plan					
*Includes Ballpark Fund (\$8.5 million) and Convention Center Transfer (\$24.6 million).					
**Convention Center Transfer.					
***Includes \$8.5 million to the Ballpark Fund.					

**NOTE:** Starting in FY 2007 revenue from the 12 percent parking tax will be dedicated to the Department of Transportation. Other dedicated revenues are the sales tax revenues from the TIF areas and a portion of the 5.25 percent rate to the school modernization fund.

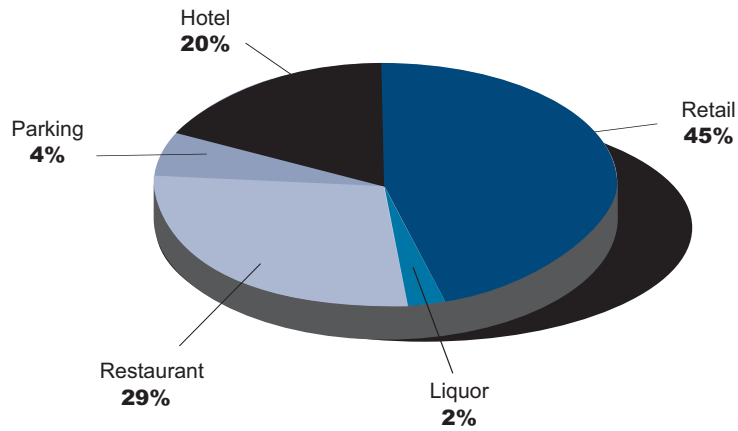
*Sales tax revenue from the hospitality sector (restaurant, hotels) comprise about half of the sales tax revenue but only about a third of the taxable sales.*

**Figure 3-27** Taxable Sales, FY 2005



Source: OCFO, D.C. Office of Tax and Revenue

**Figure 3-28** Sales and Use Tax Revenues, FY 2005

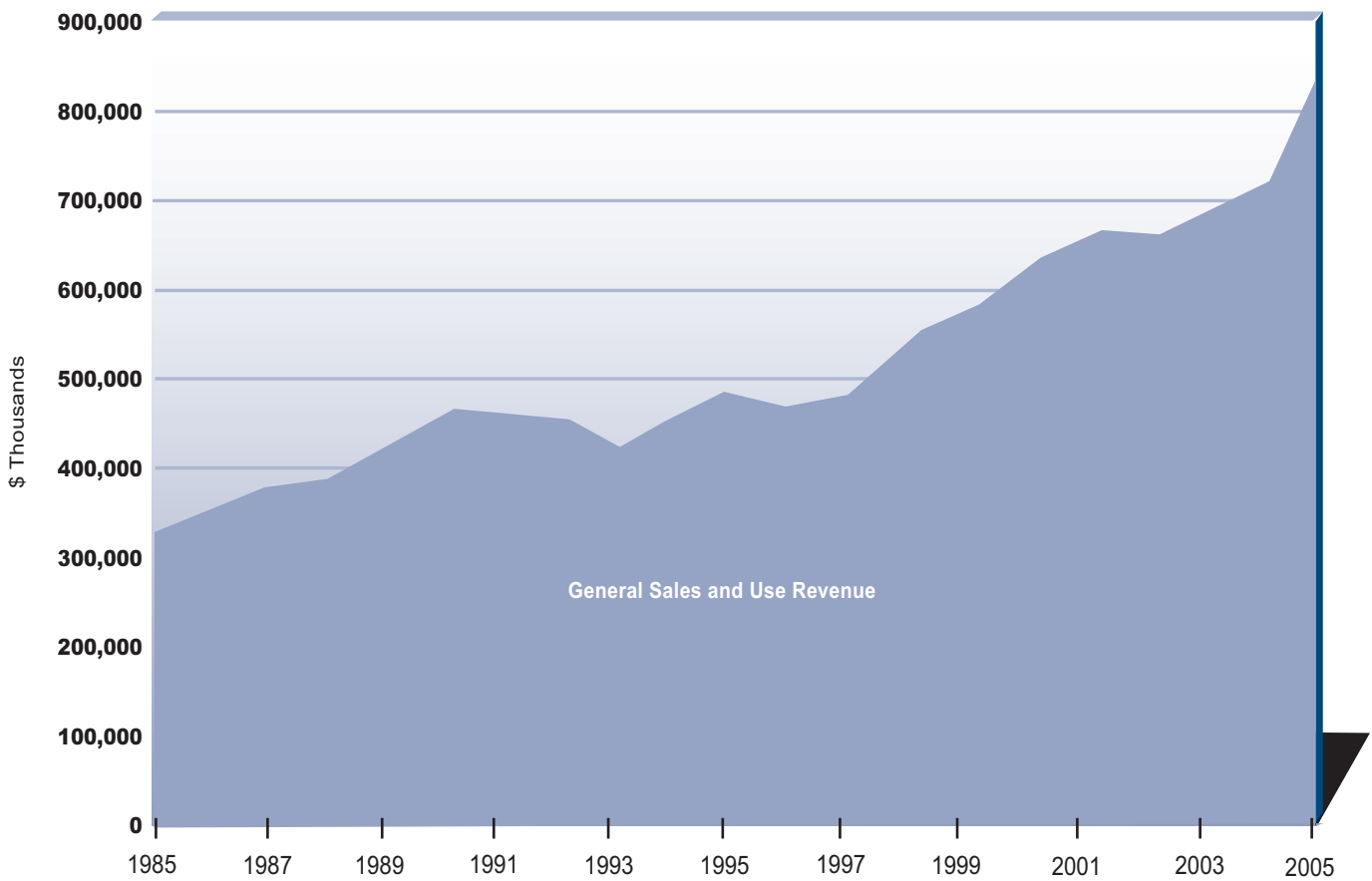


Source: OCFO, D.C. Office of Tax and Revenue



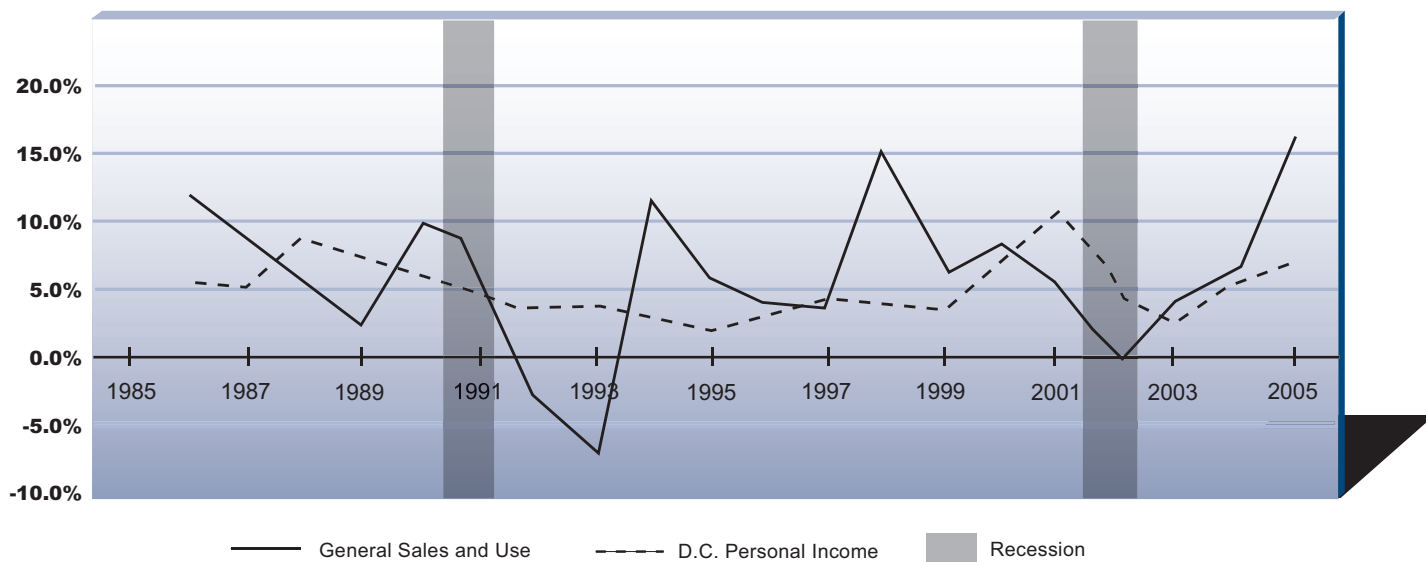
- The hospitality sector dominates collections of the sales and use tax, with \$418.1 million collected from restaurants (10 percent rate) and hotels (14.5 percent rate). This represents about 49 percent of all sales and use collections and 8 percent of all revenue collections in FY 2005.
- General sales and use tax revenues increased 2.6 times in the FY 1985 to FY 2005 period, from \$331.7 million in FY 1985 to \$861.1 million in FY 2005.

**Figure 3-29** General Sales and Use Tax Revenue Trends: 1985–2005



Source: D.C. Comprehensive Annual Financial Report

**Figure 3-30** Percentage Change in General Sales and Use Tax Collections and D.C. Personal Income, FY 1985–2005



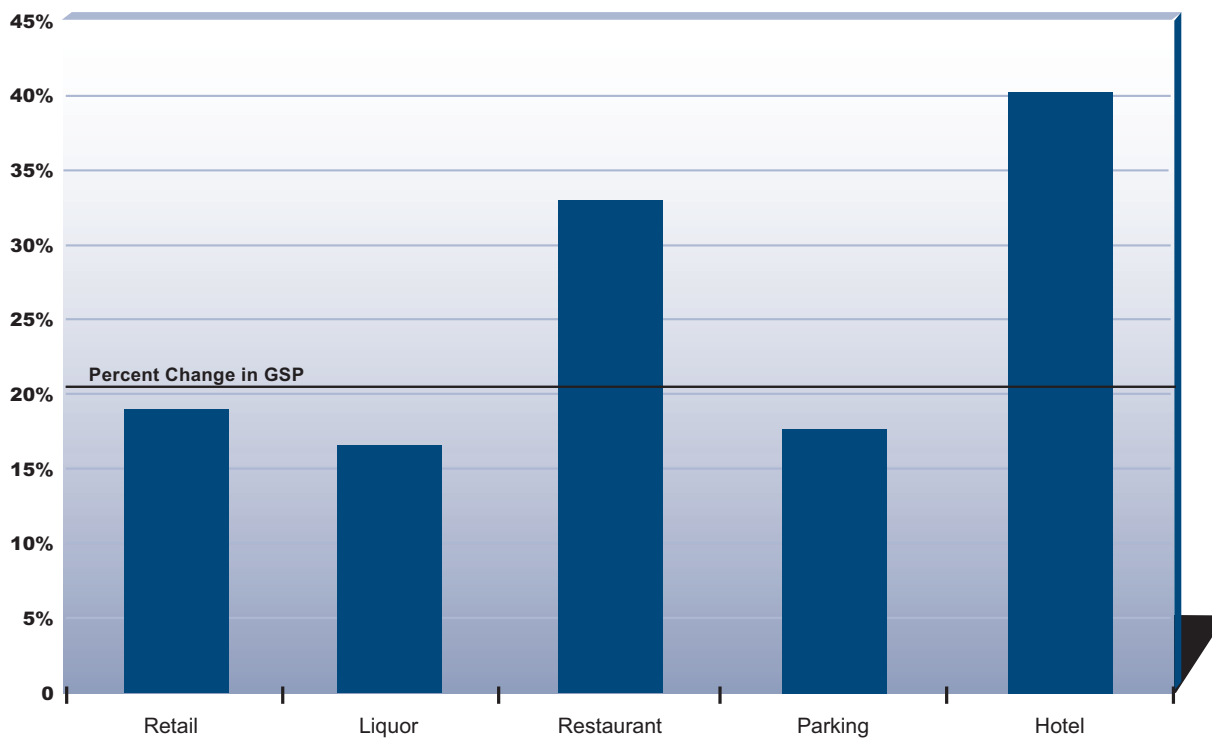
Source: D.C. Comprehensive Annual Financial Report and Bureau of Economic Analysis

*Sales and use tax collections are vulnerable to national economic fluctuations.*

- In FY 2002, sales and use tax collections dipped below the prior year due to the recession, the events of September 11, and the sniper shootings.
- In FY 2003, sales and use tax collections began to recover.
- Since then, sales and use tax collections have grown quite strongly and have surpassed their pre-September 11 level.
- The importance of the hospitality sector is illustrated by how rapidly it has grown relative to D.C. Gross State Product.
- From FY 2002 to FY 2005, GSP increased 22 percent while the District's hotel and restaurant sales increased 41 percent and 33 percent respectively.



**Figure 3-31** General Sales Tax by Tax Type and GSP, Percent Change from FY 2002 to FY 2005



Source: OCFO, D.C. Office of Tax and Revenue

*A relatively small number of businesses remit a large bulk of the sales tax.*

■ Nearly 90 percent of the sales and use tax revenue is remitted by about 17,000—or 20 percent—of businesses

**Figure 3-32** Distribution of 5.75% General Sales and Use Tax Remittance by Decile, TY 2004 <sup>32</sup>

Decile	Number of Taxpayers*	Median Tax Due	Total Tax Due (\$000)	Percent of Total
1st	912	65	67	0.02
2nd	913	355	336	0.11
3rd	913	929	861	0.28
4th	912	1,811	1,654	0.54
5th	913	3,067	2,819	0.93
6th	913	5,044	4,660	1.53
7th	912	8,508	7,852	2.58
8th	913	14,981	14,027	4.61
9th	913	32,167	30,343	9.97
10th	912	112,829	241,751	79.43
<b>Total</b>	<b>9,126</b>	<b>-</b>	<b>304,370</b>	<b>100</b>

\* Taxpayers refer to the business entity that remits the tax to the District government.  
Source: OCFO, D.C. Office of Tax and Revenue

<sup>32</sup> Note: The data in the tables are based on tabulations of all tax returns files and processed throughout the year. Most returns filed in 2005 were for Tax Year 2004, but some are for prior years. Therefore there may be some inconsistencies in the data presented for fiscal years on an aggregate level and on a detail level.

**Figure 3-33** Distribution of 10% General Sales and Use Tax Remittance by Decile, Tax Year 2004 <sup>32</sup>

Decile	Number of Taxpayers*	Median Tax Due	Total Tax Due (\$000)	Percent of Total
1st	241	336	91	0.04
2nd	242	1,725	441	0.17
3rd	241	4,431	1,083	0.42
4th	242	8,217	2,016	0.78
5th	241	13,949	3,374	1.3
6th	242	24,174	5,846	2.25
7th	242	39,226	9,743	3.75
8th	241	66,415	17,198	6.62
9th	242	145,534	36,775	14.16
10th	241	430,386	183,207	70.53
<b>Total</b>	<b>2,415</b>	<b>-</b>	<b>259,773</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Virtually all of the remitters of the 10 percent tax are engaged in food and beverage service.
- About 3,000 of these establishments account for more than one-half of sales and use tax at the 10 percent rate.

**Figure 3-34** Distribution of 14.5% General Sales and Use Tax Remittance, Tax Year 2004 <sup>32</sup>

Decile	Number of Taxpayers*	Median Tax Due	Total Tax Due (\$000)	Percent of Total
1st	22	9	0.3	0
2nd	22	302	10	0.01
3rd	22	4,194	90	0.05
4th	22	13,323	312	0.18
5th	22	74,405	1,537	0.9
6th	22	234,079	5,024	2.95
7th	22	482,510	10,504	6.17
8th	22	753,171	16,889	9.91
9th	22	1,483,734	31,503	18.49
10th	22	3,906,117	104,484	61.33
<b>Total</b>	<b>220</b>	<b>-</b>	<b>170,351</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Transient accommodations remit the 14.5 percent tax based on the value of room-nights sold.
- The top 10 percent of hotels remit about 45 percent of the tax. The next 30 percent remit about 42 percent of the tax.



## Business Franchise Taxes

The corporation franchise tax is imposed on the net income of corporations carrying on a trade, business or profession in the District or receiving income from District sources. The unincorporated franchise tax is imposed on certain businesses with gross receipts more than \$12,000.

- The unincorporated business tax does not apply to partnerships or other unincorporated enterprises when personal compensation accounts for most of the entities' revenues (typically law firms and other professional entities).<sup>33</sup>
- In FY 2005, revenue from the franchise taxes was \$312.4 million, approximately 6.3 percent of the total general fund tax revenue.

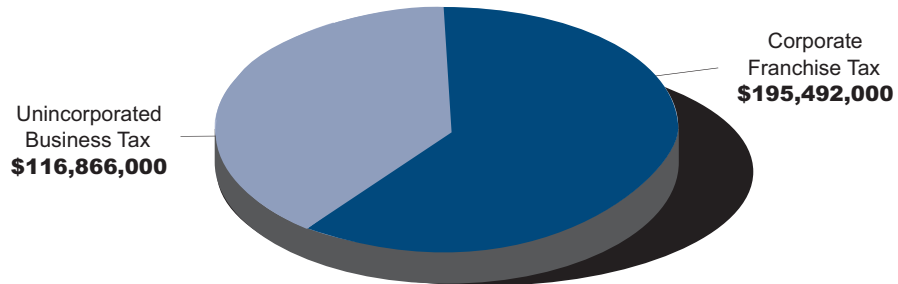
**Figure 3-35** Business Franchise Tax Characteristics

Item	Tax Rate
The corporate franchise tax is similar to the Federal corporate income tax. Business income is apportioned to the District of Columbia based on a three-factor formula—sales, payroll, and property—with each factor weighted equally.	9.975 percent (9.5 percent rate plus a surtax of 5 percent of the base rate)
For taxable unincorporated businesses, owners are allowed a 30 percent salary allowance along with a \$5,000 exemption. If the unincorporated business income from a nonresident-owned unincorporated business that provides professional services (e.g. law firms) is 80 percent or more, the unincorporated business income is excluded from the tax. DC residents receive a credit on their Individual Income tax return.	9.975 percent (9.5 percent rate plus a surtax of 5 percent of the base rate)



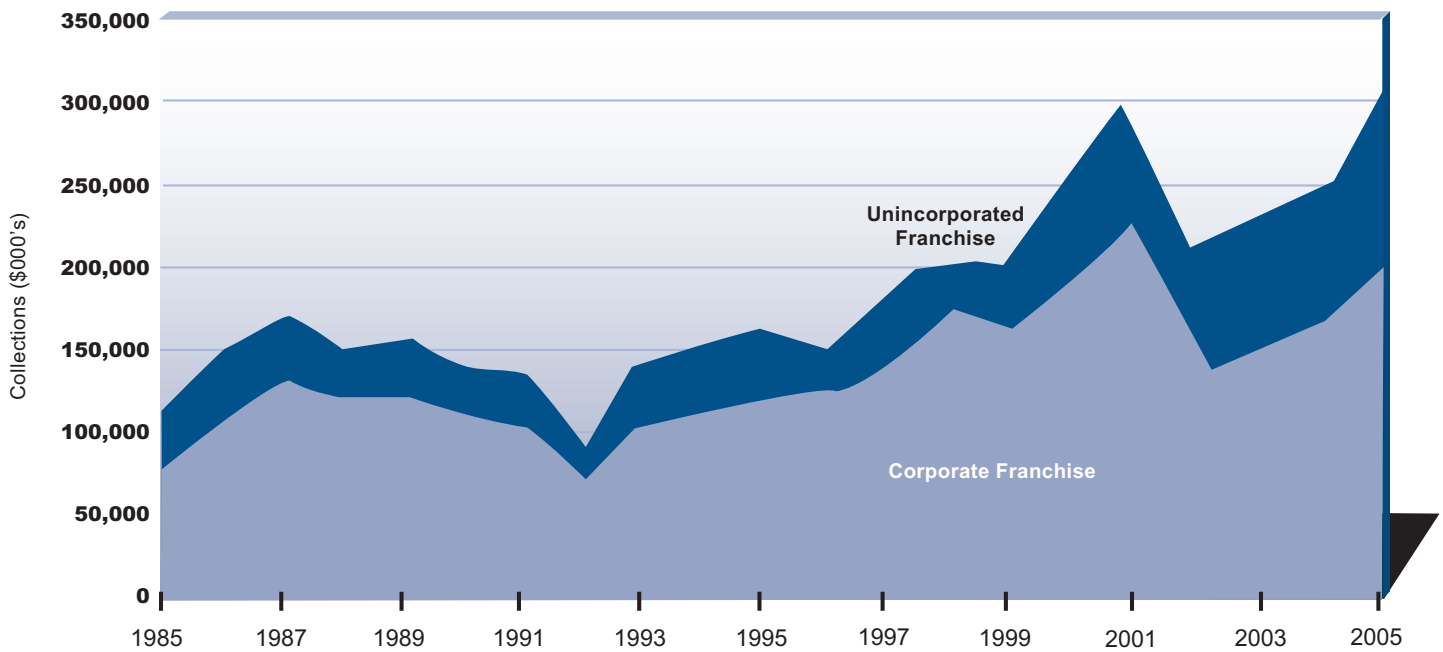
<sup>33</sup> The courts ruled in *Bishop v. District of Columbia* that the *Home Rule Act* prohibits the District from taxing income of unincorporated businesses owned by nonresidents that provide professional services.

**Figure 3-36** Franchise Tax Collections FY 2005



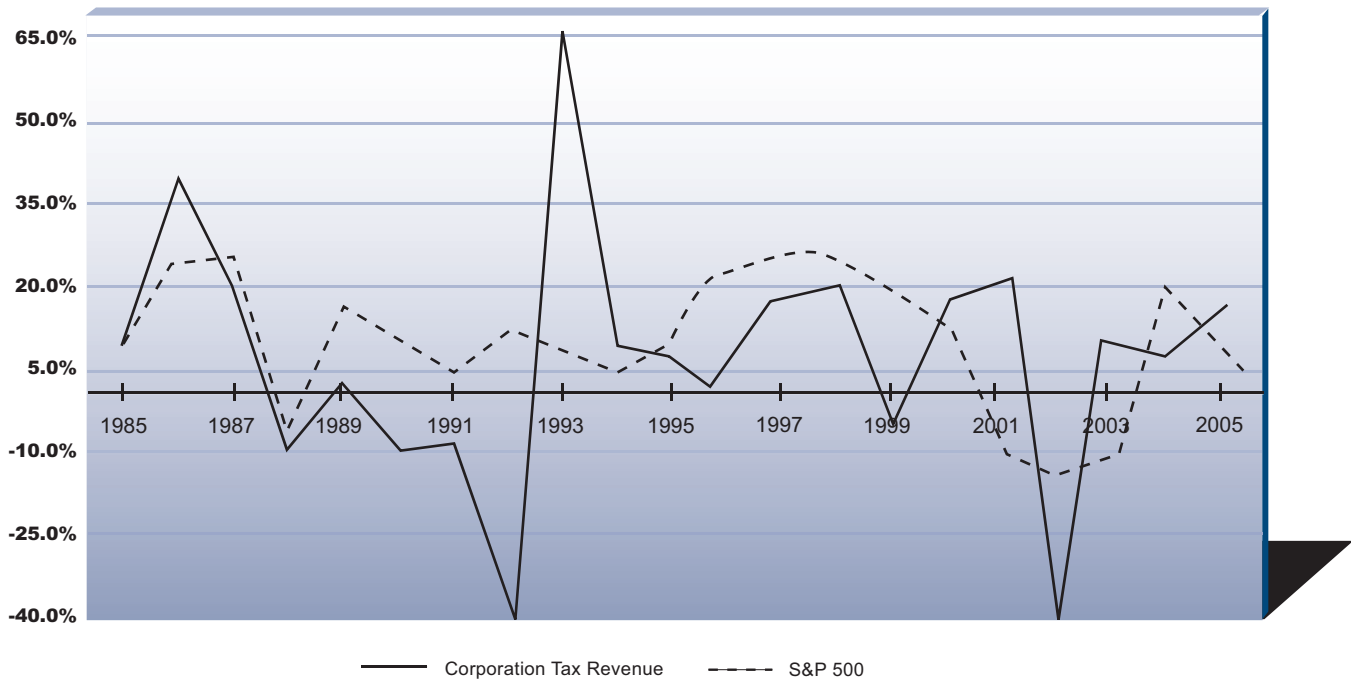
Source: OCFO, D.C. Office of Tax and Revenue

**Figure 3-37** Franchise Tax Revenue Trends: 1985–2005



Source: OCFO, D.C. Office of Tax and Revenue

**Figure 3-38** Percentage Change in Corporate Tax Collections and S&P 500, FY 1985–2005

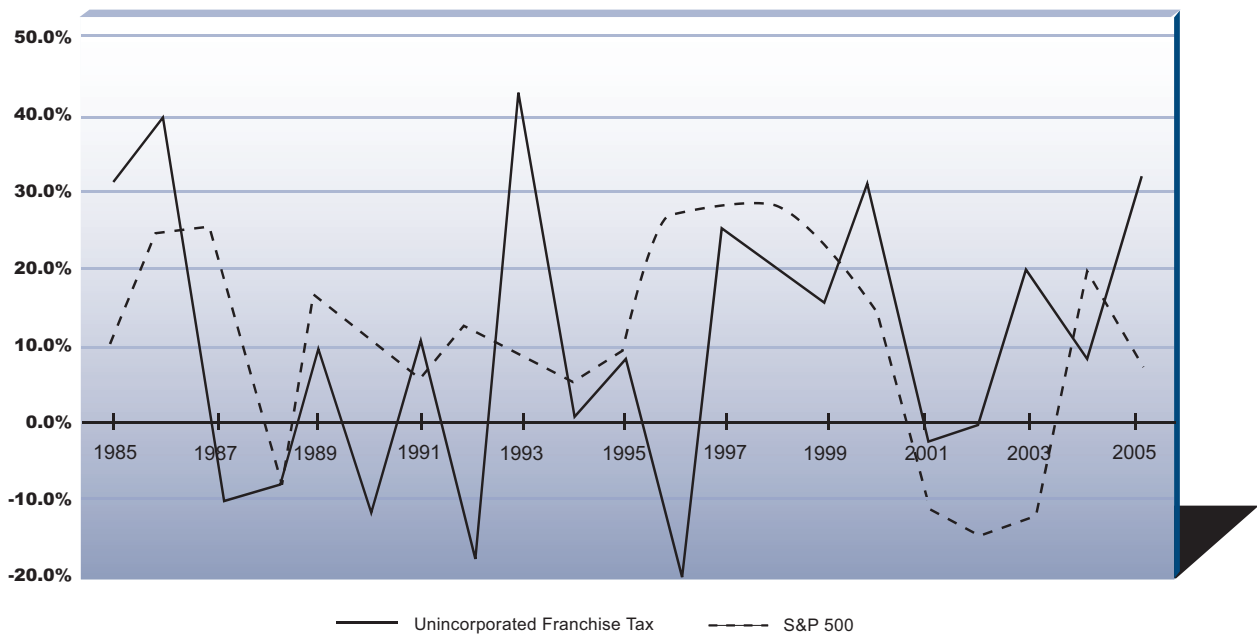


Source: D.C. Comprehensive Annual Financial Report, Bureau of Economic Analysis

*Franchise tax revenue is very volatile.*

- As the graphs of figures 3-37 and 3-38 show, corporate franchise tax revenue growth is quite volatile and correlates strongly with fluctuations in the stock market.
- Any number of events can affect the totals, such as court findings, carry-forward and carry-back of losses, and tax planning. Collections are always reported net of refund activity.

**Figure 3-39** Percentage Change in Unincorporated Business Tax Collection and S&P 500, FY 1985–2005



Source: D.C. Comprehensive Annual Financial Report, Bureau of Economic Analysis

*A few businesses pay the bulk of the franchise tax revenue.*

**Figure 3-40** Number of Corporation Taxpayers Who Pay the Minimum Tax

Number Who Pay Minimum	Total Taxpayers	Percent of Total
13,754	21,180	64.9

Source: OCFO, D.C. Office of Tax and Revenue

- All corporations must pay some tax, even if net profits are negative, as reported for tax purposes. D.C.'s minimum tax rate of \$100 was paid by 13,754 corporations (65 percent of total) in FY 2004.
- Larger corporations engage in extensive planning to reduce their overall franchise tax burdens at the state/local level. Costs and incomes are shifted from low tax to high tax states using a variety of accounting devices. Much of the revenue received by the District is from businesses that are largely “captive” to D.C. and cannot export the tax burden to states with a lower tax rate.
- Fewer than 1,500 corporations paid \$103 million, or 90 percent, of the corporate franchise tax.
- A corporate franchise could make a profit and yet have negative taxable income, because the accounting rules that determine book profit sometimes differ from the rules that determine taxable profit. For example, the number of years of useful life of an asset for financial reporting may differ from the useful life for tax calculations. The difference allowing accelerated depreciation for tax purposes may be a permanent difference, or as a result of temporary legislation. Corporate franchises also have the option to carry Net Operating Losses (NOLs) from one tax year to another tax year, thus potentially reducing taxable income to a negative amount.

**Figure 3-41** Corporate Tax Liability by Decile for Entities with Liability Greater than \$100, Tax Year 2004 <sup>32</sup>

Decile	Number of Taxpayers	Median Tax Due	Total Tax Due (\$000)	Percent of Total
1st	742	137	105	0.09
2nd	743	271	203	0.18
3rd	743	469	352	0.31
4th	742	782	591	0.52
5th	743	1,335	998	0.87
6th	743	2,164	1,628	1.42
7th	742	3,566	2,694	2.35
8th	743	6,251	4,782	4.17
9th	743	13,322	10,427	9.10
10th	742	51,775	92,810	80.99
<b>Total</b>	<b>7,426</b>	<b>-</b>	<b>114,590</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

**Figure 3-42** Number of Unincorporated Taxpayers Who Pay the Minimum Tax

Number Who Pay Minimum	Total Taxpayers	Percent of Total
4,837	9,488	51.0

Source: OCFO, D.C. Office of Tax and Revenue



**Figure 3-43** Unincorporated Business Tax Liability by Decile for Entities with Liability Greater than \$100, Tax Year 2004 <sup>32</sup>

Decile	Number of Taxpayers	Median Tax Due	Total Tax Due (\$000)	Percent of Total
1st	465	194	93	0.12
2nd	465	442	207	0.26
3rd	465	767	358	0.46
4th	465	1,171	547	0.70
5th	465	1,730	813	1.04
6th	466	2,655	1,248	1.59
7th	465	4,251	2,001	2.55
8th	465	7,594	3,597	4.59
9th	465	16,225	7,856	10.01
10th	465	67,273	61,730	78.69
<b>Total</b>	<b>4,651</b>	<b>-</b>	<b>78,452</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Fewer than 1,000 unincorporated businesses paid about \$70 million in tax in FY 2004, nearly 90 percent of all unincorporated tax paid.
- Many of these “high” payers tend to be construction and property management companies.
- D.C.'s minimum tax rate of \$100 was paid by 4,837 unincorporated businesses in FY 2004.

## Real Estate Transaction Taxes

The real estate transaction taxes are levied on the value of taxable real property or property interests only at the time of sale, transfer or recording of the property deed with the District's Recorder of Deeds. The three separate taxes that belong to this category of taxes are the deed recordation tax, the deed transfer tax and the economic interest tax.

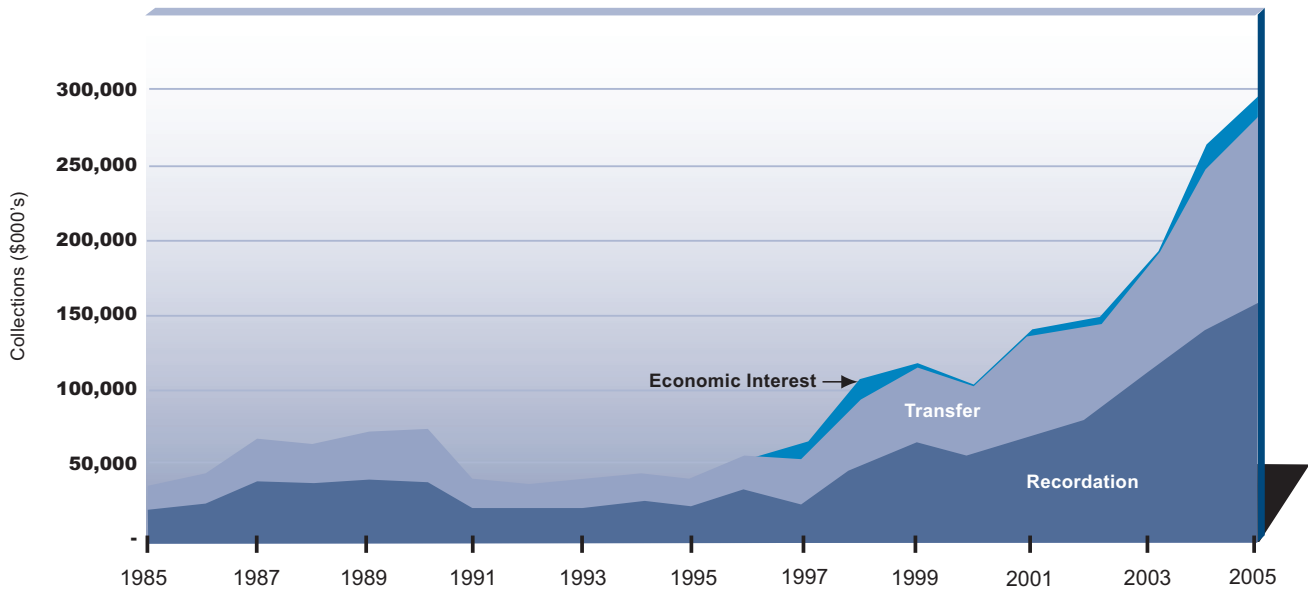
The District's real estate transaction taxes amounted to \$347.6 million in FY 2005 and were responsible for 7 percent of general fund revenue.

**Figure 3-44** Real Estate Transaction Tax Rates for FY 2005–2007

Tax	Tax Rate		
	FY 2005	FY 2006	FY 2007
Deed Recordation Tax	1.1	1.1	1.45
Deed Transfer Tax	1.1	1.1	1.45
Economic Interest Tax	2.2	2.2	2.2

Source: OCFO, D.C. Office of Tax and Revenue

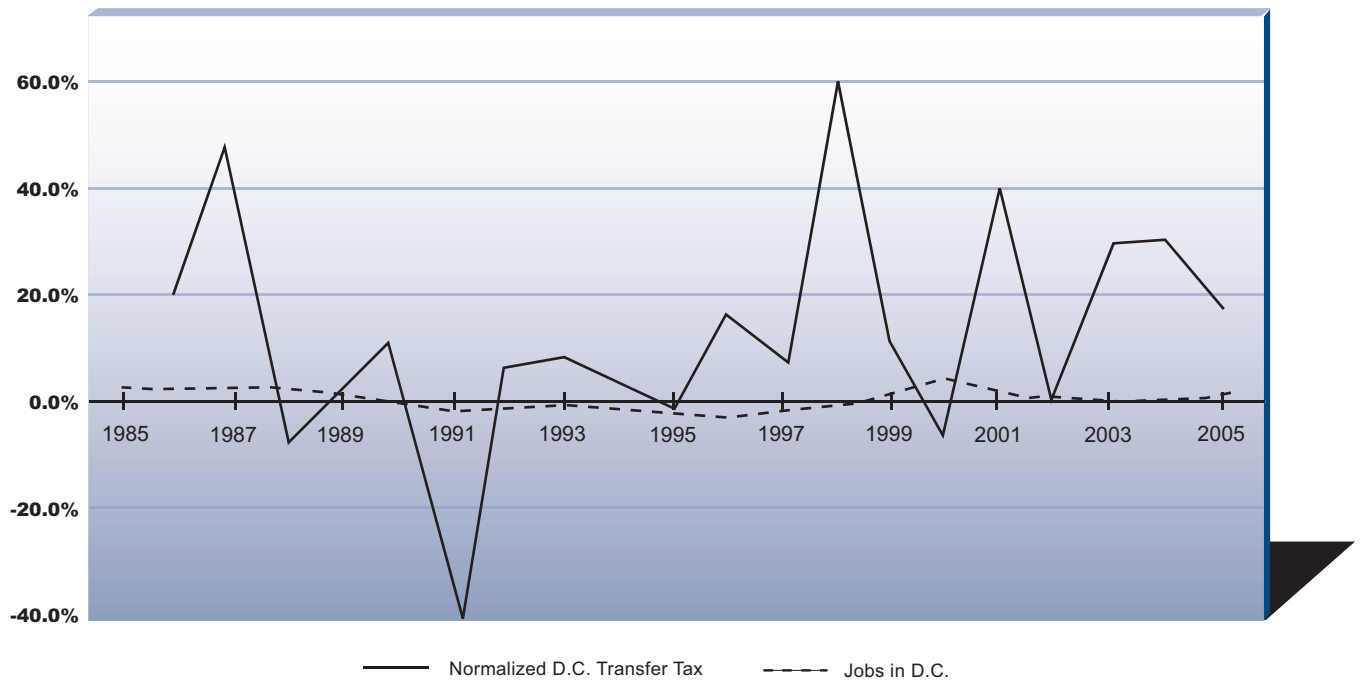
**Figure 3-45** District Real Estate Transaction Revenue Trends: 1985–2005



Source: OCFO, D.C. Office of Tax and Revenue

- The share of these collections as a part of the general fund in FY 2005 more than doubled since FY 1997 because of the robust real estate market.
- The deed transfer tax provides a measure of the value of real estate transactions taking place in the District of Columbia.

**Figure 3-46** Transfer Tax Revenue Trends: 1985–2005



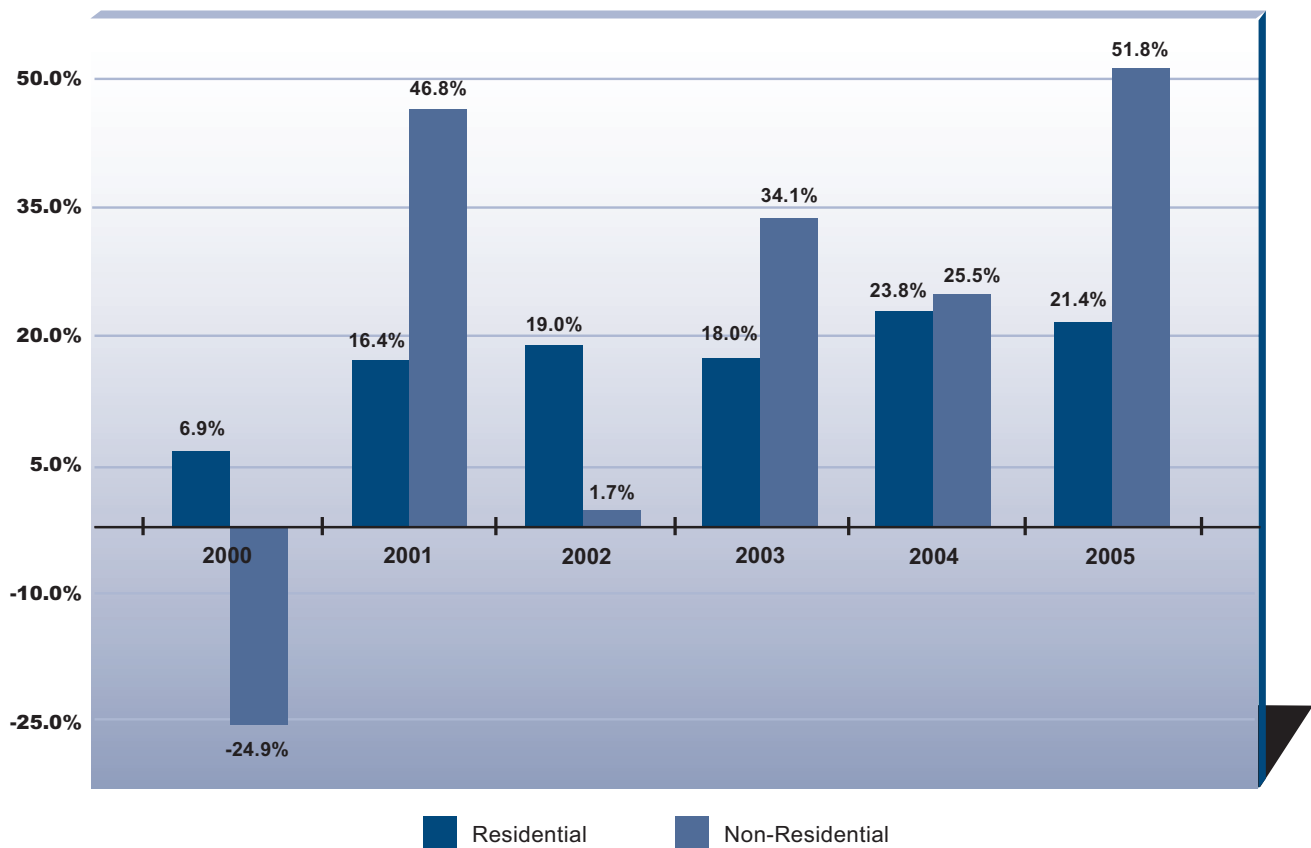
Source: OCFO, D.C. Office of Tax and Revenue and U.S. Bureau of Labor Statistics

- Annual growth rates of normalized collections exceeded 15 percent in all years from 2001 to 2005, except 2002 when growth was flat after the events of September 11, 2001.

There are three component sources of deed tax revenue: the commercial real estate sector, the housing sector and commercial refinancing. In FY 2005, the commercial real estate sector accounted for an estimated 55.3 percent of

deed tax collections, the housing sector accounted for 32 percent, and the commercial refinancing sector accounted for 12.7 percent. The following chart shows the annual growth in deed tax revenue by the two primary sectors-residential and non-residential (commercial and commercial refinancing.)

**Figure 3-47** Transfer Tax Revenue Trends by Sector: 2000–2005



Source: OCFO, D.C. Office of Tax and Revenue

- Figure 3-45 shows that transfer tax revenue from the residential sector has grown steadily from 2000 to 2005; during this period transfer tax revenue in the residential sector grew at an average annual rate of 18 percent.
- Growth in the non-residential sector has been more variable with an average annual rate of 19 percent over the period 2000–2005.





# Special Analyses

## Comparative Tax Burdens and Recent Tax Reductions

In recent years, District policymakers have enacted a number of tax reductions to primarily address two issues: achieve tax parity with neighboring jurisdictions and moderate the impact of the recent surge in the housing market on property taxes. From a comparative tax burden perspective, it appears both these issues have been addressed. District tax burdens are comparable to the surrounding suburbs and, in most cases, the District's property tax is the lowest in the region. Specifically,

(1) For families at the \$50,000; \$75,000; \$100,000; and \$150,000 income level, the District's total tax burden ranks 3rd among the six jurisdictions—lower than the Maryland suburbs (Montgomery County and Prince George's County) and higher than the Virginia suburbs (Arlington County, Alexandria City, and Fairfax County). (Please see the tables at the end of this section for more details on comparative tax burdens).

- The difference between the District and the Maryland suburbs is primarily driven by property taxes, which are significantly lower in the District across all of these income groups.
- The difference between the District and the Virginia suburbs is primarily driven by the income tax, which is higher in the District across all of these income groups.

(2) For families at the \$25,000 income level, the District's total tax burden is higher than the Maryland suburbs but comparable to the Virginia suburbs.

- The difference between the District and the Maryland suburbs is primarily driven by the income tax, which is significantly higher in the District.
- The difference between the District and the Virginia suburbs is quite small, between \$41 and \$97. The difference is primarily driven by sales and use taxes, which are higher in the District.

(3) A recent D.C. Fiscal Policy Institute report indicates that the District has the lowest taxes in the region.

- This report focuses on income and property taxes.
- The report uses different, though reasonable, assumptions.
- The DCFPI analysis provides further evidence that the recent tax policy changes enacted in the District have helped to better align District tax burdens with surrounding jurisdictions.

(4) The District's current tax burdens are in part the result of tax reductions that have been enacted over the last few years. In fact, the District has implemented a number of tax reductions since FY 2004 that have an estimated FY 2007 cost of almost \$334 million (see the table on the next page)

**Figure 4-1** Tax Reductions Enacted Since FY 2004 (\$000)

Property Tax Calculated Reduction	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Property tax rate reduction from 92 cents per \$100 of assessment to 88 cents per \$100 of assessment			(17,000)	(18,547)	(19,790)
<b>FY 2007 Local Revenue Policy Proposals</b>			(257)	(269)	(283)
Income Tax Proposals			-	-	-
Quality Teacher Incentive Act of 2006			-	-	-
<b>Property Tax Proposals</b>			-	-	-
Unfoldment, Inc., Equitable Real Property Relief			(88)	0	0
<b>Total Policy Changes</b>			<b>(345)</b>	<b>(269)</b>	<b>(283)</b>
<b>Tax Reductions Triggered by December 2005 Certification Letter</b>					
Triennial Group Taxable Assessment Disparity Correction Act of 2005		(19,151)	(21,035)	(22,802)	(24,410)
Disabled Person Tax Reduction Act of 2005		(3,630)	(3,680)	(3,780)	(3,780)
Disabled Property Owners Tax Reduction Act of 2005		(1,492)	(1,639)	(1,776)	(1,902)
<b>Total Policy Changes</b>		<b>(24,273)</b>	<b>(26,354)</b>	<b>(28,358)</b>	<b>(30,092)</b>

**Figure 4-1 (Continued)** Tax Reductions Enacted Since FY 2004 (\$000)

Property Tax Calculated Reduction	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
<b>Tax Reductions Triggered by September 2005 Certification Letter</b>					
Residential Property Tax Rate and Cap Reduction Act of 2005		(20,908)	(22,964)	(24,894)	(26,649)
Limited Equity Cooperative Tax Fairness Act of 2005		(203)	(223)	(242)	(259)
Affordable Housing Preservation Tax Assessment Act of 2005		(415)	(456)	(494)	(529)
<b>Total, Tax Reductions Triggered by September 2005 Certification</b>		<b>(21,526)</b>	<b>(23,643)</b>	<b>(25,630)</b>	<b>(27,437)</b>
<b>Policy Proposals in FY 2006 Budget Affecting General Purpose Revenue</b>					
Budget Support Act Subtitles Impacting Revenue		(1,000)	-	-	-
Catholic University of America Property Tax Exemption		(50)	(50)	(50)	(50)
Carver 2000 Low-Income and Senior Housing Tax Exemption		(100)	0	0	0
Dupont Commons Low-Income Housing Tax Exemption		(10)	0	0	0
The Way of the Cross Church of Christ Tax Exemption		(20)	(20)	(20)	(20)
Appalachian State University Tax Exemption		(44)	(44)	(44)	(44)
Family Property Recordation and Transfer Tax Exemption		(940)	(970)	(1,010)	(1,040)
American Psychological Association Tax Exemption Continuation		(373)	(100)	(100)	(100)
<b>Subtotal, Budget Support Act Subtitles</b>		<b>(2,537)</b>	<b>(1,184)</b>	<b>(1,224)</b>	<b>(1,254)</b>
<b>Income Tax Relief Proposals</b>					
Expand Local EITC Match to 35%		(7,125)	(9,500)	(10,100)	(10,600)
Extend EITC Benefits to Non-Custodial Parents		(300)	(300)	(300)	(300)
Increase the Standard Deduction to \$2,500		(3,375)	(4,600)	(4,800)	(4,900)
Increase the Personal Exemption to \$1,500		(3,525)	(4,800)	(5,000)	(5,100)
<b>Subtotal, Income Tax Proposals</b>		<b>(14,325)</b>	<b>(19,200)</b>	<b>(20,200)</b>	<b>(20,900)</b>
<b>Property Tax Relief Proposals</b>					
Increase the Homestead Deduction to \$60,000		(18,700)	(19,600)	(20,600)	(21,600)
Low-Income Property Tax Deferral		(2,000)	(2,300)	(2,100)	(1,900)
<b>Subtotal, Property Tax Proposals</b>		<b>(20,700)</b>	<b>(21,900)</b>	<b>(22,700)</b>	<b>(23,500)</b>
<b>Total, Tax Reductions in FY 2006 Budget</b>					
<b>Fiscal Impact Tax Policies Enacted in FY 2004</b>					
Lowering of Property Tax Cap (from 25% to 12%)	(18,846)	(20,269)	(23,259)	(26,231)	(30,100)
Increase in Homestead Exemption (from \$30K to \$38K)	(6,553)	(6,553)	(6,553)	(6,553)	(6,553)
Tax Parity Restart	(24,000)	(77,129)	(141,000)	(141,000)	(141,000)
Deed Tax Rate Reduction (from 1.5% to 1.1% in FY 2005 & 2006, increased to 1.45% starting in FY 2007)	(89,525)	(102,273)	(32,371)	(32,502)	(32,767)
Trigger Activated PUTT Gross Tax Rate Reduction (from 11% to 10%)	(15,432)	(20,864)	(21,162)	(21,244)	(21,244)
<b>Total, Tax Reductions Enacted in FY 2004</b>	<b>(154,356)</b>	<b>(227,088)</b>	<b>(244,345)</b>	<b>(227,530)</b>	<b>(231,664)</b>
<b>Total, Tax Reductions Enacted in FY 2004</b>	<b>(154,356)</b>	<b>(310,449)</b>	<b>(333,971)</b>	<b>(344,458)</b>	<b>(354,920)</b>

Source: OCFO, Office of Revenue Analysis

(5) The largest tax reduction, \$141 million in FY 2007, was the re-start of the Tax Parity Act which reduces marginal income tax rates and adjusts the income tax brackets. Tax Parity was temporarily suspended in FY 2003–FY 2004 after the economic downturn that started in FY 2002. Tax Parity resulted in following income tax rate reductions:

- Lowest rate reduced from 6 percent to 4 percent.
- Middle rate reduced from 8 percent to 6 percent.

- Top rate reduced from 9.5 percent to 8.5 percent.

(6) A series of property tax reductions have also been enacted including (FY 2007 cost listed in parenthesis):

- Lowering the residential property tax cap from 25 percent to 10 percent (\$26 million).
- Reducing the residential property tax rate from \$0.96 to \$0.92 (\$20 million).

- Reducing the residential property tax rate from \$0.92 to \$0.88 (\$17 million).
  - Increasing the Homestead Deduction from \$30,000 to \$60,000 (\$26 million).
  - Expanding the District Earned Income Tax Credit from 25 to 35 percent of the federal EITC (\$9.5 million).
  - Increasing the standard deduction to \$2,500 (\$4.6 million).
  - Increasing the personal exemption to \$1,500 (\$4.8 million).
- (7) Other tax reductions included (FY 2007 cost listed in parenthesis):

**Figure 4-2** Major State and Local Tax Burdens for a Family of Three Residing in Selected Washington Metropolitan Area Jurisdictions—Calendar Year 2005

Tax	District of Columbia	Montgomery County	Prince George's County	Alexandria	Arlington County	Fairfax County
<b>\$25,000 Income Level</b>						
Income	569	8	8	555	555	555
Real Estate	1,805	1,805	1,805	1,805	1,805	1,805
Sales and Use	563	531	528	492	506	445
Automobile	215	182	182	259	252	250
<b>TOTAL</b>	<b>3,152</b>	<b>2,526</b>	<b>2,522</b>	<b>3,111</b>	<b>3,118</b>	<b>3,055</b>
<b>RANK</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>4</b>
<b>\$50,000 Income Level</b>						
Income	1,345	1,457	1,448	1,016	1,022	1,008
Real Estate	1,704	2,990	3,128	1,972	1,893	2,156
Sales and Use	781	726	721	672	694	603
Automobile	245	217	217	364	352	352
<b>TOTAL</b>	<b>4,076</b>	<b>5,390</b>	<b>5,514</b>	<b>4,025</b>	<b>3,960</b>	<b>4,118</b>
<b>RANK</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>4</b>
<b>\$75,000 Income Level</b>						
Income	3,107	3,301	3,288	2,296	2,303	2,282
Real Estate	2,428	4,035	4,221	2,662	2,554	2,909
Sales and Use	1,230	1,149	1,139	1,067	1,100	959
Automobile	377	352	352	658	630	636
<b>TOTAL</b>	<b>7,142</b>	<b>8,836</b>	<b>9,000</b>	<b>6,683</b>	<b>6,587</b>	<b>6,787</b>
<b>RANK</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>4</b>
<b>\$100,000 Income Level</b>						
Income	5,191	5,249	5,232	3,712	3,721	3,697
Real Estate	2,876	4,682	4,898	3,089	2,964	3,376
Sales and Use	1,446	1,336	1,319	1,199	1,231	1,084
Automobile	438	423	423	792	757	768
<b>TOTAL</b>	<b>9,951</b>	<b>11,691</b>	<b>11,873</b>	<b>8,792</b>	<b>8,674</b>	<b>8,924</b>
<b>RANK</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>4</b>
<b>\$150,000 Income Level</b>						
Income	9,481	9,045	9,023	6,470	6,482	6,450
Real Estate	3,751	5,947	6,222	3,923	3,765	4,288
Sales and Use	1,978	1,801	1,774	1,643	1,689	1,477
Automobile	438	417	417	1,012	955	980
<b>TOTAL</b>	<b>15,649</b>	<b>17,210</b>	<b>17,435</b>	<b>13,049</b>	<b>12,890</b>	<b>13,195</b>
<b>RANK</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>4</b>

OCFO, Office of Revenue Analysis, *Tax Rates and Tax Burdens Washington Metropolitan Area*, August 2006

**Figure 4-3** Summary of Average Major Tax Burdens for Selected Washington Metropolitan Area Jurisdictions and the District of Columbia—Calendar Year 2005

Tax Burdens			Percent of Income	
Income	Area Average	District of Columbia	Area Average	District of Columbia
<b>Overall Burden</b>				
\$ 25,000	2,914	3,152	11.7	12.6
\$ 50,000	4,514	4,076	9.0	8.2
\$ 75,000	7,506	7,142	10.0	9.5
\$100,000	9,984	9,951	10.0	10.0
\$150,000	14,905	15,649	9.9	10.4
<b>Individual Income</b>				
\$ 25,000	375	569	1.5	2.3
\$ 50,000	1,216	1,345	2.4	2.7
\$ 75,000	2,763	3,107	3.7	4.1
\$100,000	4,467	5,191	4.5	5.2
\$150,000	7,825	9,481	5.2	6.3
<b>Real Estate</b>				
\$ 25,000	1,805	1,805	7.2	7.2
\$ 50,000	2,307	1,704	4.6	3.4
\$ 75,000	3,135	2,428	4.2	3.2
\$100,000	3,647	2,876	3.6	2.9
\$150,000	4,649	3,751	3.1	2.5
<b>Sales and Use</b>				
\$ 25,000	511	563	2.0	2.3
\$ 50,000	699	781	1.4	1.6
\$ 75,000	1,107	1,230	1.5	1.6
\$100,000	1,269	1,446	1.3	1.4
\$150,000	1,727	1,978	1.2	1.3
<b>Automobile</b>				
\$ 25,000	223	215	0.9	0.9
\$ 50,000	291	245	0.6	0.5
\$ 75,000	501	377	0.7	0.5
\$100,000	600	438	0.6	0.4
\$150,000	703	438	0.5	0.3

OCFO, Office of Revenue Analysis, *Tax Rates and Tax Burdens Washington Metropolitan Area*, August 2006



## Achieving Budget Stability

The District of Columbia—a core city inside a major metropolitan area—faces chronic budgetary stress. With problems identified as early as Abraham Lincoln's presidency, when muddy streets were an embarrassment to White House guests, the budget of this city must stretch to cover functions of any city, along with those of a state, a county, a school district, and all other local levels of government. All these expenditures press heavily on revenue. Even under our high tax rates, D.C. is in a constant state of fiscal tension, measured by GAO to be currently in the range of \$500 million to \$1.1 billion or more annually.<sup>34</sup>

District leaders have turned to economic development, as one way to help alleviate this fiscal stress. The function of this analysis is to describe the kinds of economic development that might strengthen, rather than harm, budgetary balance. One focus is on revenue and not the expenditure side of the budget equation.

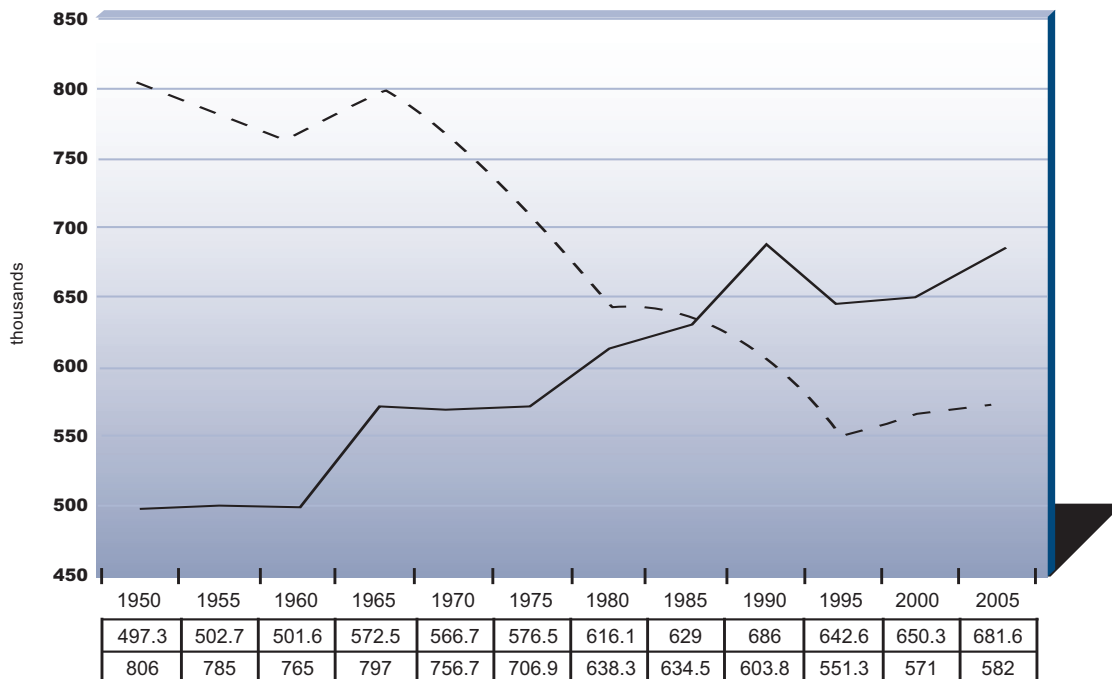
The findings are straightforward.

## Budget Stability through Population Growth

Net population decline is a long-term trend for the District, and substantially reversing it is not a small policy challenge. There has been some success. In August 2006, the Census Bureau said that the District's population had begun to increase, with population for July 1, 2005, reaching 582,049 (Figure 4-5). The impact of higher population on budget stability depends, however, upon the income mix and service demands of additional residents.<sup>35</sup>

For the years 1979 through 1999, population decline in the District centered on the middle-class (Figure 4-6). Families left for better housing at lower cost, for safer neighborhoods, and for better schools. Within the overall decline, population growth occurred among lower-income residents, often immigrants. The number of households in the bottom 20 percent of the U.S. income distribution who lived in the District of Columbia increased during this time, due partly to immigration.

**Figure 4-4** Population and Employment in the District of Columbia: 1950–2005



Source: U.S. Bureau of the Census and U.S. Bureau of Labor Statistics — Jobs in D.C. - - - D.C. Population

<sup>34</sup> United States Government Accountability Office, *District of Columbia: Structural Imbalance and Management Issues* (GAO-03-666). “The District faces a substantial structural deficit in that the cost of providing an average level of public services exceeds the amount of revenue it could raise by applying average tax rates.”

<sup>35</sup> See Alice Rivlin and Carol O’Cleireacain, *Envisioning a Future Washington*, Brookings Institution, June 2001.

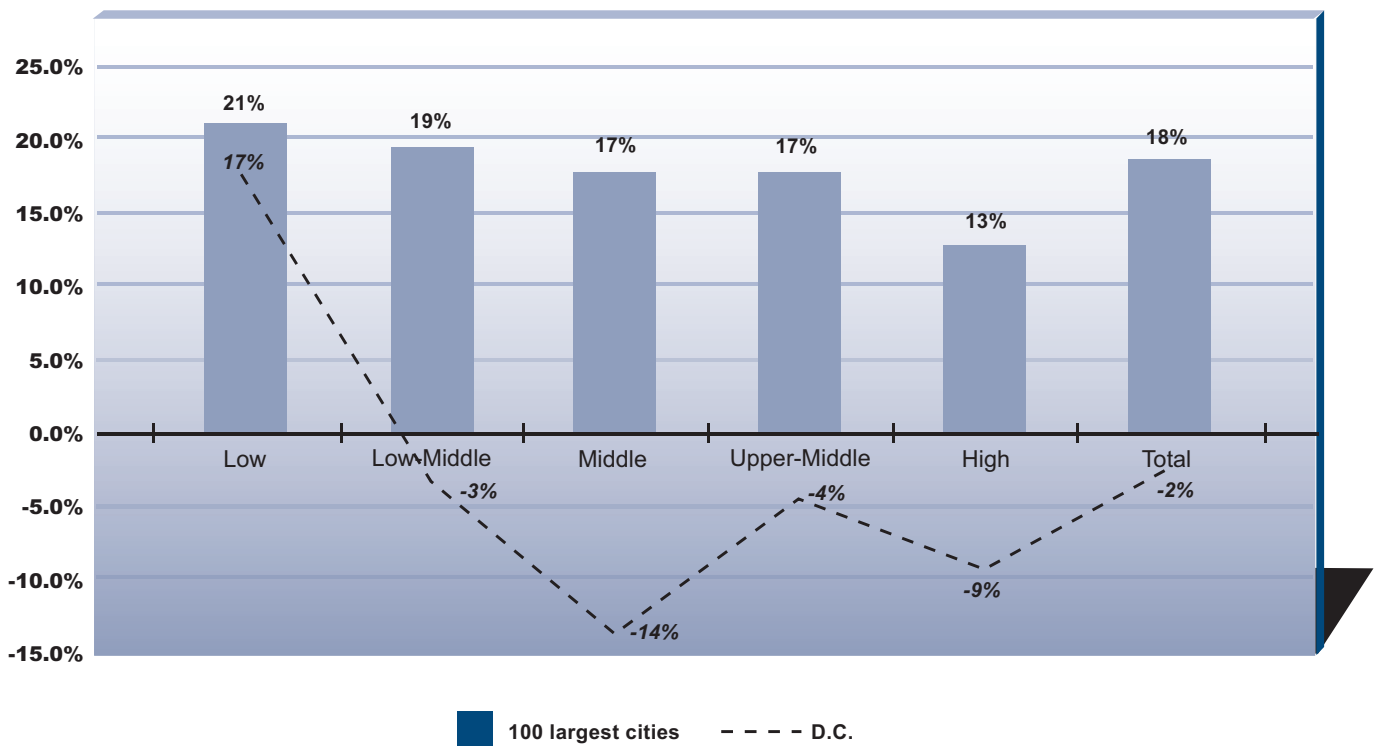
From a fiscal point of view, the net changes in population that occurred during this time for the most part added more to service costs than to revenue.

For population growth to contribute to budget stability, enough of the additional residents must have incomes high enough to pay a significant share of service costs through the income, property, and sales taxes that they pay. This means that the District must attract a

number of middle and upper middle income households—the type of households that left in the period of population decline.

In TY 2004, about half of income tax payers had D.C. adjusted gross income of \$30,000 or less, and the average income was \$45,000. The District has been able to attract households with incomes higher than the median or average in the past several years.<sup>36</sup>

**Figure 4-5** Change in Number of Households, 1979–1999, by Income Quintile; D.C. and the 100 Largest U.S. Cities

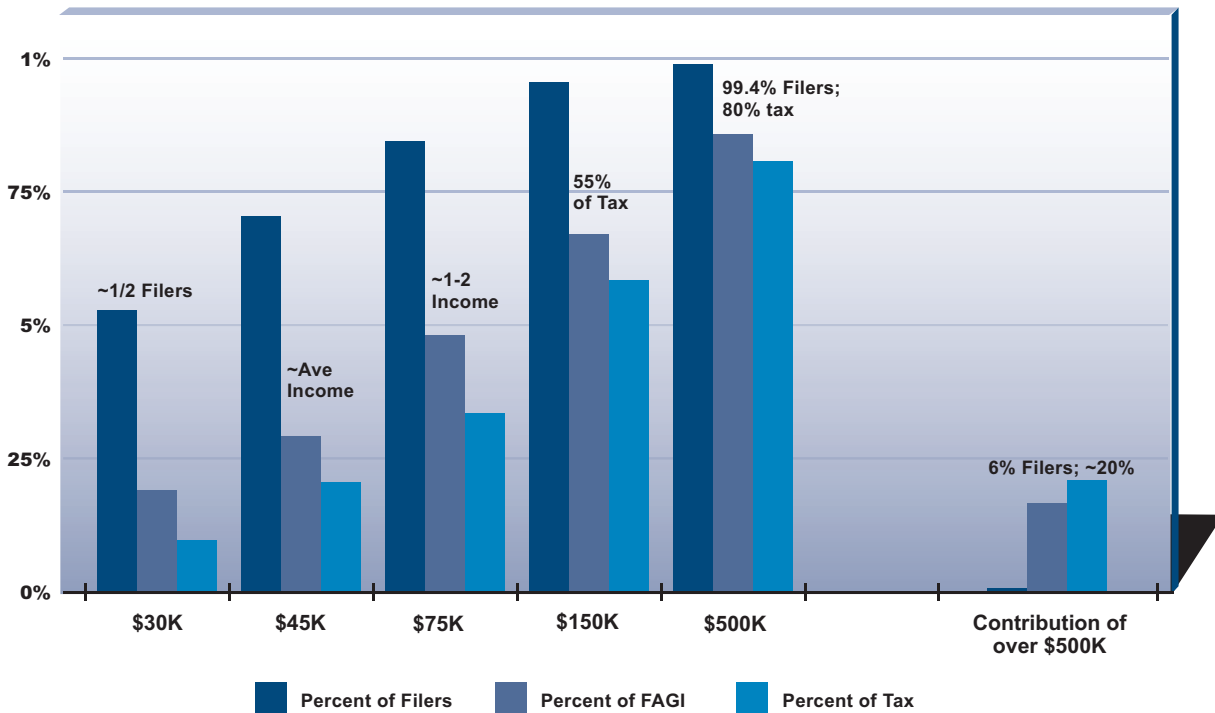


Source: Berube & Tiffany, "The shape of the Curve: Household Income Distributions in U.S. Cities, 1979-1999," August 2004, The Brookings Institution

Note: The authors divided the entire U.S. population into quintiles in 1979 and 1999 (adjusting for regional cost of living differences). They then compared the number in each quintile living in the 100 largest cities in the 2 years.

<sup>36</sup> District revenue gains from additional households can be estimated from the tables in the Office of the Chief Financial Officer/Office of Revenue Analysis publication, 2006 Nationwide Comparison Tax Burden Study. For the District of Columbia, a family with \$25,000 in income paid 12.6% of its income in income, real property, sales, and automobile taxes. The percentages rose to 8.2% at the \$50,000 level; 9.5% at the \$75,000 level; 10.0% at the \$100,000 level, and 10.4% at the \$150,000 level.

**Figure 4-6** Cumulative Distribution of Tax Filer Returns, Income, and Tax, TY 2003



Source: OCFO, D.C. Office of Tax and Revenue

If, however, the city were to “fill up” with new high-income residents, the budget challenge might be largely solved, but at the expense of the character and history of the city and in defiance of its symbolism as the capital

city of our nation. And price pressure on housing would make it even harder for lower-income households to “move-up” while remaining in the city. A mix is needed and difficult to achieve.

**Figure 4-7** Individual Income Tax Filers, by D.C. AGI Category and Filer Type, TY 2003

These returns represent 264,046 filers and an estimated 400,000 residents.						
	Estimated Size Filer Household	Average HH Income	Estimated Average Income per Person	Percent Part-year Residents	Total Number Returns	Percent Returns < \$50,000
Total	1.5	45,000	30,000	17	264,046	72
Single	1	37,500	37,500	23	146,461	75
Single Head of Household	2.6	28,000	10,769	4	58,759	89
Combined Separate	2.4	127,000	52,917	8	14,184	19
Married Joint	2.4	86,000	35,833	13	27,694	47
Married Separate	1.2	48,000	40,000	15	8,087	70
Dependent	na				8,861	

Source: OCFO, D.C. Office of Tax and Revenue

## Budget Stability through Employment Growth

Employment growth also is a long-term trend in the District, continuing for more than 50 years (although interrupted during the decade of the 1990's). Job increases have the potential for improving the District's fiscal balance because jobs typically require

less in the way of public services expenditures than do residents. The revenue benefits of new jobs in the District include taxes assessed against the business itself and real estate taxes on rented, commercial, and rental property, and taxes on incomes earned by employees who are D.C. residents. About 70 percent of the District's jobs are filled by commuters.

**Figure 4-8** Impact on D.C. Employment and Incomes from Creating 1,000 Jobs in 4 Sectors

Sector	Jobs in D.C. (CY 2005)	Allocated share of 1,000 jobs	Job multiplier	Total new jobs in D.C., all sectors	Percent held by residents	New jobs for D.C. residents in all sectors	Total wages resulting from all new jobs in D.C. (\$ Millions)	Wages per job	Total D.C. personal income (\$ Millions)
Retail Trade	17,500	81	1.14	92	39.1	36	3.1	33,674	1
Professional and technical services	100,375	462	1.47	678	31.7	215	51.7	76,209	19.7
Business services	47,450	218	1.12	245	38.8	95	9	36,841	2.8
Organizations	52,000	239	1.27	305	35.4	108	20.2	66,230	6.1
<b>Total</b>	<b>217,325</b>	<b>1,000</b>	<b>1.32</b>	<b>1,320</b>	<b>34.4</b>	<b>454</b>	<b>84</b>	<b>63,644</b>	<b>29.5</b>

Source: OCFO based on the Regional Economic Models, Inc. (REMI) model for D.C. and the Washington Metropolitan Area. The 1,000 jobs are distributed in the same proportion as actual employment in the four sectors. The amounts for total jobs in D.C. after the multiplier, jobs held by D.C. residents, wages per job, and personal income are from the REMI model. It is assumed that the average wage per job in D.C. is the same for D.C. residents as for commuters.

We estimated the net impact on D.C. employment, wages, and personal income of creating 1,000 jobs spread over four of the major sectors of the economy—retail trade, legal and professional services, business services, and non-profit organizations. Direct business and real property taxes paid by businesses vary according to the nature of the business. Compared to non-profit organizations, for example, jobs in professional services contribute business income tax (if they are incorporated) and probably more real property tax for each new job.

The higher wage structure of professional services also generates more wage income and more personal income per D.C. job and than non-profit organizations. Jobs associated with retail and business services, like those in the hospitality industry, generate revenue for the District because of relatively high taxable sales per employee, although these jobs generally are on the lower end of the wage scale.



## Budget Stability through Both Population and Employment Growth

Frequently, people will move to where the jobs are located. That has not been the case for D.C. in the past, but this may be changing due to improving city services and increasingly gridlocked suburban transportation. The District therefore has the potential to combine the benefits of both adding households and jobs.

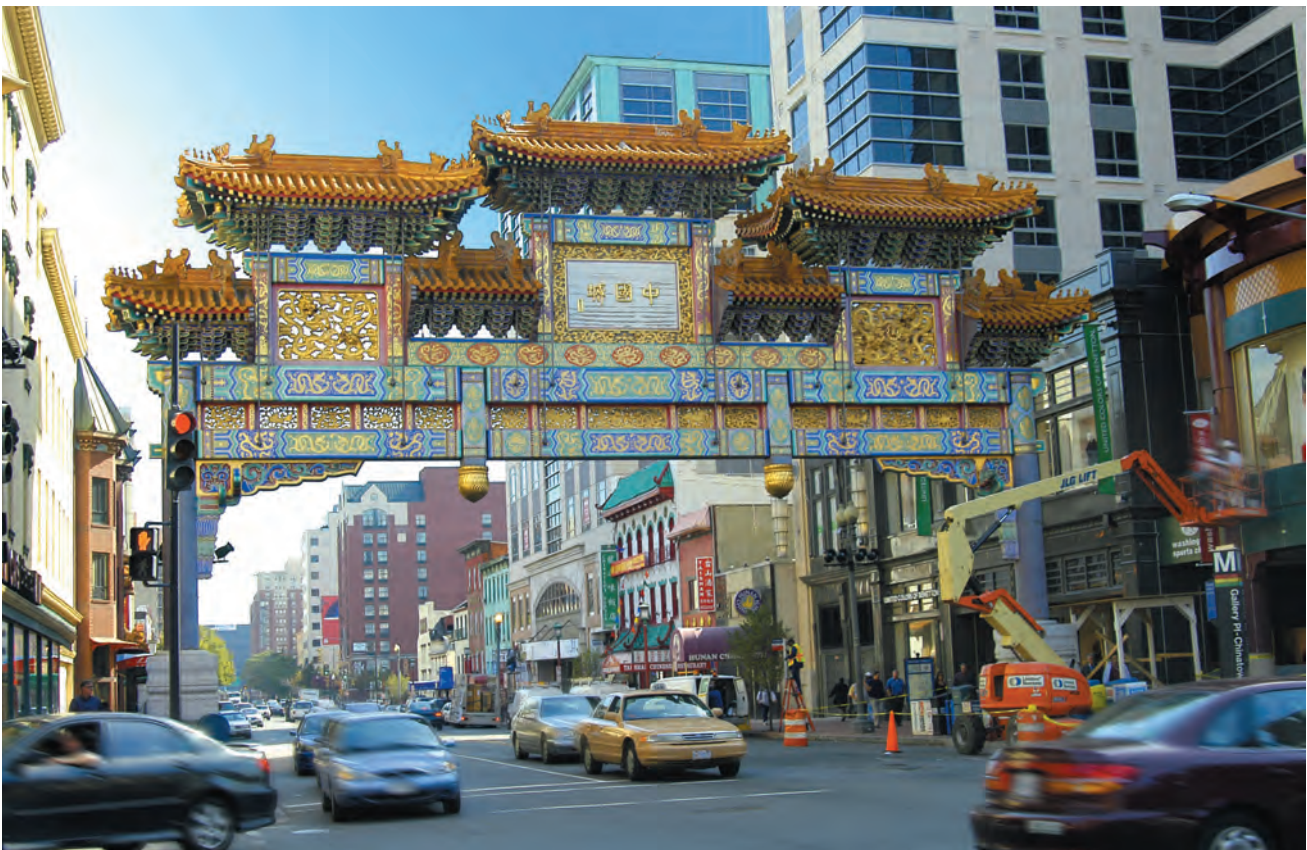
Arguably, without additional middle-income housing, job training, or better metropolitan transportation, many economic development opportunities for D.C. will be negatively impacted.

## Budget Stability through Upward Mobility

D.C.'s population in Tax Year 2003 was approximately 560,000 or so; only about 410,000 of these individuals are found in the households of individual income tax filers. People are non-filers for many reasons—some are temporarily here and legally file elsewhere, such as most university students, diplomats, military personnel, and

certain federal employees. Other non-filers include tax evaders, and another major category is those with too little recorded income to need to file. These latter two categories offer potential for budget improvement. The Office of Tax and Revenue has introduced innovations to collect an additional \$40 million in FY 2007.

Improving the economic well-being of low-income non-filers could add budget stability in two ways, by adding tax revenue and by reducing budget expenditures. D.C. has significant populations living in poverty; more than one-third of our children and about one-sixth of adults are so classified. An unknown number of these are not taxpayers, but reason suggests at least 50,000 of the 150,000 persons not accounted for on tax returns, and probably many more. We also have working, taxpaying poor, and near-poor, such as the 54,000 filers, representing roughly 100,000 people, who received either the low-income or earned-income tax credits on their income tax. A long range strategy to improve the skills and employability of these citizens is an economic development program that improves future budget stability.



## The National Capital Revitalization and Self-Government Improvement Act of 1997

The National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act) transformed the relationship between the District government and the federal government. The Revitalization Act was enacted to partially address the fact that the District must pay for many “state” services with a federally restricted

tax base and to address the large unfunded pension liability transferred to the District from the federal government. The federal restrictions on the District's tax base include the inability to tax the income of non-residents who are employed in the District and the inability to tax the city's largest employer—the federal government.

**Figure 4-9** Net Benefit of the National Capital Revitalization Act

Item (Thousands of Dollars) In 1998 Dollars	FY 1998 Estimate	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate
<b>Revitalization Act Expenditure Impact:</b>				
Adult Felony Prisoners	169,000	235,812	234,827	211,647
Parole Board	5,834	-	-	-
Public Defender	7,753	23,828	23,987	25,973
Pre-trial Services	4,562	32,045	33,582	36,205
Court of Appeals	6,000	7,395	7,196	7,084
Superior Court	73,006	69,020	69,562	70,836
DC Court System	35,152	32,867	33,582	36,992
Capital Improvements at Courts	-	33,688	64,765	40,140
<i>Subtotal: Judicial System</i>	<i>301,307</i>	<i>434,654</i>	<i>467,502</i>	<i>428,876</i>
Medicaid	136,216	209,480	213,836	231,938
Debt Service	(9,505)	-	-	-
Pensions	250,000	233,352	234,273	231,396
<b>Total Direct Savings to the District</b>	<b>678,018</b>	<b>877,487</b>	<b>915,611</b>	<b>892,210</b>
<b>Revitalization Act Revenue Impact:</b>				
Loss of Federal Payment	(660,000)	(660,000)	(660,000)	(660,000)
Federal Contribution	190,000	-	-	-
Loss of Court Fees	(6,927)	(6,927)	(6,927)	(6,927)
<b>Total Revenue Impact</b>	<b>(476,927)</b>	<b>(666,927)</b>	<b>(666,927)</b>	<b>(666,927)</b>
<b>Net Budget Savings, Revitalization Act</b>	<b>201,091</b>	<b>210,560</b>	<b>248,684</b>	<b>225,283</b>
Additional District Services Provided by the Federal Govt.				
Defender Services	-	29,580	35,181	33,844
Community Supervision	-	98,600	103,944	106,253
<b>Total, Additional District Services Provided by the Fed Govt.</b>	<b>-</b>	<b>128,179</b>	<b>139,125</b>	<b>140,097</b>
<b>Net Service and Budget Benefit, Revitalization Act</b>	<b>201,091</b>	<b>338,739</b>	<b>387,809</b>	<b>365,380</b>

Notes: 1) FY 1998 estimates are from the FY 1999 DC Operating Budget and Financial Plan. 2) FY 05-07 estimates for Defender Services, Community Supervision, Public Defender, Pre-trial Services, Court of Appeals, Superior Court, DC Court System and Pensions are based on federal obligations included in the President's FY 2007 Budget. 4) FY 05-07 estimate for Adult Felony Prisoners is based on an analysis of the current cost of the adult felony population taken over the Federal Government. 5) FY 05-07 estimates for Medicaid are calculated assuming the District's share of Medicaid expenditures was decreased from 50 percent to 30 percent. 6) FY 05-07 estimate of the loss of the Federal Payment assumes the Federal Payment would have remained constant. Prior to the passage of the Revitalization Act, the Federal Payment had been authorized at the same level through the end of the century.

Under the Act, the federal government assumed responsibility for a number of District government services traditionally provided by state governments including felony prisoners, courts, pre-trial services, public defender service, and parole services. Also, the District's Medicaid match rate was increased from 50 percent to 70 percent (Figure 4-11).

In addition, the federal government assumed responsibility for the majority of the District's unfunded pension liability for retirement plans for teachers, police officers, firefighters, and judges. On January 2, 1975, when the District's original Home Rule statute became effective, the District inherited an unfunded actuarial liability under the District retirement program of \$1.9 billion. By FY 1997, the District's unfunded pension liability had grown to \$3.7 billion.

This liability placed pressure on the operating budget in terms of annual pension contributions and also hindered the District's ability to borrow for capital needs because it negatively impacted the District's long-term fiscal outlook. In exchange for the assumption of the unfunded pension liability, the District government transferred most of the pension assets, more than \$5 billion, to the federal government.

In exchange for the various types of expenditure relief, the annual federal payment to the District of \$660 million was eliminated. In FY 1998, the first year the Revitalization Act was in effect, the District received a non-recurring federal contribution of \$190 million. The net benefit of the Revitalization Act in FY 1998 was \$201 million.

### **Increase in the Net Budget Savings**

Since the enactment of the Revitalization Act, the inflation-adjusted net benefit has grown to \$249 million in FY 2006.<sup>39</sup> This growth is despite the fact that the net benefit in FY 1998 included a one time discretionary federal contribution of \$190 million, which is no longer provided. Two aspects of the net benefit have grown most significantly: costs related to the judicial functions taken over by the federal government and the improvement in the Medicaid match rate.

In the case of the judicial system, the inflation-adjusted savings for the take-over of adult felony prisoners have increased by more than \$65 million between FY 1998 and FY 2006. Also, the federal government is financing capital improvements for the court system, which would have been the District's responsibility if the District had continued to fund and administer the court system.

The improvement in the Medicaid match has also been a growing benefit to the District. The improvement in the match rate has allowed the District to avoid additional costs associated with significant growth in Medicaid costs experienced by the federal government and states during this period. The growth in Medicaid has paralleled the growth in health expenditures across the economy.

### **Other Benefits to the District**

Within the judicial area the federal government is providing additional services that the District was not previously providing. These additional services do not represent a direct budget savings, since the District was not spending funds on them. However, these services do represent a benefit to the citizens of the District of Columbia valued at about \$140 million in FY 2006.

For example, the Revitalization Act established the Court Services and Offender Supervision Agency (CSOSA) for the District of Columbia as an independent federal agency, which has assumed the District of Columbia pretrial services, adult probation, and parole supervision function. These were services previously provided by the District and are included in the net budget savings figure. CSOSA also includes the Community Supervision program, which provides supervision in the community of adult offenders on probation, parole or supervised release. This was a service not previously provided by the District.

In addition, the defender services program was established. Defender Services provide attorneys to persons who are unable to obtain such representation. The Defender Services programs are administered through the District of Columbia courts and include: the Criminal Justice Act (CJA) program, which provides court-appointed attorneys to indigent persons who are charged with

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<sup>39</sup> The expenditure items have been adjusted to constant 1998 dollars. The revenue items have not been adjusted for inflation because: 1) the federal payment was set each year by Congress, and, prior to the Revitalization Act, there was no anticipated growth in the federal payment; 2) there are no data to estimate the anticipated change in court fees over time.



criminal offenses; the Counsel for Child Abuse and Neglect (CCAN) program, which provides court-appointed attorneys for family proceedings in which child neglect is alleged, or where the termination of the parent-child relationship is under consideration

and the parent, guardian, or custodian of the child is indigent and the Guardianship program, which provides for the representation and protection of mentally incapacitated individuals and minors whose parents are deceased.





## How Does D.C. Compare With Other Jurisdictions? The Example of Public School Financing and Spending

How does D.C. compare with other jurisdictions? This question often comes up in discussions of D.C. programs, especially in the context of how program responsibilities should be structured, or whether priority should be given to spending more money or making better use of money already available. Using public school financing as an example, this analysis illustrates three problems often encountered in comparing the District of Columbia to other jurisdictions because there is no intergovernmental split into separate state and local entities.

1. D.C.'s unique governmental structure, which combines state and local functions in one government, complicates comparisons.

- In this example, most city school systems are financially independent of their local city government. However, even if they levy their own taxes, these schools systems are also heavily dependent on their state governments for funding and oversight. With home rule, the District of Columbia government cannot avoid serving the role that states do in other jurisdictions.

2. The high cost of providing services in the District of Columbia must be taken into account when making comparisons such as per capita spending on certain activities.

- In the example, what looks like much higher per student expenditures in the District of Columbia compared to other cities for most educational services turns out to be much more modest differences when adjustments for standard of living differences are taken into consideration, along with the combination of state and local funded services that uniquely occurs in the District.

3. Spending comparisons may not by themselves be able to answer the question as to whether it is more important to spend more money or to make better use of what is already available. Both approaches may be essential.

- In the example, that D.C.'s inflation-adjusted spending per student for most services is comparable with surrounding jurisdictions recognized for their good schools supports the idea of making better use of money already available. However, D.C.'s higher incidence of poverty and of special education students also suggests that achieving national performance norms will require a lot—and perhaps additional—money. Spending is needed to provide additional services and pay salaries and benefits that are high enough to allow the District to compete with surrounding jurisdictions and other cities for top-notch teachers and administrators.

The analysis is based largely on data on school systems across the United States compiled by the National Center for Education Statistics (NCES). One limitation of this source is that the District of Columbia is responsible for providing funds for some services that in other jurisdictions may be provided by states and therefore not counted in local school district tallies.

*Structure of school financial responsibility: no city school system is completely financially independent.*

Most U.S. school systems have taxing authority and are not dependent on their local city or county government for money. For these reasons, they are classified by NCES as "independent". However, being independent means that they only are independent for the local share of expenses. A large share of their expenses, on average over half of all funding from non-federal sources, comes from states.

Because the District of Columbia government functions as both a city and a state, there is no way to structure a relationship between the District government and the public school system that is

comparable to that which exists between independent school systems and their local government. In recent years the District of Columbia government has created a State Office of Education which manages some (but not all) of the educational functions typical of states, including federal grants management, data collection, research, charter schools, and nutrition programs. However, this office as well as all funding for schools, remains part of the District of Columbia government and is subject to oversight and funding by the Mayor, and City Council.

- Most school systems do not depend on local governments as a source of funding.

**Figure 4-10** D.C. and "Peer" School Systems: Revenue Sources, FY 2003

School System (Fall 2002 Enrollment)	No. Students	Federal	Percentage of Total Revenue from:		
			State	Local *	Total
D.C. Public Schools	67,522	14	0	86	100
D.C. Peers: Average (17 districts)*	60,713	13	50	37	100
Min	40,731	9	26	18	
Max	97,293	18	69	65	
D.C. Peers: Dependent School (3 districts)**	67,085	12	51	36	100
Baltimore MD	96,230	14	61	25	100
Boston MA	61,552	10	32	58	100
Buffalo NY	43,474	14	69	18	100
D.C. Peers: Independent Schools (14 districts)*	59,347	13	49	38	100
Oakland CA	52,501	11	61	28	100
Atlanta GA	54,946	10	26	65	100
Indianapolis IN	40,731	13	63	24	100
New Orleans LA	70,246	18	45	37	100
St Louis MO	45,480	13	49	38	100
Cincinnati OH	42,715	10	33	57	100
Cleveland OH	71,616	18	49	34	100
San Antonio TX	57,120	16	55	29	100
Milwaukee WI	97,293	15	63	22	100

\* Local refers to revenues from the local government or the school district.  
 \*\*Includes 5 cities not shown separately: Columbus OH, Tulsa OK, El Paso TX, Fort Worth TX, and Ysleta TX  
 Source: U.S. Bureau of the Census, the National Center for Education Statistics (NCES),

**Figure 4-11** D.C. and “Peer” Selected Other School Systems: Revenue Sources, FY 2003

School System (Fall 2002 Enrollment)	No. Students	Percentage of Total Revenue from:			
		Federal	State	Local*	Total
D.C. Public Schools	67,522	14	0	86	100
D.C. Peers: Average (17 districts)	60,713	13	50	37	100
<b>Other Dependent School Systems</b>					
Montgomery County MD	138,983	4	20	76	100
Prince Georges County MD	135,439	7	47	46	100
Fairfax County VA	162,585	4	18	78	100
<b>Other Independent School Districts</b>					
Chicago IL	436,048	16	41	43	100
Philadelphia PA	192,683	14	51	35	100

\*Local refers to revenues from the local government or the school district.  
Source: U.S. Bureau of the Census, the National Center for Education Statistics (NCES)

- 90 percent of the 15,014 school systems are classified by NCES as financially independent because they get no money from their city or county government, but they still get a large portion of their funding from their state government.<sup>40</sup>
- Of the 17 urban school systems identified as DCPS “peers”, 14 have local taxing power.<sup>41</sup>
- Maryland and Virginia have only dependent school systems.
- Over half of all non-federal school funding comes from state, not local sources.
  - Financing for U.S. schools is 8 percent federal, 49 percent state, and 44 percent local.
  - The local funding of D.C.’s 17 “peer” cities is 38 percent, which is below the U.S. average.
- Most state funding depends on revenue availability; even where there are formula distributions.
- States also enhance school bond issues, place restrictions on school taxing authority and financial operations, and are responsible if schools get into financial trouble.

*Compared to other cities: D.C. is not obviously under-funding most education expenditures, but neither is it at the top.*

The National Center for Education Statistics compiles spending for each school district in the United States according to several program categories. The most obvious way to compare what is spent by D.C. and other jurisdictions is to look up the amounts in the NCES publication and divide by the student population. Doing this, however, encounters two difficulties in addition to that which can occur because people providing the data in different localities may classify expenditures differently. First, because the District combines both state and local functions, some expenditures incurred by the District may, in other jurisdictions, represent state functions that do not show up in local school expenditure data. For example, the FY 2007 D.C. Public Schools Operating Budget states: “[I]n our role as a State Educational Agency, DCPS expends a high level of resources on non-public tuition for special education students and transportation for special education, which in Maryland, Virginia or other states, would be paid, in varying levels of support, by the state education agency.”<sup>42</sup>

Second, a simple per capita calculation overlooks important differences in what it costs to live in different cities. The Government Accountability Office concluded in its 2003 study on structural imbalance

<sup>40</sup> A school district can be classified as independent and still receive state aid as all do, in amounts that can account for up to half of total K-12 spending (Figure 4-12).

<sup>41</sup> The 17 school systems, identified in Figure 4-12, were selected as a D.C. peer group by the National Center for Education Statistics.

<sup>42</sup> Budget of the District of Columbia, District of Columbia Public Schools, FY 2007 Operating Budget, p. 66.

that the high cost of living is one of the reasons the cost of delivering services in the District of Columbia was higher than in the average state fiscal system.<sup>43</sup> The high cost of living is reflected in high prevailing wages and salaries in the labor market within which D.C. operates and over which D.C. has no control.

To compare spending that take differences in cost of living into account, this study adjusted the per student spending reported by NCES by an index based on the level of salary needed to maintain the same standard of living in different cities.<sup>44</sup> Taking these differences into account gives a more accurate picture of the significance of spending differences. For example, in unadjusted dollars, for FY 2003 Cincinnati public schools reports spending about \$7,966 per student for most educational services, 22.7 percent less than D.C.'s comparable \$9,775

per student. ("Most educational services" includes all classroom and special teachers, counselors, librarians, and all school administrators, but it excludes building maintenance expenses, transportation, and tuition expenses for special education.) When cost of living expenses are taken into consideration, however, Cincinnati's per student expenditure becomes the equivalent of spending \$10,077 in D.C., or 3 percent more than the reported D.C. spending.

- DCPS per student spending for most educational services in FY 2003 was in the top third of spending in peer group cities, after adjusting for cost of living differences.
- DCPS per student expenditures for instruction, supervision, and related services are 6th highest for 18 cities when adjusted for cost of

**Figure 4-12** Per Student Public School System Expenditures, FY 2003 estimates: D.C. and Peer School Systems

School System	Instruction, Supervision, & Related Support (including in-school special education)*	Cost-of-living Adjustment	Inflation-adjusted Instruction, Supervision & Related Support (including in-school special education)**	Percent Free & Reduced Lunch	Percent Special Education
D.C. Public schools	9,775	1,000	9,775	65	18.0
Average for D.C. Peers (17 districts)***	7,208	-	8,667	68.7	14.5
Baltimore MD	7,677	1.289	9,898	68.9	14.8
Boston MA	11,571	0.923	10,677	73.6	19.2
Buffalo NY	10,292	1.208	12,429	76.4	22.4
Oakland CA	6,789	0.907	6,156	65.7	10.9
Atlanta GA	8,573	1.168	10,015	71.4	7.8
Indianapolis IN	6,669	1.257	8,385	78.7	18.3
New Orleans LA	4,996	1.307	6,531	78.2	10.8
St. Louis MO	7,475	1.284	9,598	75.2	16.1
Cincinnati OH	7,966	1.265	10,077	65.4	18.3
Cleveland OH	7,879	1.132	8,923	79.2	17.4
San Antonio TX	6,190	1.322	8,180	37.8	12.9
Milwaukee WI	8,165	1.171	9,558	75.2	16.5

\*This is the sum of these spending categories as reported by NCES: (1) Instruction, (2) Pupil support (salaries and benefits only), (3) Instructional staff support, and (4) General and school administration. This does not include (1) Operation and maintenance of plant, (2) Transportation, and (3) pupil support expenditures for items other than salaries and benefits (which means that contracted special education services are not included in the analysis).

\*\*Product of the first column times the cost of living adjustment.

\*\*\*Includes 5 cities not shown separately: Columbus OH, Tulsa OK, El Paso TX, Fort Worth TX, and Ysleta TX.

Source: U.S. Bureau of the Census, the National Center for Education Statistics (NCES), and Salary.com

<sup>43</sup> U.S. General Accounting Office. *District of Columbia: Structural Imbalance and Management Issues* (GAO-03-666) May 2003.

<sup>44</sup> The salary equivalents in different cities compared to a salary in the District of Columbia were obtained from Salary.com.



living differences. (D.C.'s expenditure of \$9,775 was 12.8 percent above the peer group average.)<sup>45</sup> Some of the difference may be accounted for by state-level expenditures included in the District data.

- 14 of the peer cities have a higher incidence of poverty (measured by free or reduced lunch) than D.C. (D.C.'s 65.3 percent rate is 3.4 percentage points below the peer group average.)
- 18 percent of D.C. students receive special education, 5th highest of the 18 cities. The spending data in this analysis do not include spending for special education tuition or related transportation expenses.

*Make better use of existing funds or spend more money? Comparisons suggest that both may be necessary to raise student achievement to national norms.*

- The 17-city peer group comparisons, together with spending comparisons with surrounding jurisdictions, suggest that making better use of existing funds and perhaps spending more money should both be part of an effort to raise student achievement to national norms (provided, of course, that additional funds would be used effectively).
- For most student expenses, D.C.'s per student spending is in the upper range of peer group cities. Although some of this higher expenses may be the result of “state-type” expenses in

the District, and there might be opportunities to make better use of existing funds, most if not all of these cities have educational problems with their public schools. The peer group as a whole may not be a good benchmark for what needs to be spent to achieve acceptable outcomes in urban places with considerable poverty and special education needs.

Comparison with the surrounding area leads essentially to the same conclusion.

- Per student spending in DCPS (excluding special education tuitions and transportation) is about comparable to Fairfax and Montgomery counties, and less than Arlington and Alexandria, and more than Prince George's county.
- All surrounding jurisdictions, however, have a smaller proportion of low income students. D.C.'s poverty percentage is about three times greater than Montgomery and Fairfax Counties, which suggests that additional services may be required.
- Another reason additional spending may be needed is that DCPS competes in the same labor market with these jurisdictions for teachers and principals. With greater challenges in terms of the educational needs of students and with high housing costs, the District needs to be able to pay salaries that are high enough to attract capable staff.

**Figure 4-13** Per Pupil Spending for Most Students and Poverty Status of Students in Public Schools in the D.C. Metropolitan Area, FY 2005\*

Jurisdiction	Per pupil spending*	Percent of students with low income
Arlington VA	14,906	36
Alexandria VA	13,198	47
Montgomery Co. MD	11,636	23
DCPS	11,094	64
Fairfax Co. VA	10,506	19
Prince George's Co. MD	7,989	46

\* Excludes spending for special education tuitions and student transportation; includes building maintenance and administration. Also excludes spending (and enrollment) for charter schools.

Source: *Separate and Unequal*, Parents United for the D.C. Public Schools, p. 14. Suburban per pupil figures and methodology are from the Washington Area Boards of Education.

<sup>45</sup> Not adjusted for cost of living differences, D.C. was 3rd, and 35.6 percent above the city average.



# Supplemental Tax Information

## Homestead Properties in Class 1 and Large Office Buildings in Class 2

Figure 5-1 Homestead Properties by Decile, TY 2005

Decile	Number of Properties	Assessed Value (\$ Millions)	Percent of Assessed Value of Class	Mean Value (\$000)	Median Value (\$000)
1st	9,212	898.6	2.5	97.5	104.2
2nd	9,217	1,304.9	3.7	141.6	141.2
3rd	9,212	1,633.0	4.7	177.3	177.4
4th	9,217	1,905.1	5.5	206.7	206.2
5th	9,216	2,263.1	6.5	245.6	245.4
6th	9,215	2,755.0	7.9	299.0	297.3
7th	9,215	3,529.8	10.2	383.1	382.8
8th	9,214	4,558.4	13.1	494.7	494.3
9th	9,215	5,810.1	16.7	630.5	625.0
10th	9,214	10,114.4	29.2	1,097.7	929.7
<b>Total</b>	<b>92,147</b>	<b>34,772.4</b>	<b>100</b>	<b>378.5</b>	<b>269.8</b>

Source: OCFO, D.C. Office of Tax and Revenue

- The large differential between the average and median value in the 10<sup>th</sup> percentile indicates significant presence of the very highly valued residential properties.
- With the average assessment value for the top decile almost double the median value, this too indicates significant skewedness towards very highly valued commercial properties.
- There were 28 homestead properties with an assessed value that exceeded \$5 million in 2005.

**Figure 5-2** Subsector: Large Commercial Office Buildings Real Property Liability by Decile, TY 2005

Decile	Number of Properties	Total Liability (\$ Millions)	Percent of Total Liability of Class	Percent of Total Liability of all Class 2 Properties	Percent of Total Liability of Real Property Tax Base
1	54	3.8	0.8	0.6	0.4
2	55	7.4	1.7	1.2	0.7
3	55	11.6	2.6	1.8	1.1
4	55	17.9	4.0	2.8	1.7
5	55	26.3	5.8	4.1	2.5
6	55	36.6	8.1	5.7	3.5
7	55	49.1	10.9	7.7	4.7
8	55	63.8	14.1	10.0	6.2
9	55	86.1	19.1	13.5	8.3
10	54	149.2	33.0	23.4	14.4
<b>Total</b>	<b>548</b>	<b>451.8</b>	<b>100.0</b>	<b>70.8</b>	<b>43.7</b>

Source: OCFO, D.C. Office of Tax and Revenue

- The 164 highest assessed taxable large office buildings accounted for 66 percent of total Class 2 assessments and 29 percent of the total real property tax liability for FY 2005.



# Real Property Tax Data by Wards, TY 2005

## Understanding District of Columbia Land Values: An Economic Perspective

The District of Columbia is not only a major city nationally, but also a world-renowned city. Yet, the District of Columbia is a relatively small jurisdiction. The District has approximately 69 square miles of land area and is approximately 14 miles in length between its two farthest points (the northern most point and the southern most point). Economically, the city is organized around a central business district (CBD). For the District, the CBD happens to be located at its geographical center, which is in Ward 2. Ward 2 is home to the White House, the National Mall with its many celebrated national monuments, numerous headquarters for a host of federal agencies, and the vast majority of the city's large commercial office buildings.

For cities that have a CBD as its economic core, the land value tends to be highest in the CBD. This is because the productive economic activities, that are strongly related to the economic core and requiring land, compete for the land closest to the core. Consequently, only the most productive of these economic activities tend to locate in and near the CBD. All other economic activities requiring land that are relatively not as profitable and/or are more land

intensive tend to locate farther away from the CBD. For these other economic activities requiring land, high land costs are extremely prohibitive to locating in or near the CBD.

The following tables with real property data by wards for Tax Year 2005 illustrate that the District of Columbia is an economic city arranged in this classical sense. The data show that the most profitable land-related economic activities (i.e. building/occupying large office buildings and building/owning condominiums) tend to locate in and near Ward 2.<sup>46</sup> Conversely, more land-intensive and relatively less profitable land-related economic activities tend to locate away from the city's core (i.e. building/owning single-family homes and commercial activities not directly related to the federal government or large office buildings).<sup>47</sup> Simultaneously, land values also tend to be highest in the western half of the city (Wards 1, 2, 3, and 4) compared to land values in the eastern half of the city (Wards 5, 6, 7, and 8). The total residential assessment base in the western half of the city is almost three times that of the eastern half. And, the total commercial assessment base in the western half of the city is more than four times that of the eastern half.



<sup>46</sup> The services conducted in the District's large office buildings tend to be directly related to business conducted for the federal government. Condominium owners and tenants tend to be the high wage and salary workers also working directly or indirectly for the federal government in the CBD. These owners and tenants may also be high-income households (without children) that have a strong preference for center city living due to the growing number of upscale urban amenities for its residents.

<sup>47</sup> In terms of land intensity, the District has an average of 71.3 condominium units per acre and 12.5 single family dwellings per acre. **83**

# District of Columbia Wards 2005



**Figure 5-3** Tax Assessment and Liability by Ward, TY 2005

Ward	Assessed Value		Liability	
	(\$ Millions)	Percent	(\$ Millions)	Percent
1	6,397	7	57	6
2	37,474	42	569	55
3	16,234	18	136	13
4	7,349	8	50	5
5	4,742	5	42	4
6	12,159	14	144	14
7	2,493	3	21	2
8	1,415	2	14	1
<b>Total</b>	<b>88,263</b>	<b>100</b>	<b>1,033</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Ward 2 contains the primary commercial area for the city and accounts for more than half of the city's real property tax liability.

- Ward 6 accounts for 14 percent of total liability primarily because it is second only to Ward 2 with the largest number of large office buildings.

**Figure 5-4** Percent of Total D.C. Assessment by Ward and Class, TY 2005

Ward	Class 1 (Residential)	Class 2 (Commercial)	Class 3 (Vacant/Abandoned)	Total by Ward
1	10.6	2.1	13.7	7.2
2	21.3	74.9	16.7	42.5
3	28.0	3.9	4.0	18.4
4	13.3	0.8	8.6	8.3
Sub-total (West)	73.2	81.7	43.0	76.4
5	7.3	2.4	18.8	5.4
6	13.1	14.8	15.2	13.8
7	4.1	0.6	12.0	2.8
8	2.3	0.5	11.0	1.6
Sub-total (East)	26.8	18.3	57.0	23.6
<b>Grand Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Wards 2, 3, 4 and 6 contain 75.7 percent of the total residential assessment base.
- Wards 2 and 6 contain 89.7 percent of the total commercial assessment base.

**Figure 5-5** Percent of Total D.C. Liability by Ward and Class, TY 2005

Ward	Class 1	Class 2	Class 3	Total by Ward
1	10.9	2.1	13.4	5.5
2	23.1	75.0	17.0	55.1
3	29.2	3.9	3.7	13.2
4	11.5	0.8	8.7	4.8
5	6.4	2.3	17.7	4.1
6	12.7	14.7	15.3	14.0
7	3.9	0.6	12.6	2.0
8	2.4	0.4	11.6	1.3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Wards 2, 3 and 6 account for 82.3 percent of total liability for the real property tax.
- Wards 2 and 3 account for 52.3 percent of Class 1 liability for the real property tax.

**Figure 5-6** Condominium Units—Properties, Assessments, and Liability by Ward, TY 2005

Ward	Number of Properties	Percent of Properties	Acres	Percent of Acres	Assessed Value (\$ Millions)	Percent of Assessed Value	Liability (\$000)	Percent of Liability
1	4,903	14.4	49.8	10.4	1,407.8	15.7	10.0	15.7
2	12,627	37.0	78.7	16.4	3,910.2	43.5	29.0	45.6
3	8,284	24.3	140.3	29.3	2,109.4	23.5	14.1	22.2
4	366	1.1	8.9	1.9	59.1	0.7	0.4	0.6
5	1,693	5.0	71.2	14.9	236.9	2.6	1.5	2.4
6	4,351	12.7	63.3	13.2	1,132.5	12.6	7.8	12.2
7	1,182	3.5	37.1	7.7	92.3	1.0	0.5	0.8
8	722	2.1	29.4	6.2	45.1	0.4	0.3	0.5
<b>Total</b>	<b>34,128</b>	<b>100</b>	<b>478.7</b>	<b>100</b>	<b>8,993.4</b>	<b>100.0</b>	<b>63.6</b>	<b>100.0</b>

Source: OCFO, D.C. Office of Tax and Revenue

■ Ward 2 has most of the city's condominium units, 37 percent.

■ The eastern half of the city (Wards 5, 6, 7, and 8) has 23 percent of the condominium units and is responsible for 16 percent of the tax liability for this subsector.

**Figure 5-7** Single Family Dwellings—Properties, Assessments, and Liability by Ward, TY 2005

Ward	Number of Properties	Percent of Properties	Acres	Percent of Acres	Assessed Value (\$ Millions)	Percent of Assessed Value	Liability (\$000)	Percent of Liability
1	6,800	7.6	289.9	4.0	2,348.8	7.0	16.4	7.1
2	5,289	5.9	271.5	3.8	4,518.5	13.5	34.9	15.2
3	13,737	15.3	1,959.8	27.3	10,803.3	32.2	80.6	35.0
4	19,344	21.6	1,820.7	25.3	6,566.6	19.6	39.7	17.3
5	14,969	16.7	1,067.7	14.9	3,032.8	9.1	18.1	7.9
6	11,301	12.6	378.2	5.3	3,798.0	11.3	25.3	11.0
7	12,573	14.0	1,027.1	14.3	1,753.4	5.2	10.8	4.7
8	5,568	6.2	369.9	5.1	683.0	2.0	4.4	1.9
<b>Total</b>	<b>89,581</b>	<b>100</b>	<b>7,184.8</b>	<b>100</b>	<b>33,504.4</b>	<b>99.9</b>	<b>230.3</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

■ Ward 2 has least number of single-family dwellings, but these properties still contribute 15 percent of this subsector's tax liability.

■ Wards 3 and 4 have the highest number of single-family dwellings, and these properties tend to have more acreage than in other parts of the city.



**Figure 5-8** Residential/MultiFamily (5 or less dwelling units)—Properties, Assessments, and Liability by Ward, TY 2005

Ward	Number of Properties	Percent of Properties	Acres	Percent of Acres	Assessed Value (\$ Millions)	Percent of Assessed Value	Liability (\$000)	Percent of Liability
1	1,609	14.6	103.8	12.6	1,262.5	20.0	9.6	20.3
2	1,651	14.9	89.0	10.8	1,835.3	29.0	13.8	29.1
3	344	3.1	77.4	9.4	747.6	11.8	5.1	10.7
4	539	4.9	47.5	5.8	151.9	2.4	1.2	2.6
5	1,893	17.1	115.1	14.0	365.8	5.8	3.1	6.5
6	3,139	28.4	161.6	19.6	1,671.2	26.4	12.2	25.7
7	992	9.0	127.1	15.4	158.0	2.5	1.3	2.7
8	880	8.0	103.4	12.5	132.4	2.1	1.2	2.5
<b>Total</b>	<b>11,047</b>	<b>100</b>	<b>824.9</b>	<b>100.1</b>	<b>6,324.8</b>	<b>100</b>	<b>47.4</b>	<b>100.1</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Ward 6 has the highest number of small multifamily buildings, and Ward 3 has the least.

**Figure 5-9** Residential/MultiFamily (6 or more dwelling units)—Properties, Assessments, and Liability by Ward, TY 2005

Ward	Number of Properties	Percent of Properties	Acres	Percent of Acres	Assessed Value (\$ Millions)	Percent of Assessed Value	Liability (\$000)	Percent of Liability
1	384	12.7	94.3	8.3	550.1	14.7	5.5	15.5
2	272	9.0	55.5	4.9	844.3	22.6	7.8	22.2
3	171	5.7	107.2	9.4	1,028.3	27.5	9.0	25.7
4	289	9.6	89.0	7.8	236.6	6.3	2.3	6.5
5	310	10.3	126.5	11.1	210.1	5.6	1.9	5.3
6	243	8.1	60.9	5.4	307.4	8.2	3.0	8.4
7	604	20.0	201.6	17.7	205.4	5.5	2.1	5.9
8	745	24.7	403.6	35.4	361.5	9.7	3.7	10.5
<b>Total</b>	<b>3,018</b>	<b>100</b>	<b>1,138.6</b>	<b>100</b>	<b>3,743.7</b>	<b>100.1</b>	<b>35.2</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

- The eastern half of the city (Wards 5, 6, 7, and 8) has 70 percent of the large multifamily buildings.
- But, the western half of the city (Wards 1, 2, 3, and 4) is responsible for 70 percent of the tax liability for this subsector.

**Figure 5-10** Homestead Properties—Assessments, and Liability by Ward and Tax Status, TY 2005

Ward	Non-Senior			Senior		
	Number of Properties	Assessments (\$ Millions)	Tax Liability (\$ Millions)	Number of Properties	Assessments (\$ Millions)	Tax Liability (\$ Millions)
1	7,443	2,790	18.5	1,172.0	392.8	1.2
2	10,489	5,775	40.8	965.0	569.0	1.9
3	14,205	9,372	69.6	2,503.0	1,422.2	5.0
4	10,716	3,982	25.6	5,447.0	1,654.2	5.0
5	8,293	1,700	9.9	4,404.0	878.1	2.6
6	10,332	3,658	22.9	2,086.0	674.7	1.8
7	6,133	861	5.3	3,760.0	540.5	1.7
8	3,014	362	2.1	1,185	141.77	0.4
<b>Total</b>	<b>70,625</b>	<b>28,499</b>	<b>195</b>	<b>21,522</b>	<b>6,273.2</b>	<b>19.6</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Ward 3 has the largest number of non-senior homestead properties, and Ward 4 has the largest number of senior homestead properties.
- Wards 4, 5 and 7 contain 63.2 percent of senior homestead properties.

**Figure 5-11** Large Office Buildings—Properties, Assessments, and Liability by Ward<sup>48</sup>, TY 2005

Ward	Number of Properties	Acres	Percent of Acres	Assessed Value (\$ Millions)	Percent of Assessed Value	Liability (\$ Millions)	Percent of Liability
1	4	3.3	1.0	148.0	0.6	2.7	0.6
2	429	236.1	67.6	20,318.7	82.5	373.8	82.7
3	31	40.1	11.5	533.6	2.2	9.9	2.2
4	4	1.5	0.4	5.7	0.0	0.1	0.0
5	2	3.5	1.0	61.7	0.3	1.1	0.2
6	75	62.0	17.7	3,524.6	14.3	63.7	14.1
8	3	2.9	0.8	31.0	0.1	0.6	0.2
<b>Total</b>	<b>548</b>	<b>349.4</b>	<b>100</b>	<b>24,623.4</b>	<b>100</b>	<b>451.8</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Large office buildings accounted for 71 percent of total Class 2 assessments and 44 percent of the total real property tax liability for FY 2005.
- Ward 2 had 78 percent of all the city's large office buildings in TY 2005

<sup>48</sup> Large office buildings are those that have elevators and are primarily for office use.

**Figure 5-12** All Other Commercial Properties<sup>49</sup>—Properties, Assessments, and Liability by Ward, TY 2005

Ward	Number of Properties	Percent of Properties	Acres	Percent of Acres	Assessed Value (\$ Millions)	Percent of Assessed Value	Liability (\$ Millions)	Percent of Liability
1	977	13.1	85.7	5.5	608.9	6.4	11.2	6.4
2	2,027	27.3	230.1	14.7	5,309.7	55.8	96.5	55.5
3	483	6.5	123.5	7.9	819.6	8.6	14.8	8.5
4	736	9.9	140.2	8.9	280.4	2.9	5.2	3.0
5	1,145	15.4	478.0	30.4	704.4	7.4	13.0	7.5
6	1,376	18.5	212.4	13.5	1,469.5	15.4	27.2	15.6
7	409	5.5	220.3	14.0	200.7	2.1	3.7	2.1
8	280	3.8	80.5	5.1	118.7	1.2	2.1	1.2
<b>Total</b>	<b>7,433</b>	<b>100</b>	<b>1,571.0</b>	<b>100</b>	<b>9,511.9</b>	<b>100</b>	<b>173.7</b>	<b>100</b>

Source: OCFO, D.C. Office of Tax and Revenue

■ Ward 2 contains only 27 percent of All Other Commercial Properties, but these properties is responsible for 56 percent of the tax liability for this subsector.

■ The eastern half of the city (Wards 5, 6, 7 and 8) possesses 63 percent of the acreage for All Other Commercial Properties.

**Figure 5-13** PGUVA<sup>50</sup>—Properties, Assessments, and Liability by Ward, TY 2005

Ward	Number of Properties	Percent of Properties	Acres	Percent of Acres	Assessed Value (\$ Millions)	Percent of Assessed Value	Liability (\$ Millions)	Percent of Liability
1	1,357	8.0	26.6	3.1	70.4	4.7	1.6	5.4
2	3,708	21.8	61.9	7.2	719.0	48.5	13.1	44.3
3	3,631	21.4	110.1	12.8	191.2	12.9	2.4	8.0
4	896	5.3	61.8	7.2	41.7	2.8	0.9	3.2
5	1,355	8.0	152.2	17.7	100.1	6.8	2.8	9.6
6	1,816	10.7	64.3	7.3	238.1	16.1	5.0	17.0
7	2,904	17.1	247.0	28.7	79.0	5.3	2.2	7.3
8	1,326	7.8	138.1	16.0	43.0	2.9	1.6	5.3
<b>Total</b>	<b>16,993</b>	<b>100</b>	<b>862.0</b>	<b>100</b>	<b>1,482.3</b>	<b>100</b>	<b>29.6</b>	<b>100.1</b>

Source: OCFO, D.C. Office of Tax and Revenue

■ Wards 2 and 3 possess 43 percent of PGUVA properties, and these properties contribute 52 percent of the tax liability of this subsector.

■ The more land intensive PGUVA properties are located in the eastern half of the city (Wards 5, 6, 7, and 8). These properties use 70 percent of the total acreage of this subsector of properties.

<sup>49</sup> This excludes parking garages, parking lots, unimproved lots, vacant lots, and abandoned properties (PGUVA).

<sup>50</sup> PGUVA property uses are residential parking spaces, parking garages, parking lots, unimproved lots, vacant lots, and abandoned properties. This sector of properties was created for this analysis to extract so-called lesser productive properties that reside within the broader residential and commercial classes so as to minimize distortions in the broader classes particularly in terms of number of properties.

## Land Use Changes as seen in Real Property Tax Data Base, TY 2001–TY 2005

This is a comparative analysis of the changes in land use patterns as observable in the city's taxable real property database for TY 2005 compared to TY 2001. In summary, this examination finds that the entire District of Columbia's real property tax base has increased significantly, in terms of acreage, and has become relatively more residential.<sup>51</sup> More pointedly, the District of Columbia's real property tax base in TY 2005 relative to TY 2001 experienced:

- A net increase in the total taxable land area of 216 acres or 1.7 percent;
- A net increase in the residential taxable land area of 250 acres or 2.7 percent; and
- A net increase in commercial land area of 79 acres or 3.9 percent.
- A decrease of 114 acres (11.4 percent) in other taxable property

For this analysis, all taxable real properties were divided into three broad categories as indicated by their official use that is determined by the District of Columbia Zoning Board and Office of Tax and Revenue/Real Property Tax Administration. The categories are

1) Residential; 2) Commercial; and 3) Residential parking spaces, parking garages, parking lots, unimproved lots, vacant lots, and abandoned properties (PGUVA).<sup>52</sup> This analysis also examines the changes in the real property tax base by property type (single-family dwellings, condominiums, multifamily dwellings, etc.).

It is important to note that the data conveys information on the official use of all taxable properties in the District. It is safe to assume that the property use for the majority of properties represents an actual physical property that includes a structure for that use. But, in a small number of cases this assumption may not hold due to new construction, major rehabilitation, or demolition. For example, the data reveals that there were over 35,000 condominiums in the city in 2005 according to their officially designated property use. However, 11,000 condos were under construction in the same year (Delta Associates, 2006). Likewise, the data reveals that there were over 19,000 apartments in the city in 2005 according to their officially designated property use. However, 3,000 apartment buildings were under construction in the same year (Delta Associates, 2006).

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<sup>51</sup> There are a total of approximately 69 square miles of land area in the District of Columbia. The city's Office of Tax and Revenue/Real Property Tax Administration maintains data for 46.0 square miles of land area. In TY 2005, this data was comprised of 19.8 square miles of taxable land area and 26.2 square miles of certified tax-exempt land area. Additionally, there approximately 7 square miles of water area and 16 square miles of streets and alleys, which are both also tax exempt.

<sup>52</sup> PGUVA property uses are residential parking spaces, parking garages, parking lots, unimproved lots, vacant lots, and abandoned properties. This class of properties was created for this study to extract so-called lesser productive properties that resides within the broader residential and commercial classes so to minimize distortions in the broader classes particularly in terms of number of properties.



## Overview

The taxable land area for the District of Columbia increased from 12,445 acres in TY 2001 to 12,661 in TY 2005. This is an increase in the taxable land area of 216 acres or 1.7 percent.<sup>53</sup> This stems from a change in the tax status of land that was tax-exempt in 2001 to taxable status in 2005. This significant increase in taxable land corresponds to a decrease in land owned by the U.S. Government by 162 acres and a decrease in land designated as tax-exempt for low-income property owners by 105 acres for the stated time period. The total decrease for these two categories of tax-exempt properties was 266 acres. It appears that the status of 81 percent of these 266 acres was changed to a taxable status and the remaining 19 percent was reclassified as some other tax-exempt property use.

While there has been a net increase of 79 acres (3.9 percent) for commercial use, there has been a more dramatic increase of 250 acres (2.7 percent) in taxable acreage used for residential purposes. The change in the residential sector is more significant because in TY 2005, 61.2 percent of the city's taxable land area is devoted to the residential sector.

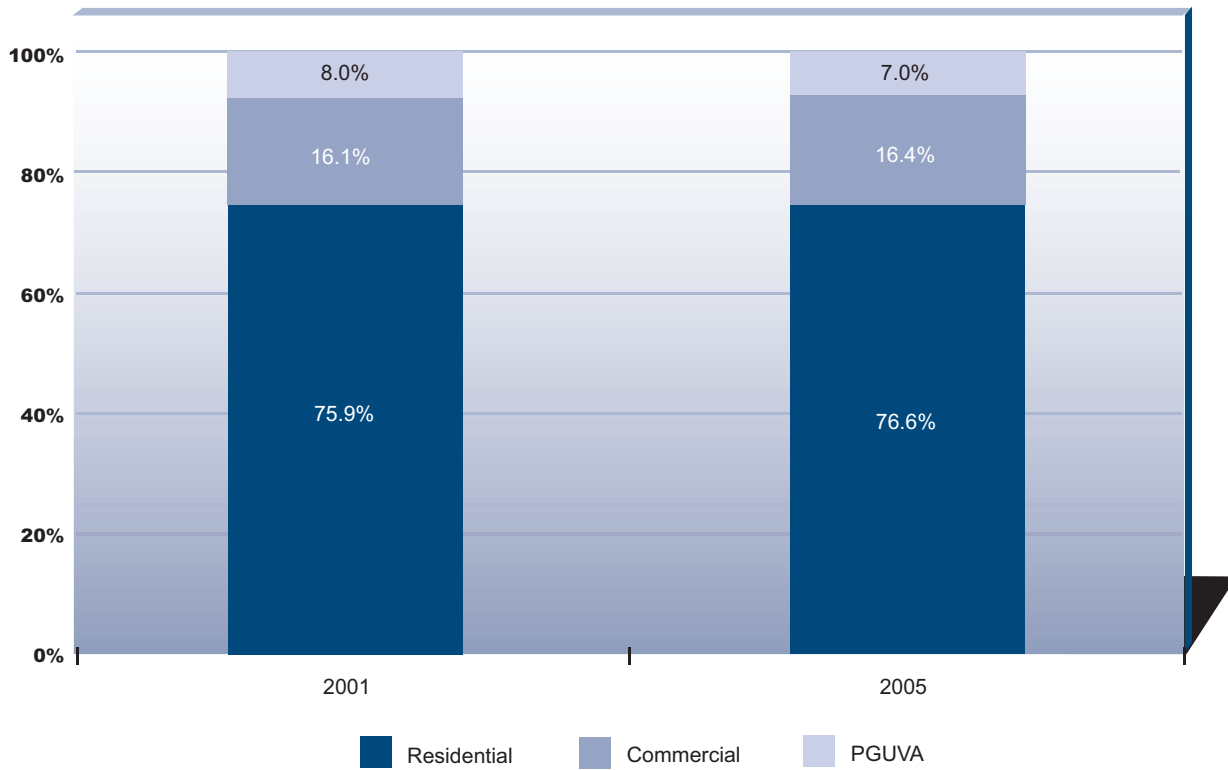
There have also been notable compositional changes within the residential sector of the tax base in terms of tax-type and property type. Acres devoted to Non-senior Homestead properties increased by 257 in TY 2005 but this was more than offset by a decrease in acres devoted to senior Homestead properties by 266. Subsequently, the actual source of growth for the net increase of 250 new taxable residential acres in TY 2005 (earlier noted) was primarily non-homestead single-family properties and also multifamily properties.



<sup>53</sup> As a whole, 216 acres is a little less than the size of federally-owned Old Soldiers' Home in Northwest that is 277 acres, and a little more than DC-owned St. Elizabeth's Hospital (East Campus) in Southeast that is 172 acres.

In sum, the tax base has increased notably in terms of acres, and concurrently the city's real estate market dynamics has caused a greater share of taxable land area to be devoted primarily to multifamily, single family dwelling, and condominium use compared to 2001. The transfer of land area from tax exempt taxable status has increased the taxable land supply.

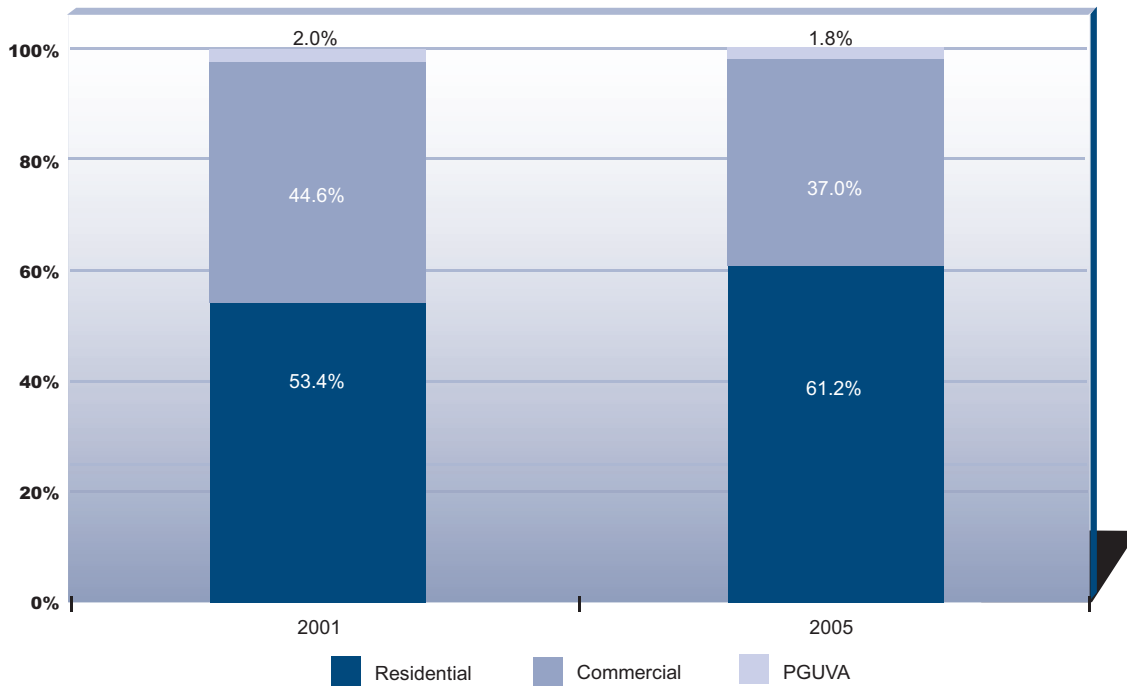
**Figure 5-14** Total Acres of Taxable Property by Property Use, TY 2001 and TY 2005



Source: OCFO, D.C. Office of Tax and Revenue

- In terms of acres, the share of residential has increased by 0.7 percentage points, and commercial has increased by 0.3 percentage points. PGUVA land use has decreased by 1.0 percentage point.
- This suggests that there has been significant development in both the residential and commercial sector for the time period 2001 to 2005.

**Figure 5-15** Total Assessment Value of Taxable Property by Property Use, TY 2001 and TY 2005



Source: OCFO, D.C. Office of Tax and Revenue

- The share of residential value of the tax assessment base has increased by 7.8 percentage points, and commercial share has decreased by 7.6 percentage points. The value of PGUVA land use has decreased by 0.2 percentage points.

**Figure 5-16** The Big Picture: Changes in Taxable Real Property Uses, TY 2001-2005, District of Columbia

	TY 2001	TY 2005	Change	Percent Change
<b>Residential Uses:</b>				
Total Acres	9,448	9,698	250	2.6
Total Properties	130,154	139,345	9,191	7.1
Total Value, \$B	\$24.7	\$61.9	37.2	150.6
Value/Acre, \$M	\$2.6	\$6.4	3.8	146.2
<b>Commercial Uses:</b>				
Total Acres	2,001	2,080	79	3.9
Total Properties	8,567	7,709	(858)	-10.0
Total Value, \$B	\$20.6	\$37.4	\$16.8	81.6
Value/Acre, \$M	\$10.3	\$18.0	\$7.7	74.7
<b>PGUVA Uses:</b>				
Total Acres	996	882	(114)	-11.4
Total Properties	16,015	17,007	992	6.2
Total Value, \$B	0.9	\$1.8	\$0.9	100
Value/Acre, \$M	\$0.9	\$2.0	\$1.1	125.9
<b>All Taxable Uses:</b>				
Total Acres	12,445	12,661	216	1.7
Total Properties	154,736	164,061	9,325	6.0
Total Value, \$B	\$46.2	\$101.1	54.9	118.8
Value/Acre, \$M	\$3.7	\$8.0	4.3	116.2

Source: OCFO, D.C. Office of Tax and Revenue

- As of 2005, the land area of the city's tax base increased by 216 acres compared to Tax Year 2001. Residential uses are the primary source of growth with an additional 250 acres developed. The commercial sector gained 79 acres, and PGUVA properties decreased by 114 acres.
- The total number of residential taxable properties increased 7.1 percent, while commercial properties decreased by 10 percent. The increase in PGUVA properties are solely due to the increase in condominium parking spaces that has accompanied condominium development in recent years
- The assessment value of total residential property, including condominium parking spaces, have more than doubled, while commercial property has yet to do so.

**Figure 5-17** Changes in Residential Taxable Real Property Uses, TY 2001-2005, District of Columbia

	TY 2001	TY 2005	Change	Percent Change
<b>Single Family and Condominiums</b>				
Total Acres	7,773	7,950	177	2.3
Total Properties	120,626	129,921	9,295	7.7
Total Value, \$B	\$21.2	\$53.1	\$31.9	150.6
Value/Acre, \$M	\$2.7	\$6.7	\$4.0	145.0
<b>Homestead Non-Senior</b>				
Total Acres	4,438	4,694	256	5.8
Total Properties	61,942	71,137	9,198	14.8
Total Value, \$B	\$13.0	\$33.4	\$20.5	157.9
Value/Acre, \$M	\$2.9	\$7.1	\$4.2	143.8
<b>Senior</b>				
Total Acres	1,872	1,607	(265)	-14.2
Total Properties	25,268	21,552	(3,716)	-14.7
Total Value, \$B	\$3.9	\$7.4	\$3.6	92.2
Value/Acre, \$M	\$2.1	\$4.6	\$2.5	123.9
<b>Non-Homestead</b>				
Total Acres	1,463	1,649	186	12.7
Total Properties	33,416	37,229	3,813	11.4
Total Value, \$B	\$4.4	\$12.3	\$7.9	180.2
Value/Acre, \$M	\$3.0	\$7.5	\$4.5	148.6
<b>Multifamily (Rental)</b>				
Total Acres	1,904	2,000	96	5.0
Total Properties	13,957	14,448	491	3.5
Total Value, \$B	\$4.6	\$11.8	\$7.2	156.8
Value/Acre, \$M	\$2.4	\$5.9	\$3.5	144.4
<b>All Residential</b>				
Total Acres	9,448	9,698	250	2.7
Total Properties	130,154	139,345	9,191	7.1
Total Value, \$B	\$24.7	\$61.9	\$39.1	150.4
Value/Acre, \$M	\$2.7	\$6.5	\$3.9	144.8

Note: The number of properties do not include the number of units. Owner-occupied properties may contain some rental units and multifamily rental properties contain many units.

Source: OCFO, D.C. Office of Tax and Revenue



## Residential Property Uses

Non-homestead and multi family property appear to be the major sources of growth in terms of acreage. But, in terms of number of properties non-senior homestead properties are the clear source of growth for the residential sector. The number of these properties increased by nearly 15 percent and total value by one-half times in the five year period.

- The number of rental (non-homestead) single family properties increased by 3,813, 11 percent. The common wisdom is that single family homes became prized investment properties, either for those moving out and choosing to rent rather than sell, or for those who simply bought homes as investment properties.

- Occupancy shifts away from owner-occupied housing for seniors receiving the 50 percent credit. The number of these properties dropped by 3,716 and nearly 15 percent. To be eligible for the senior credit, the household income must be less than \$100,000; perhaps rising incomes for some seniors contribute to the reduction in the number of senior credit households.

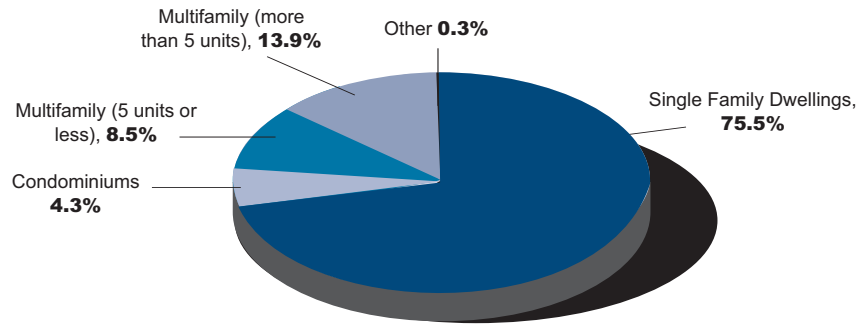
- The number of multifamily properties increased relatively mildly, by 491 properties. The data do not convey how many dwelling units are added by these new properties.

## Residential Property Types

Turning to residential property types without regard to tax status of the property or owner, the data show that single family dwellings remain the predominate type of residential dwelling. But, multifamily structures and condominiums are becoming a large share of residential sector both in terms of acreage and assessed value.

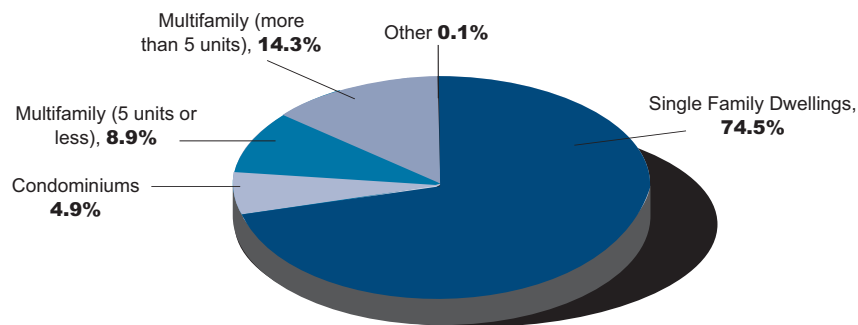
**Figure 5-18** Total Acres of Residential Property by Property Type in TY 2001 and TY 2005

TY 2001



Source: OCFO, D.C. Office of Tax and Revenue

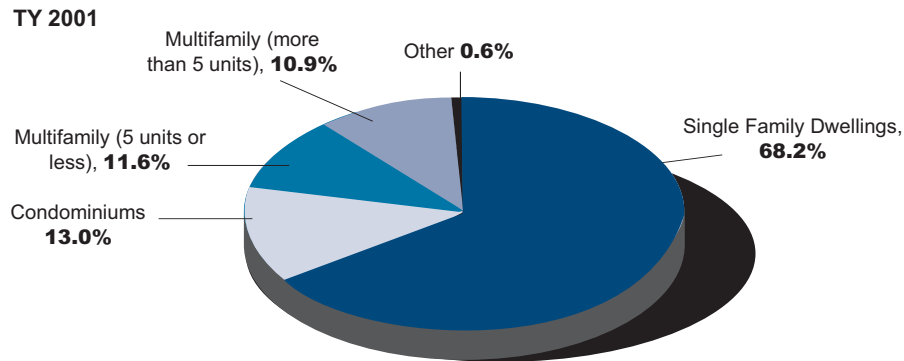
TY 2005



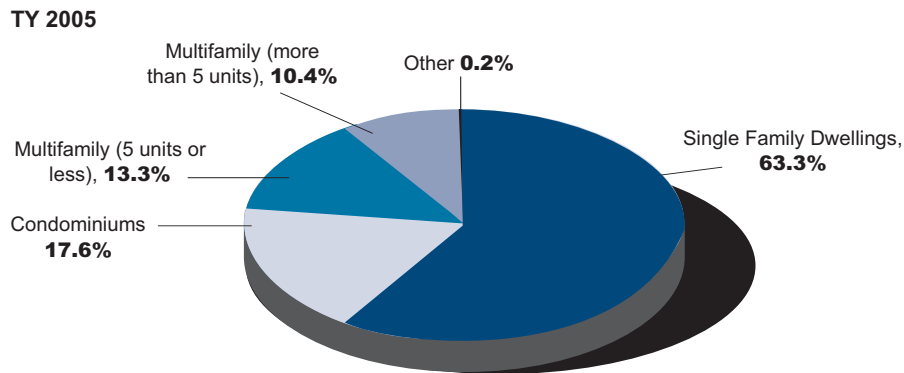
Source: OCFO, D.C. Office of Tax and Revenue

- The TY 2005 share of taxable land area used for residential properties increased by 0.8 percentage points for multifamily properties, increased by 0.6 percentage points for condominiums, and decreased by 1.0 percentage points for single family dwellings.
- Other uses are composed of taxable land area used for co-operatives and residential use mixed with other uses. This sector also decreased by 0.2 percentage points.

**Figure 5-19** Total of Residential Assessment Value by Property Use in TY 2001 and TY 2005



Source: OCFO, D.C. Office of Tax and Revenue



Source: OCFO, D.C. Office of Tax and Revenue

- The TY 2005 share of residential assessment value for condominiums properties increased by 4.6 percentage points and multifamily properties increased by 1.2 percentage points.
- The share for single family dwellings and decreased by 4.9 percentage points and 0.4 for other uses.

**Figure 5-20** District of Columbia Residential Tax Base by Property Use, TY 2001–2005

Property Type	Change in Acres	Change in Assessed Value (\$ Billions)	Percent Change in Assessed Value	Change in Number of Properties	Percent Change in Properties
Single Family Dwellings	88	22.30	132.5	1,801	2.10
Condominiums	71	7.67	238	6,994	24.80
Multifamily (5 units or less)	57	5.39	187.5	1,177	7.80
Multifamily (more than 5 units)	71	3.75	139.1	-97	-2.90
Other	(39)	(11.8)	-8.5	(92)	395.10
<b>Total</b>	<b>250</b>	<b>37.17</b>	<b>150.4</b>	<b>9,191</b>	<b>7.10</b>

Source: OCFO, D.C. Office of Tax and Revenue

- The growth in land area by residential property type is led by multifamily properties with 128 acres, followed by single family dwellings with 88 acres and condominiums with 71 acres in the five year period.
- However, the growth in residential properties by residential property type is led by condominiums with 24.8 percent, followed by all multifamily properties with 5.9 percent and single family dwellings with 2.1 percent.
- The number of small multifamily structures increased substantially, by 1,117, while the number of larger structures dropped. The data does not reveal if total dwelling units in multifamily buildings increased or decreased.

**Figure 5-21** Property for Non-Residential Dwelling

Property Type	Tax Year 2001			Tax Year 2005			Change, TY 2001–2005		
	Total Acres	Assessment Value	Number of Properties	Total Acres	Assessment Value	Number of Properties	Total Acres	Assessment Value	Number of Properties
<b>Commercial</b>									
Small Office Bldgs	90	0.5	852	90	0.9	811	0	0.4	-41
Large Office Bldgs	342	14.2	571	356	27.0	555	14	12.8	-16
Hotels	97	2.1	162	103	3.2	170	6	1.1	8
All Other Commercial	1,471	3.8	6,982	1,531	6.2	6,173	60	2.4	-809
Sub-Total	2,000	21	8,567	2,080	37.3	7,709	80	16.7	-858
<b>PGUVA</b>									
Condo Parking	6	0.08	6,713	8	0.2	8,013	2	0.12	1,300
All Other	990	0.80	9,302	875	1.7	8,994	-115	0.9	(308)
Sub-Total	996	0.88	16,015	883	1.9	17,007	-113	1.02	992
<b>Total for Commercial &amp; PGUVA</b>	<b>2,996</b>	<b>21</b>	<b>24,582</b>	<b>2,963</b>	<b>39</b>	<b>24,716</b>	<b>-33</b>	<b>17.72</b>	<b>134</b>

Source: OCFO, D.C. Office of Tax and Revenue

- Taxable land in commercial uses increased by 79 acres, while dropping 114 acres in PGUVA uses.
- The total number of commercial properties decreased 858 (10 percent).
- Of the four subsectors of commercial taxable uses, only hotels have grown in both acres (8) and properties (6).
- The 14 additional acres zoned for large commercial office building use is responsible for 72.3 percent of the total increase of assessment value for the two real property tax classes.
- The 1,300 additional parking spaces for condominiums correspond to significant increase in condominium development from 2001 to 2005.

**Figure 5-22** Summary: Percentage Distribution of Assessed Value and Estimated Liability by Ward and Class, TY 2005

<b>Assessment</b>				
<b>Ward</b>	<b>Class 1</b>	<b>Class 2</b>	<b>Class 3</b>	<b>Total</b>
1	6.4	0.8	0.1	7.3
2	12.8	29.6	0.1	42.5
3	16.8	1.5	0.0	18.3
4	8.0	0.3	0.0	8.3
5	4.4	0.9	0.1	5.4
6	7.9	5.8	0.1	13.8
7	2.5	0.2	0.0	2.7
8	1.4	0.2	0.0	1.6
<b>Total</b>	<b>60.2</b>	<b>39.3</b>	<b>0.4</b>	<b>100.0</b>
<b>Liabilities</b>				
<b>Ward</b>	<b>Class 1</b>	<b>Class 2</b>	<b>Class 3</b>	<b>Total</b>
1	4.0	1.3	0.2	5.5
2	8.5	46.4	0.3	55.2
3	10.7	2.4	0.1	13.2
4	4.2	0.5	0.1	4.8
5	2.3	1.4	0.3	4.0
6	4.6	9.1	0.3	14.0
7	1.4	0.4	0.2	2.0
8	0.9	0.2	0.2	1.3
<b>Total</b>	<b>36.6</b>	<b>61.8</b>	<b>1.7</b>	<b>100.0</b>

Source: OCFO, D.C. Office of Tax and Revenue



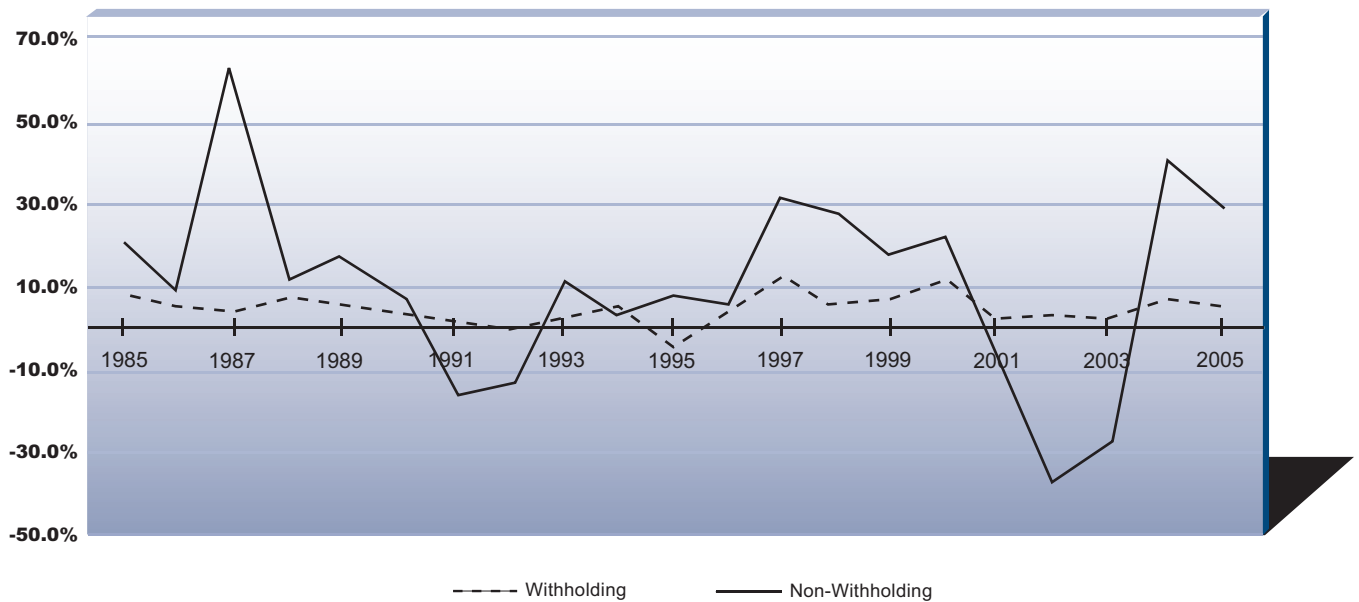
# Individual Income Tax Information

## Volatility of Individual Income Tax

Besides tax rate changes, the behavior of individual income tax revenue is also impacted by the performance of the tax's components: withholding and non-withholding. Changes in the economy such as fluctuations in the stock market can impact the non-withholding component (declarations, payments

and refunds) of individual income tax. Any significant change in this component contributes to the level of revenue collected from individual income tax, and as such affects the District's revenue and budget.

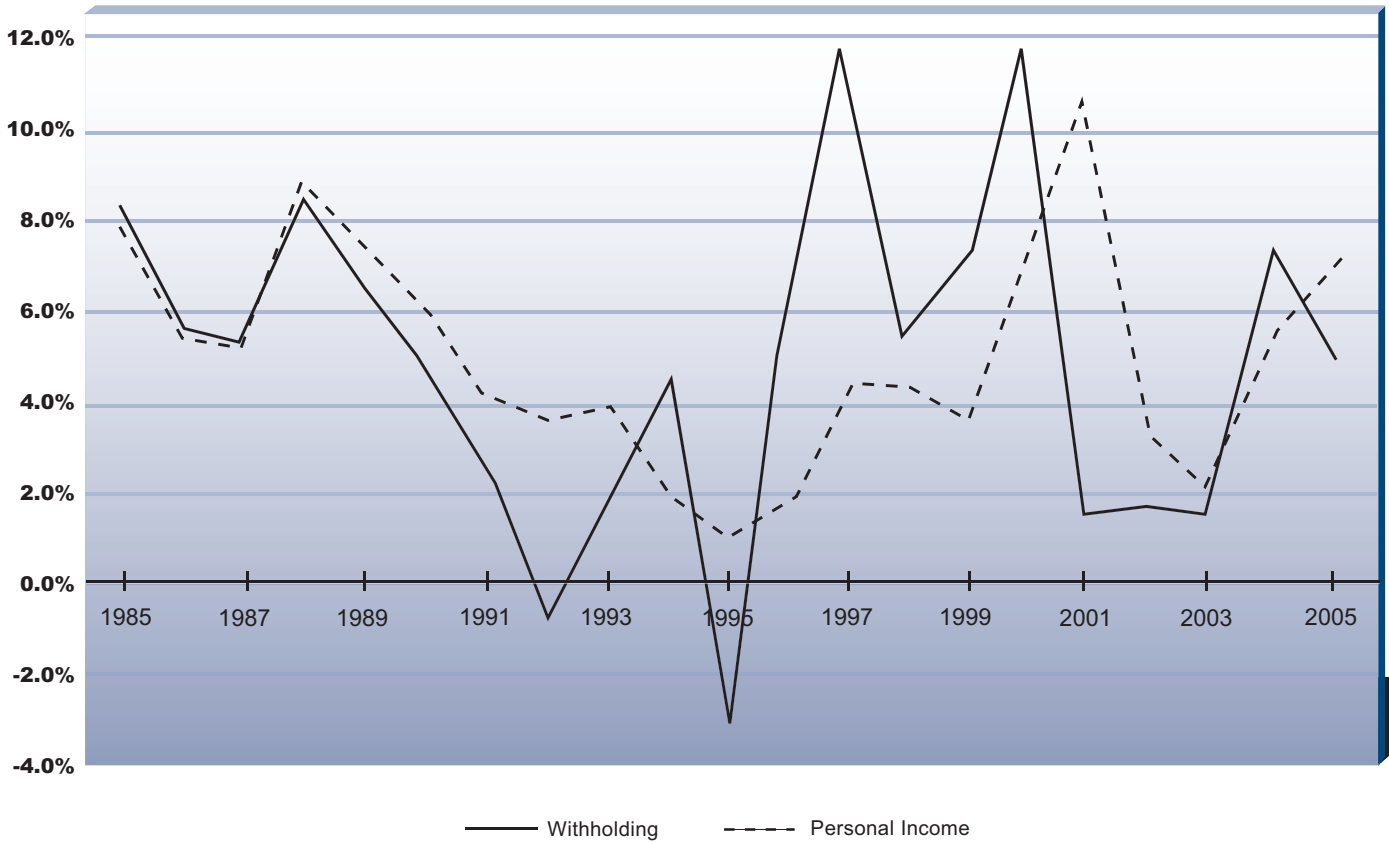
**Figure 5-23** Percent Change in Withholding and Non-Withholding, 1985–2005



Source: OCFO, D.C. Office of Tax and Revenue

- Relative to the unpredictability of non-withholding the performance of withholding is relatively stable.
- For the period 1985-2005, withholding was approximately 2 percent of wages and salaries earned annually in the District of Columbia. In TY 2005 withholding was 5.6 percent of estimated wages earned by D.C. residents.

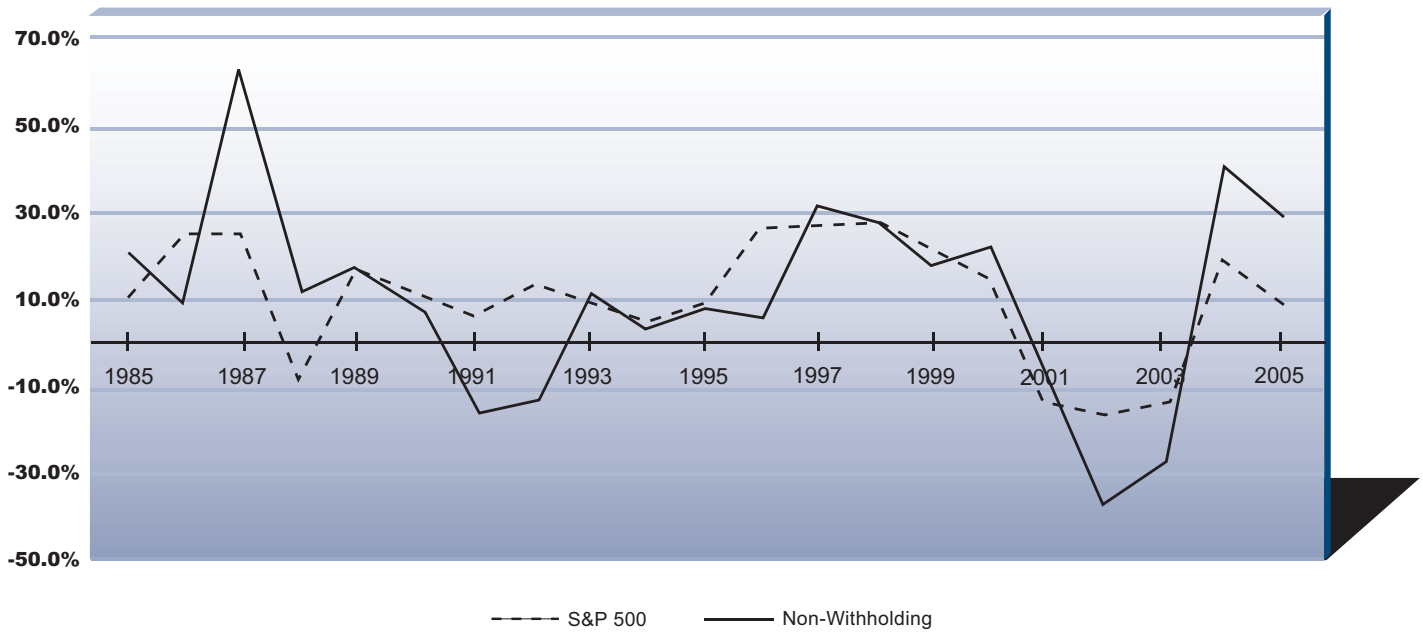
**Figure 5-24** Percent Change in Withholding and Personal Income, 1985–2005



Source: OCFO, D.C. Office of Tax and Revenue and Bureau of Economic Analysis

- Fluctuations in withholding and personal income contribute to volatility in revenue from individual income tax.
- The behavior of withholding may be attributed to the wages and salaries, which have grown in the last few years (after experiencing slowed growth in FY 2002 and FY 2003 and double digit growth in FY 2000 and FY 2001), as well as to the filing status of taxpayers and the exemptions claimed by taxpayers (the number of which may have grown as a result of an increase in homeownership in the District).
- Components of personal income include wages and salaries and dividends but not capital gains. Hence, the fluctuation in individual income tax collections may be due to activity in the stock market, as well as the performance of wages and salaries.

**Figure 5-25** Percent Change in Non-Withholding and S&P 500, 1985–2005



Source: OCFO, D.C. Office of Tax and Revenue and Yahoo! Finance

- Non-withholding is quite volatile, and its behavior is closely tied to changes taking place in the stock market.
- The declaration component of non-withholding is the primary driver of non-withholding and the unpredictable pattern that this component experiences.
- Between 1985 and 2005 the sharpest declines experienced in the non-withholding component of individual income tax revenue were impacted by the 1990 and 2001 recessions.

## Earned Income Tax Credit (EITC)

EITC is a special tax break (based on the federal EITC), which is designed specifically for low- and moderate-income workers. Individuals who qualify for the EITC will receive a reduction in tax liability or a refund. District taxpayers who claimed the EITC in filing their federal tax return and did not claim the District Low Income Tax Credit can claim the EITC on their D.C. return. In order to qualify for the District Low Income Tax Credit the taxpayer's federal tax liability before credits and payments must be zero. The EITC claimed by taxpayers on their District return is a percentage of the EITC claimed on their federal return. A taxpayer cannot claim both the EITC and the District Low Income Tax Credit. Taxpayers can choose the credit that reduces their tax liability. Unlike the EITC which is a refundable credit, the District Low Income Tax Credit is a non-refundable credit, which only reduces

the tax liability and does not directly result in a tax refund. To qualify for the District Low Income Tax Credit the taxpayer (1) must file a federal return and the federal tax before credits and payments is zero, (2) the filer's federal adjusted gross income is less than the sum of the federal personal exemptions and federal standard deduction, and (3) the filer's taxable income is more than zero. For tax years starting in 2005, those District taxpayers who are allowed the credit in filing their federal individual income tax return and did not claim the District Low Income Tax Credit are allowed a D.C. EITC equal to 35 percent of the amount allowed by the Internal Revenue Service. For tax years starting in 2006, those District taxpayers who are parents of a minor child, are required to pay child support and who otherwise qualify are allowed a D.C. EITC equal to 35 percent of the amount that would have been allowed by the Internal Revenue Service.

**Figure 5-26** Distribution of Earned Income Tax Credit by Filer Type, TY 2001–TY 2004

	TY 2001		TY 2002		TY 2003		TY 2004	
	Returns	Total (\$)	Returns	Total (\$)	Returns	Total (\$)	Returns	Total (\$)
<b>Total</b>	<b>43,712</b>	<b>18,948,175</b>	<b>46,281</b>	<b>20,224,439</b>	<b>46,181</b>	<b>20,276,828</b>	<b>44,166</b>	<b>20,141,717</b>
Single	9,757	2,155,709	10,365	2,398,980	10,463	2,401,948	9,990	2,443,629
<i>Percent Distribution</i>	<i>22.3</i>	<i>11.4</i>	<i>22.4%</i>	<i>11.9%</i>	<i>22.7%</i>	<i>11.8%</i>	<i>22.6%</i>	<i>12.1%</i>
Married Filing Separately	42	14,344	24	9,915	49	18,200	22	7,641
<i>Percent Distribution</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1%</i>	<i>0.05%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.05%</i>	<i>0.04%</i>
Married Filing Combine Separately	219	77,186	225	82,428	262	101,909	244	98,366
<i>Percent Distribution</i>	<i>0.5</i>	<i>0.4</i>	<i>0.5%</i>	<i>0.4%</i>	<i>0.6%</i>	<i>0.5%</i>	<i>0.6%</i>	<i>0.5%</i>
Joint	2,291	1,038,169	2,590	1,227,102	2,402	1,133,205	2,253	1,113,595
<i>Percent Distribution</i>	<i>5.2</i>	<i>5.5</i>	<i>5.6%</i>	<i>6.1%</i>	<i>5.2%</i>	<i>5.6%</i>	<i>5.1%</i>	<i>5.5%</i>
Head of Household	31,316	15,644,493	33,041	16,499,309	32,919	16,587,546	31,608	16,468,533
<i>Percent Distribution</i>	<i>71.6</i>	<i>82.6</i>	<i>71.4%</i>	<i>81.6%</i>	<i>71.3%</i>	<i>81.8%</i>	<i>71.6%</i>	<i>81.8%</i>
Dependent	43	4,745	35	6,646	85	33,777	49	10,133
<i>Percent Distribution</i>	<i>0.1</i>	<i>0.03</i>	<i>0.1%</i>	<i>0.03%</i>	<i>0.2%</i>	<i>0.2%</i>	<i>0.1%</i>	<i>0.1%</i>

Source: OCFO, D.C. Office of Tax and Revenue

- The “working poor”, as indicated by the presence of the D.C. EITC are found in all filer types. In total, about 17 percent of tax-filers claim these credits in TY 2004.
- Tax credits for low-income workers reduce tax burdens; the EITC can refund more than the taxpayer may owe and increase after-tax income.
- Filers for these credits represent about 55 percent of Head of Household returns in TY 2004. About 7 percent of single filers and 8 percent of married-joint filers claim the EITC.
- Between TY 2001 and TY 2004 there was a 1 percent increase in the number of and a 6 percent increase in the amount of D.C. EITC. While there was about a 1 percent decline in the number of married filers claiming the credit and an 8 percent increase in the amount of the credit.



- There was approximately a one percent increase in the number of EITC returns filed by head of household filers, which was associated with a 5 percent increase in the amount of the credit between TY 2001 and TY 2004.

### The District's High-Income Taxpayers (Taxpayers with incomes greater than \$250,000)

- Fewer than 3 percent of the taxpayers pay more than 42 percent of all income tax in TY 2004.
  - Their income tax alone, \$440 million, represents more than 10 percent of all allocable D.C. tax revenue for FY 2005.
  - In TY 2003, the comparable income group had tax due of \$353 million, and growth was 25 percent between the 2 years.
  - Growth of tax due from the high income filers represents about three-quarters of all income tax revenue growth in the period.
- The increase in revenue is caused mostly by the higher incomes of D.C.'s current residents.
  - About half of the growth arises from filers who have income in the \$250,000 to \$1 million range for both years.
  - Another third comes from 2,035 filers who moved up from lower income categories in TY 2003, even after netting out the revenue from the 893 filers who moved down to lower income categories in TY 2004.

- The number of filers with incomes over \$1 million declined by more than 25 percent; while their tax liability increased by \$10 million to \$14 million in TY 2004.

- The number of new high incomes filers in TY 2004 was 774; while the number of high income filers leaving the District was 653. This results in a net gain of 121 high income taxpayers.

- Marriage is a pronounced feature of high-income filers.
  - While married filers represent only 19 percent of all filers, they are 75 percent of the filers with \$250,000 or more DCAGI in TY 2004.
  - About 80 percent of “repeaters” (high income in both years) are married filers.
  - The number of married filers with income over \$250,000 increased 25%, from 5,741 to 7,224, between TY 2003 and TY 2004.

For TY 2004, 7,434 tax filers had D.C. Adjusted Gross Income (DCAGI) of \$250,000 or more. They represent just 2.8 percent of all filers but generate more than \$440 million in income tax due. The distribution by filer-type in Table 5-27 is quite different from the distribution of all filers where 55.4 percent are single, 21.8 percent heads-of-household and only 19.4 percent married. Table 5-28 provides a further breakdown of filer types by income levels for TY 2003 and TY 2004.

- Over 70 percent of all taxpayers with D.C. AGI greater than \$250,000 are married filers, while roughly 20 percent are single filers.

**Figure 5-27** Filers with D.C. Adjusted Gross Income (AGI) >\$250k Compared to All Filers, by Filer Type, TY 2004

Filer-Type, TY 2004	All Filers: Percent Distribution	DCAGI > \$250k Percent Distribution	DCAGI > \$250k as Percent of All Filers
Single	55.4	19.47	0.6
Head of Household	21.8	2.8	0.1
Dependent	3.4	0.1	1.0
Married Filing Combined Return	5.7	44.3	1.1
Married Filing Joint Return	10.6	29.3	0.8
Married Filing Separately	3.1	3.8	0.8
<b>All</b>	<b>100</b>	<b>100</b>	<b>2.8</b>

Source: OCFO, D.C. Office of Tax and Revenue

- In terms of the distribution among all filers, filers with D.C. AGI greater than \$250,000 constitute slightly less than 3 percent of all filers in TY 2004 with most of them being married filers.

- For all incomes greater than \$250,000 almost 80 percent of those who had incomes over \$250,000 in TY 2004 and TY 2003 were married filers, while singles accounted for slightly less than 20 percent.

**Figure 5-28** Classification of TY 2004 D.C. Income Tax Filers with AGI Greater than \$250,000, by Filer Type and TY 2003 D.C. Income Tax Status

AGI Level (2004)	Filer Type (2004)	2003 Income Tax Status							
		AGI > \$250,000		AGI < \$250,000		Did Not File		All	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
\$250K-\$1000K	Single	737	19.34	676	34.68	112	15.91	1,525	23.59
	Married filing Combined	1,683	44.16	652	33.45	318	45.17	2,653	41.04
	Married filing Joint	1,230	32.27	524	26.89	211	29.97	1,965	30.40
	All Types	3,811		1,949		704		6,464	
\$1000K-\$2000K	Single	66	12.13	19	31.67	7	14.58	92	14.11
	Married filing Combined	286	52.57	22	36.67	28	58.33	336	51.53
	Married filing Joint	164	30.15	16	26.67	8	16.67	188	28.83
	All Types	544		60		48		652	
\$2000K-\$3000K	Single	17	14.66	5	*	*	*	23	17.04
	Married filing Combined	50	43.10	*	*	*	*	57	42.22
	Married filing Joint	43	37.07			6	*	49	36.30
	All Types	116		*		*		135	
Greater than \$3000K	Single	23	14.94	5	29.41			28	15.30
	Married filing Combined	65	42.21	6	35.29	5	41.67	76	41.53
	Married filing Joint	56	36.36	*	17.65	*	16.67	61	33.33
	All Types	154		*		*		183	
All greater than \$250K	Single	843	18.23	705	34.64	120	15.50	1,668	22.44
	Head of Household	102	2.21	42	2.06	22	2.84	166	2.23
	Dependent	*		*				10	
	Married filing Combined	2,084	45.06	684	33.61	354	45.74	3,122	42.00
	Married filing Joint	1,493	32.28	543	26.68	227	29.33	2,263	30.44
	Married filing separate	100	2.16	54	2.65	51	6.59	205	2.76
	All Types	4,625		2,035		774		7,434	

Detail for Head-of-household, Dependent, and Married-Filing-Separate filer types not shown to preserve confidentiality.

\* omitted to preserve confidentiality

Source: OCFO, D.C. Office of Tax and Revenue

- 35 percent singles had income less than \$250,000 in TY 2003 and greater than \$250,000 in TY 2004.

- Over 700 filers with income greater than \$250,000 in TY 2004 did not file in TY 2003.

**Figure 5-29** Repeat Filers at the top Income Levels: TY 2003 and TY 2004

2003 AGI group	Statistics	2004 AGI group				All
		\$250k-1,000k	\$1,000k-2,000k	\$2,000k-3,000k	more than \$3,000K	
\$250k-1000k	number of returns	3,683	281	41	22	4,027
	2003 total tax liability	125,842,725	15,294,565	1,594,242	958,828	143,690,360
	2004 total tax liability	140,475,104	30,469,932	8,553,028	11,457,795	190,955,859
	number of returns	95	234	43	31	403
\$1000k-2000k	2003 total tax liability	10,772,409	26,519,318	5,545,110	3,628,942	46,465,779
	2004 total tax liability	4,982,680	29,626,222	8,296,148	14,790,537	57,695,587
	number of returns	15	21	24	34	94
\$2000k-3000k	2003 total tax liability	3,232,923	4,148,079	4,964,318	6,981,274	19,326,594
	2004 total tax liability	859,552	2,527,804	5,254,458	16,592,203	25,234,017
	number of returns	18	8	8	67	101
more than \$3000k	2003 total tax liability	9,023,661	3,203,714	2,607,716	55,214,615	70,049,706
	2004 total tax liability	687,708	1,022,353	1,557,469	55,058,297	58,325,827
	number of returns	3,811	544	116	154	4,625
All	2003 total tax liability	148,871,718	49,165,676	14,711,386	66,783,659	279,532,439
	2004 total tax liability	147,005,044	63,646,311	23,661,103	97,898,832	332,211,290
Mean	2003 tax liability	39,064	90,378	126,822	433,660	60,439
	2004 tax liability	38,574	116,997	203,975	635,707	71,829

Source: OCFO, D.C. Office of Tax and Revenue

Of the top income filers, 4,625 or 62 percent are “repeaters” who filed with DCAGI of \$250,000 or more for TY 2003 as well.

- “Repeaters” with DCAGI greater than or equal to \$250k, comprise just over 1 percent of all returns filed for 2004. The “repeater” group is heavily dominated by 3,677 married filer returns. They represent 7 percent of all married filer returns—regardless of income level.

- The 843 “repeater”, single with incomes greater than or equal to \$250k, filers among singles represents only about 1/2 of 1 percent of all single filers. This share is small because single filers represent over half of all filers from all income levels.

**Figure 5-30** Filers with Less than \$250,000 AGI in 2003 and Greater than \$250,000 in 2004

2003 AGI group	Statistics	2004 AGI group				All
		\$250k-1,000k	\$1,000k-2,000k	\$2,000k-3,000k	More than \$3,000K	
Negative AGI	number of returns	24	*	*	6	*
	2003 total tax liability	0	*		0	*
	2004 total tax liability	883,164	*		1,849,863	*
	number of returns	354	19	*	5	*
Less than \$100k	2003 total tax liability	1,059,981	42,995	*	12,312	*
	2004 total tax liability	12,005,114	2,183,594	*	1,837,449	*
	number of returns	1,571	40	7	6	1,624
\$100k-250k	2003 total tax liability	22,116,431	454,112	93,097	78,789	22,742,429
	2004 total tax liability	43,530,523	4,581,406	1,588,209	2,666,454	52,366,592
	number of returns	1,949	60	9	17	2,035
All	2003 total tax liability	23,176,412	497,107	106,631	91,101	23,871,251
	2004 total tax liability	56,418,801	6,862,495	2,084,274	6,353,766	71,719,336
Mean	2003 total tax liability	11,891	8,285	11,848	5,359	11,730
	2004 total tax liability	28,948	114,375	231,586	373,751	35,243

\* Omitted to preserve confidentiality  
Source: OCFO, D.C. Office of Tax and Revenue

More than 2,000 taxpayers who lived in D.C. in both years moved up to the \$250,000-plus level in 2004, from lower income levels in 2003.

- Some filers were new in the District for 2004, 774 of them recording at least \$250,000 in DCAGI in their first filing year. Most are in the DCAGI range up to \$1,000,000 but about 9 percent are at higher income levels.

- Of the top income filers for TY 2003, 653 did not file in TY 2004. The net revenue impact of arriving and departing high income taxpayers is about \$1 million between the two years—not a significant determinant of revenue change.



In addition:

- Tax due for TY 2003 from the high income group was \$353 million, about \$87 million less than in TY2004. Growth between the two years was 25 percent.
- Individual income tax revenue was \$1,042 million in FY 2004 and \$1,160 million in FY 2005, with total growth of 11 percent. There was a 4.5 percent (\$31 million) increase in income tax revenue generated by filers with income less than \$250,000.
- A total of 893 high income filers from TY 2003 “moved down” in 2004. The 893 drop is much smaller than the 2,035 filers who moved up from lower incomes into the highest group between 2003 and 2004. Year-over-year revenue change from those moving down is about (\$28 million).
- The large number of taxpayers moving up in 2004 explains more than 90 percent of the 1,257 growth in high-income taxpayers between the two years. Retaining current taxpayers, and encouraging the growth in their incomes, seems to be a key to the stability and growth of D.C.'s income tax revenues.
- For income levels above \$200,000 D.C. AGI, the number of filers increased by more than 2,120 between TY 2001 and TY 2004, from 7,701 to 9,821 returns.
- At these same income levels the number with wage and salary income grew by 1,568, from 6,278 to 7,846, and their percentage of wage income increased from 16.2 percent to 21.2 percent.
- The out-of-state tax credits received by income levels above \$200,000 D.C. AGI increased from \$37 million to \$63.7 million. In TY 2004 they received 91 percent of all out-of-state tax credit and 32 percent of them got this credit.

**Figure 5-31** Taxpayers Reporting AGI Greater than \$250,000 in TY 2003 or TY 2004 Who Did Not File in the Other Year

Non-filing Year	Filing Year	Statistics	AGI group				
			\$250k-1,000k	\$1,000k-2,000k	\$2,000k-3,000k	More than 3,000k	All
2004	2003	Number of returns	583	48	8	14	653
		Total tax liability	20,084,326	5,490,136	1,719,856	7,906,452	35,200,770
2003	2004	Number of returns	704	48	10	12	774
		Total tax liability	23,640,135	5,200,637	2,094,006	5,481,965	36,416,743
		Net increase in returns	121	0	2	-2	121

Source: OCFO, D.C. Office of Tax and Revenue

- There were 653 filers with incomes over \$250,000 who filed in tax year 2003 and did not file in tax year 2004. Of these almost 90 percent were in the \$250,000 to \$1,000,000 income category.
- There were 774 high-income individuals who filed in tax year 2004 and did not file in tax year 2003.
- These numbers indicate an increased presence of high-income taxpayers in the District in 2004 than in 2003.

## IRS Migration Data

**Figure 5-32** Washington, D.C. Migration Data, 2000–2005

Year	Returns (IN)	Returns (OUT)	(-) Net outflow (+) Net inflow	AGI per Return (IN)	AGI per Return (OUT)	(-) Net outflow (+) Net inflow	Exemptions per Return (IN)	Exemptions per Return (OUT)
2000-2001	23,881	24,353	-472	\$45,331	\$50,460	-\$5,129	1.4	1.7
2001-2002	25,243	23,754	1,489	\$47,604	\$51,653	-\$4,049	1.4	1.6
2002-2003	23,484	24,648	-1,164	\$44,395	\$51,832	-\$7,437	1.4	1.6
2003-2004	23,914	24,074	-160	\$42,989	\$51,906	-\$8,916	1.4	1.6
2004-2005	24,688	24,124	564	\$45,613	\$56,001	-\$10,388	1.3	1.6

Source: Internal Revenue Service

- There was a decline in the number of taxpayers migrating to the District of approximately 7 percent between 2001 and 2002 while for the same period there was about a 4 percent increase in the number of taxpayers exiting the District.
- Over the period the District experienced a net outflow of taxpayers in three of the five years from 2000 to 2004.
- The net outflow of taxpayers and income could be as a result of a move by established households in search of cheaper housing and better schools.
- According to the exemptions per return (an estimate of household size), the size of taxpayer households leaving the District was higher than the size of those migrating to the District, suggesting a reduction in the number of taxpayers with children migrating to the District.
- The federal Statistics of Income (SOI) reports numbers for those who file with a D.C. address and the address could be a home, an accounting firm, a business office, or the local address of a federal official, among others.
- D.C.'s returns are filed by those subject to the District's income tax—those who live here for 183 days a year or more or others who are domiciled in D.C. for tax purposes. The District's filers do not include non-residents who earn income in D.C. (as established by federal law), nor non-residents who use a D.C. tax preparer, nor many residents who may be exempt from D.C. tax by special acts of the Federal or the District governments.
- Neither the federal nor the D.C. returns include those who cheat on their tax and fail to file in one, the other, or both jurisdictions.

**Figure 5-33** Statistics of Income Summary (SOI), TY 2001 and TY 2004

<b>DCAGI</b>	<b>\$0-\$30,000</b>	<b>\$30,000-\$50,000</b>	<b>\$50,000-\$200,000</b>	<b>\$200,000 and Over</b>
<b>Number of Returns</b>				
TY 2004	124,682	54,823	66,189	9,821
TY 2001	141,391	55,896	60,364	7,701
Change	(16,709)	(1,073)	5,825	2,120
Pct. Change	-11.8%	-1.9%	9.6%	27.5%
Pct of All Filers, TY 2001	52.2%	20.7%	22.3%	2.8%
<b>Returns with Wage Income</b>				
TY 2004	105,147	49,513	59,994	7,846
TY 2001	119,424	50,510	54,475	6,278
Change	(14,277)	(997)	5,519	1,568
Pct. Change	-12.0%	-2.0%	10.1%	25.0%
Pct of All Filers, TY 2001	51.4%	21.7%	23.5%	2.7%
<b>Average Wage</b>				
TY 2004	\$19,080	\$43,206	\$87,292	\$324,245
TY 2001	\$25,214	\$51,079	\$104,976	\$330,846
Change	(6,134)	(7,873)	(\$17,684)	(6,601)
Pct. Change	-24.3%	-15.4%	-16.8%	-2.0%
<b>Full Year Returns</b>				
TY 2004	94,398	46,339	60,560	9,491
TY 2001	104,978	46,382	55,345	7,479
Change	(10,580)	(43)	5,215	2,012
Pct. Change	-10.1%	-0.1%	9.40%	26.9%
Pct of All Filers, TY 2001	48.1%	21.2%	25.30%	3.4%

Source: OCFO, D.C. Office of Tax and Revenue

**Figure 5-34** TY 2001 Statistics of Income (SOI)\*

Category of Statistic	Total Returns	Break even and Loss	\$0.01-\$10,00	\$10,000-\$20,000	\$20,000-\$30,000	\$30,000-\$50,000
Total Number of Returns	270,645	5,293	47,567	49,417	44,407	55,896
Salary and Wages Returns	232,270	1,583	38,511	41,727	39,186	50,510
Salary and Wages Totals	13,534,982,480	148,151,554	397,872,226	866,901,378	1,746,419,501	2,580,003,578
12 Months in DC Returns	218,452	4,268	31,646	37,646	35,686	46,382
Not 12 Months in DC Returns	52,193	1,025	15,921	11,771	8,721	9,514
Itemized Deductions Returns	111,999	1,160	4,583	8,423	13,089	26,876
Itemized Deductions Totals	1,710,178,014	19,926,172	27,952,736	64,031,508	113,886,845	274,589,742
Standard Deductions Returns	157,919	4,128	42,897	40,847	31,162	28,830
Standard Deductions Totals	296,059,744	7,490,334	77,699,617	75,946,511	59,515,229	55,833,519
Taxable Interest Returns	14,137	104	1,804	2,044	2,058	3,752
Taxable Interest Totals	60,041,620	19,030,380	1,100,244	1,621,467	1,531,584	3,257,484
Ordinary Dividends Returns	3,987	72	321	361	389	702
Ordinary Dividends Totals	40,740,461	1,424,509	584,899	641,033	728,809	1,757,043
Rental Real Estate Royalties Returns	20,135	475	1,258	1,346	1,397	2,812
Rental Real Estate Royalties Totals	1,415,231,620	133,531,854	16,087,358	19,596,166	14,840,515	41,707,993
Business Income Returns	28,478	503	5,239	3,969	2,979	4,630
Business Income Returns Totals	1,167,238,462	27,174,151	34,531,709	522,647,402	42,680,131	77,953,359
Business Loss Returns	3,838	142	352	420	496	786
Business Loss Totals	-55,658,873	-10,934,038	-2,641,976	-4,405,776	-3,220,016	-6,974,788
Capital Gains Returns	2,576	50	209	212	198	420
Capital Gains Returns Totals	223,438,713	25,402,292	548,735	579,406	486,617	2,356,430
Capital Loss Returns	444	20	24	31	47	71
Capital Loss Totals	-1,715,502	-155,722	-45,836	-67,011	-98,915	-138,079
Other Income Returns	1,504	34	162	232	200	303
Other Income Totals	25,342,854	6,837,097	1,853,034	2,163,514	1,513,224	2,612,597
Federal Total Income Returns	13,816	141	2,202	3,077	2,361	2,769
Federal Total Income Totals	1,017,081,444	16,307,036	26,449,678	61,119,851	68,333,603	120,628,007
Adjustments Returns	3,029	52	481	459	449	655
Adjustment Totals	15,286,249	267,926	594,084	903,795	984,030	2,149,013
Total Number of Exemptions	526,052	5,634	74,333	104,742	96,286	107,331
Exemptions Totals	693,442,136	7,067,403	92,933,775	136,221,337	128,106,268	143,697,952
Taxable Income Returns	246,407	1	31,069	48,000	43,930	55,571
Taxable Income Totals	11,408,639,070	913	97,417,334	474,279,651	805,187,978	1,696,719,330
Tax Due Returns	245,990	12	30,881	47,847	43,878	55,547
Tax Due Totals	907,346,901	29,482	4,864,649	25,345,906	49,391,984	115,981,175
Out of State Credit Returns	7,019	15	454	622	548	778
Out of State Credit Totals	37,048,661	67,862	143,625	191,538	214,063	494,042
Childcare Credit Returns	13,753	44	363	1,976	3,885	3,630
Childcare Credit Totals	2,755,979	11,928	86,136	363,516	776,655	735,692
DC Metro Police Credit Returns	45	1	7	5	2	7
DC Metro Police Credit Totals	83,667	2,000	9,667	9,833	2,667	14,000
Low Income Credit Returns	8,118	49	6,195	1,210	471	163
Low Income Credit Totals	2,131,913	15,024	1,404,317	440,883	201,717	55,418
Total Taxes Returns	239,084	11	25,256	46,827	43,711	55,494
Total Taxes Totals	866,823,718	19,796	4,125,735	24,544,861	48,255,469	114,713,773
Property Tax Credit Returns	9,722	1,714	3,088	4,683	90	61
Property Tax Credit Totals	4,009,360	816,674	1,418,906	1,732,585	27,307	8,550
DC Earned Income Tax Credit Returns	43,712	346	16,514	15,417	10,806	615
DC Earned Income Tax Credit Totals	18,948,175	108,608	5,687,812	9,931,207	3,163,436	54,329
DC Income Tax Withheld Returns	229,026	1,141	34,216	41,272	40,116	51,587
DC Income Tax Withheld Totals	697,292,589	1,355,774	8,101,386	28,707,861	52,348,506	122,492,700
Extension Payments Returns	3,739	31	237	237	231	466
Extension Payments Totals	46,520,974	254,731	99,482	168,637	221,365	723,742
Total Payments and Credit Returns	3,739	31	237	237	231	466
Total Payments and Credit Totals	46,520,974	254,731	99,482	168,637	221,365	723,742
Overpayments Returns	208,246	3,100	36,909	39,297	34,453	43,523
Overpayments Totals	356,302,960	5,904,525	14,342,573	25,315,578	22,644,317	42,404,868
Refund Returns	192,186	1,722	35,824	38,019	32,843	40,786
Refund Totals	145,735,411	2,715,137	12,829,200	20,666,751	15,485,021	25,157,558
Tax Owed Returns	47,852	5	4,487	7,748	8,282	10,715
Tax Owed Totals	50,269,270	3,233	757,457	2,369,798	3,775,696	6,896,622
Total Amount Due Returns	54,194	15	5,382	9,048	9,755	12,526
Total Amount Due Totals	55,413,841	5,242	695,133	2,918,755	4,293,297	8,405,078
Federal Adjusted Gross Income Returns	266,680	1,376	47,544	49,409	44,400	55,890
Federal Adjusted Gross Income Totals	15,733,377,060	257,282,586	450,417,260	935,575,700	1,250,549,536	2,382,149,832
DC AGI	13,958,196,073	-36,492,451	249,906,877	740,199,460	1,100,981,745	2,164,977,374

\* SOI Summary Table for TY 2001 was not created because of some discrepancies in the tax data



\$50,000-\$75,000	\$75,000-\$100,000	\$100,000-\$150,000	\$150,000-\$200,000	\$200,000-\$500,000	\$500,000-\$1,000,000	\$1,000,000 and Over
29,801	13,674	12,023	4,866	5,912	1,174	615
26,894	12,339	10,867	4,375	5,005	843	430
1,758,794,058	1,211,670,866	1,350,933,374	1,397,184,465	1,127,385,702	409,924,724	539,741,054
26,443	12,734	11,480	4,688	5,741	1,140	598
3,358	940	543	178	171	34	17
21,966	12,117	11,458	4,745	5,823	1,151	608
260,811,537	169,418,171	205,478,331	109,376,643	203,458,529	82,731,305	178,516,495
7,755	1,526	546	115	84	22	7
15,113,132	2,958,417	1,071,569	218,667	161,666	38,083	13,000
2,099	854	674	285	327	79	57
3,481,375	1,696,241	2,424,525	1,870,681	2,980,124	2,621,783	18,425,732
623	401	480	227	282	73	56
2,135,466	1,841,996	2,874,910	2,459,603	6,286,656	2,652,267	17,353,270
2,996	2,220	2,745	1,300	2,369	791	426
47,774,563	36,361,474	72,665,741	52,926,805	282,853,107	313,615,019	383,298,025
3,529	2,063	2,346	1,120	1,576	344	180
63,799,915	43,958,253	70,789,106	65,296,678	113,956,959	43,678,198	60,772,601
614	340	299	135	175	48	31
-4,315,072	-2,162,382	-6,327,665	-1,081,477	-2,686,292	-1,540,583	-9,368,808
392	267	322	167	227	64	48
1,801,498	1,285,717	4,539,330	2,518,963	7,966,260	9,990,883	165,962,582
63	57	62	20	32	10	7
-140,637	-134,371	-145,788	-141,153	-92,901	-388,427	-166,662
216	110	105	40	72	15	15
2,060,733	1,316,490	1,601,879	365,184	1,950,177	1,352,030	1,716,895
1,366	658	587	244	290	72	49
91,803,261	61,192,479	81,835,483	45,279,546	95,409,683	58,898,553	289,824,264
286	162	166	84	147	53	35
1,353,948	979,071	1,314,278	885,076	2,474,053	1,977,272	1,403,703
54,914	25,889	25,352	11,345	15,156	3,291	1,779
73,674,073	34,792,108	34,189,206	15,342,987	20,545,790	4,462,320	2,408,917
29,678	13,635	11,988	4,858	5,897	1,166	614
1,463,106,579	968,883,770	1,212,762,277	710,992,722	1,484,040,377	715,512,735	1,779,735,404
29,672	13,632	11,987	4,858	5,897	1,166	613
111,448,111	77,973,031	101,336,355	61,094,814	131,582,199	65,237,602	163,061,593
668	473	711	484	1,333	593	340
628,988	527,678	1,105,169	1,144,508	7,189,025	8,038,339	17,303,824
1,330	698	803	385	505	82	52
286,297	142,169	160,390	71,181	94,152	16,847	11,016
17	4	1	-	1	-	-
34,000	7,500	2,000	-	2,000	-	-
18	8	3	1	-	-	-
4,748	1,086	6	8,764	-	-	-
29,652	13,631	11,983	4,851	5,890	1,165	613
110,597,553	77,295,537	100,084,271	59,871,968	124,385,093	57,182,909	145,746,753
39	21	14	2	8	2	-
3,611	1,415	168	24	96	24	-
9	3	1	1	-	-	-
914	1,095	773	1	-	-	-
27,272	12,404	10,694	4,280	4,843	801	400
111,870,762	74,115,182	90,140,073	50,866,515	87,345,273	27,028,389	42,920,168
428	314	450	262	639	238	206
776,054	731,699	1,337,348	1,181,247	5,959,959	3,938,213	31,128,497
428	314	450	262	639	238	206
776,054	731,699	1,337,348	1,181,247	5,959,959	3,938,213	31,128,497
22,750	10,105	8,794	3,591	4,355	898	471
36,899,751	22,865,955	34,682,634	20,158,286	45,171,043	28,996,591	56,916,839
20,613	8,777	7,266	2,794	2,924	421	197
18,685,154	10,835,512	11,543,421	5,961,779	10,894,120	5,258,753	5,703,005
6,593	3,512	3,262	1,296	1,539	271	142
6,198,574	4,371,829	5,635,540	3,148,431	7,488,778	3,786,818	5,836,494
7,263	3,686	3,269	1,295	1,550	267	138
6,603,922	4,440,481	5,616,319	3,126,706	7,507,538	3,717,613	8,083,757
29,798	13,674	12,023	4,865	5,912	1,174	615
1,982,593,515	1,266,762,617	1,555,753,706	891,421,311	1,817,261,666	877,599,281	2,066,010,050
1,810,056,083	1,175,629,167	1,451,665,784	835,117,127	1,706,347,211	801,305,534	1,958,502,342

**Figure 5-35** TY 2002 Statistics of Income (SOI)

Category of Statistic	Total Returns	Break even and Loss	\$0.01-\$10,000	\$10,000-\$20,000	\$20,000-\$30,000	\$30,000-\$50,000
Total Number of Returns	266,749	5,708	45,533	48,337	43,154	55,268
Salary and Wages Returns	229,709	1,710	36,952	40,796	38,122	50,080
Salary and Wages Totals	11,333,744,164	105,898,506	397,709,382	846,471,929	1,093,511,926	2,064,252,546
12 Months in DC Returns	219,002	4,829	30,744	37,535	35,458	46,842
Not 12 Months in DC Returns	47,747	879	14,789	10,802	7,696	8,426
Itemized Deductions Returns	111,523	1,143	4,414	8,221	12,250	26,837
Itemized Deductions Totals	1,742,365,628	21,611,443	29,330,920	68,702,916	115,208,207	284,751,848
Standard Deductions Returns	155,213	4,565	41,118	40,115	30,631	28,428
Standard Deductions Totals	289,538,739	8,314,186	73,781,952	74,273,938	58,406,359	54,876,413
Taxable Interest Returns	6,653	22	1,079	929	962	1,943
Taxable Interest Totals	14,784,234	7,489	222,505	311,149	257,551	440,970
Ordinary Dividends Returns	935	12	67	97	81	173
Ordinary Dividends Totals	6,115,464	2,985	35,432	77,697	50,779	152,872
Rental Real Estate Royalties Returns	21,276	550	1,495	1,521	1,502	3,050
Rental Real Estate Royalties Totals	1,402,175,444	104,370,884	24,824,720	17,524,875	16,432,457	50,523,963
Business Income Returns	31,475	623	5,448	4,740	3,401	5,257
Business Income Returns Totals	1,166,742,400	21,808,650	35,199,578	42,595,359	33,615,742	64,904,157
Business Loss Returns	1,872	134	117	183	208	351
Business Loss Totals	-26,046,152	-7,067,464	-828,387	-1,464,956	-1,722,572	-2,113,633
Capital Gains Returns	341	4	34	33	24	64
Capital Gains Returns Totals	5,493,130	14,482	79,405	271,306	25,135	163,222
Capital Loss Returns	375	17	22	27	27	66
Capital Loss Totals	-1,032,050	-292,989	-36,306	-46,654	-47,188	-128,000
DC College Savings Plan Returns	957	18	51	59	77	80
DC College Savings Plan Total	3,495,904	43,002	99,579	110,386	145,365	179,777
Other Income Returns	819	12	156	264	127	109
Other Income Totals	9,016,099	177,217	1,086,088	2,397,847	1,588,903	979,440
Federal Total Income Totals	6,380	69	1,116	1,457	1,123	1,228
Federal Total Income Totals	296,251,614	1,572,128	12,141,468	27,954,934	31,674,218	51,789,710
Adjustment Returns	1,538	28	182	269	226	411
Adjustment Totals	4,755,589	224,152	331,846	543,322	565,857	1,054,183
Total Number of Exemptions	526,844	7,797	71,651	102,432	96,012	109,436
Exemptions Totals	694,520,036	9,899,331	89,063,612	133,365,054	127,871,046	146,648,165
Taxable Income Returns	242,324	1	29,518	46,784	42,621	54,921
Taxable Income Totals	10,822,599,891	1,370	92,779,307	462,864,845	776,978,299	1,660,369,052
Tax Due Returns	242,097	13	29,308	46,763	42,622	54,914
Tax Due Totals	854,340,258	12,738	4,643,156	24,815,422	47,788,213	113,753,542
Out of State Credit Returns	7,385	13	476	663	587	897
Out of State Credit Totals	44,010,876	75,258	99,585	185,883	219,466	531,711
Childcare Credit Returns	13,646	45	238	1,613	3,893	3,917
Childcare Credit Totals	2,382,646	10,425	45,722	221,673	681,700	715,575
DC Metro Police Credit Returns	37	-	8	2	3	3
DC Metro Police Credit Totals	74,000	-	16,000	4,000	6,000	6,000
Low Income Credit Returns	8,607	99	6,636	1,231	415	195
Low Income Credit Totals	2,037,544	22,921	1,309,576	432,947	185,908	74,685
Total Taxes Returns	235,265	13	23,617	45,865	42,488	54,848
Total Taxes Totals	807,039,752	12,738	3,842,960	24,134,064	46,733,245	112,475,802
Property Tax Credit Returns	9,341	1,461	2,748	5,015	82	28
Property Tax Credit Totals	3,896,213	723,701	1,229,663	1,890,054	34,593	14,140
DC Earned Income Tax Credit Returns	46,281	406	15,946	15,790	12,774	1,354
DC Earned Income Tax Credit Returns	20,224,439	102,893	5,247,731	10,484,563	4,228,017	154,017
DC Income Tax Withheld Returns	226,946	1,208	32,756	40,341	39,175	51,297
DC Income Tax Withheld Totals	699,765,807	1,490,081	7,943,194	27,861,903	50,517,773	120,355,220
Extension Payments Returns	3,578	42	189	204	227	455
Extension Payments Totals	25,278,648	221,951	113,167	148,133	213,677	874,741
Total Payments and Credit Returns	3,578	42	189	204	227	455
Total Payments and Credit Totals	25,278,648	221,951	113,167	148,133	213,677	874,741
Overpayments Returns	194,451	2,968	34,854	37,401	32,054	40,025
Overpayments Totals	167,580,267	3,731,227	12,167,773	20,744,044	15,106,556	23,830,131
Refund Returns	188,903	2,213	34,501	37,308	32,006	39,536
Refund Totals	138,615,537	2,520,406	11,985,519	20,891,702	15,417,738	23,427,840
Tax Owed Returns	56,842	3	4,546	8,834	9,514	13,204
Tax Owed Totals	60,442,535	510	616,978	2,854,086	4,485,956	8,596,934
Total Amount Due Returns	62,618	8	5,593	10,002	10,771	14,966
Total Amount Due Totals	62,346,981	539	702,008	3,170,334	4,938,373	9,275,426
Federal Adjusted Gross Income Returns	262,468	1,467	45,511	48,332	43,152	55,261
Federal Adjusted Gross Income Totals	15,170,602,643	201,677,056	474,139,848	909,465,697	1,213,688,199	2,391,455,090
DC AGI	13,401,961,118	-16,053,051	238,408,386	724,789,386	1,070,759,401	2,139,447,871

\$50,000-\$75,000	\$75,000-\$100,000	\$100,000-\$150,000	\$150,000-\$200,000	\$200,000-\$500,000	\$500,000-\$1,000,000	\$1,000,000 and Over
30,204	13,983	12,116	4,965	5,797	1,111	573
27,414	12,785	11,149	4,538	4,959	811	393
1,741,854,680	1,080,000,908	1,304,458,109	699,343,830	1,159,330,220	328,411,282	512,500,846
27,037	13,055	11,506	4,763	5,597	1,081	555
3,167	928	610	202	200	30	18
22,325	12,353	11,511	4,839	5,690	1,102	568
280,435,220	182,668,399	212,621,346	117,039,083	204,169,377	70,402,142	155,424,727
7,877	1,628	604	126	107	9	5
15,188,740	3,118,829	1,127,835	233,321	192,333	15,833	9,000
1,054	351	189	66	48	6	4
340,826	274,606	220,727	177,203	218,950	45,937	12,266,321
167	134	116	42	35	7	4
187,676	188,267	248,758	150,582	409,136	44,596	4,566,684
3,259	2,386	2,835	1,282	2,262	742	392
38,620,701	32,884,791	46,674,733	52,483,571	284,870,501	296,434,844	436,529,404
4,029	2,228	2,508	1,187	1,587	303	164
61,307,551	46,243,681	598,206,740	48,308,334	116,858,965	41,443,691	56,249,952
286	174	158	80	122	24	35
-2,587,739	-1,082,546	-1,298,391	-953,648	-1,269,867	-402,139	-5,254,810
51	42	39	27	16	4	3
1,043,695	64,916	203,298	609,610	955,034	831,121	1,231,906
59	60	49	20	22	3	3
-113,186	-130,419	-100,072	-53,766	-65,540	-8,930	-9,000
86	75	126	119	205	45	16
233,203	264,608	483,623	550,651	1,049,510	247,800	88,400
74	25	26	8	13	3	2
791,582	414,015	755,625	261,750	97,364	403,146	63,122
673	334	238	68	58	9	7
44,618,245	30,244,868	29,378,683	11,741,815	18,171,811	5,756,340	31,207,394
213	79	73	21	27	6	3
644,228	194,867	221,777	109,269	625,962	149,860	90,266
56,098	26,709	25,389	11,560	14,923	3,125	1,712
75,188,947	35,934,691	34,186,812	15,613,341	20,195,979	4,242,779	2,310,279
30,058	13,923	12,078	4,958	5,785	1,106	571
1,472,373,390	983,059,209	1,218,673,611	719,676,765	1,446,098,375	686,330,954	1,303,394,714
30,057	13,923	12,078	4,958	5,785	1,106	570
112,392,142	79,316,742	102,075,445	61,890,140	127,960,333	61,868,013	117,824,372
742	525	711	511	1,329	588	343
629,934	583,598	1,060,860	1,185,248	7,717,980	8,959,749	22,761,604
1,442	670	813	410	472	88	45
251,737	117,089	145,202	77,012	89,298	17,276	9,937
15	4	1	-	1	-	-
30,000	8,000	2,000	-	2,000	-	-
20	8	1	1	1	-	-
8,422	2,122	434	513	16	-	-
30,040	13,920	12,075	4,951	5,778	1,103	567
111,491,594	78,608,057	100,878,593	60,636,408	120,266,007	52,896,742	95,063,542
4	2	1	-	-	-	-
2,323	989	750	-	-	-	-
10	1	-	-	-	-	-
6,705	513	-	-	-	-	-
27,937	12,864	10,985	4,445	4,804	766	368
114,524,428	77,489,573	95,053,602	53,939,620	89,451,094	26,768,115	34,371,204
400	291	457	280	623	229	181
825,710	634,394	1,428,750	1,133,840	4,744,018	3,723,056	11,217,211
400	291	457	280	623	229	181
825,710	634,394	1,428,750	1,133,840	4,744,018	3,723,056	11,217,211
21,239	9,529	8,080	3,290	3,841	767	403
19,304,732	11,723,232	13,529,672	7,418,443	15,220,178	7,700,649	17,103,630
20,550	8,990	7,436	2,916	2,907	382	158
18,271,274	10,556,058	11,594,553	5,971,785	9,518,206	2,946,312	5,514,144
8,141	4,233	3,972	1,655	1,932	341	167
7,493,321	5,358,704	6,670,284	4,281,566	9,835,362	4,299,392	5,949,442
8,818	4,379	3,978	1,654	1,940	341	168
7,814,489	5,411,707	6,672,640	4,276,823	9,836,481	4,298,659	5,949,502
30,202	13,982	12,116	4,965	5,796	1,111	573
1,988,369,579	1,293,748,313	1,575,697,679	907,884,754	1,832,133,490	810,492,365	1,571,850,573
1,838,776,019	1,202,670,577	1,465,001,323	852,080,017	1,668,195,259	760,071,118	1,457,814,783

**Figure 5-36** TY 2003 Statistics of Income (SOI)

Category of Statistic	Total Returns	Break even and Loss	\$0.01-\$10,000	\$10,000-\$20,000	\$20,000-\$30,000	\$30,000-\$50,000
Total Number of Returns	264,046	6,129	44,273	46,397	42,068	54,953
Salary and Wages Returns	228,310	1,995	36,179	39,093	37,132	50,063
Salary and Wages Totals	11,126,894,951	108,916,996	360,800,913	715,510,685	1,011,137,700	2,041,365,482
12 Months in DC Returns	217,539	5,067	30,535	36,217	34,626	46,278
Not 12 Months in DC Returns	46,507	1,062	13,738	10,180	7,442	8,675
Itemized Deductions Returns	111,047	1,355	3,977	7,850	12,092	26,002
Itemized Deductions Totals	1,767,938,486	26,938,798	28,887,345	66,706,289	115,621,995	284,334,217
Standard Deductions Returns	152,893	4,773	40,285	38,525	29,956	28,929
Standard Deductions Totals	286,281,326	8,730,254	72,602,420	71,415,082	57,226,764	56,015,888
Taxable Interest Returns	6,338	38	994	774	848	1,902
Taxable Interest Totals	2,285,703	213,892	359,701	206,393	154,129	411,183
Ordinary Dividends Returns	1,065	26	87	90	94	212
Ordinary Dividends Totals	1,315,703	64,339	54,609	59,229	67,962	164,421
Rental Real Estate Royalties Returns	15,018	374	1,005	973	985	1,969
Rental Real Estate Royalties Totals	1,470,731,203	108,931,119	18,947,952	13,808,999	11,428,563	28,274,189
Business Income Returns	27,125	579	5,062	4,305	2,945	4,176
Business Income Returns Totals	718,860,691	10,051,784	143,690,924	41,923,969	34,880,641	56,007,172
Business Loss Returns	7,014	450	577	680	804	1,472
Business Loss Totals	-72,938,028	-20,046,682	-3,880,998	-4,697,305	-4,983,915	-9,581,104
Capital Gains Returns	337	7	27	24	29	61
Capital Gains Returns Totals	3,500,346	413,141	34,756	140,758	131,571	209,150
Capital Loss Returns	397	11	24	31	29	74
Capital Loss Totals	-863,295	-26,259	-54,496	-73,367	-53,564	-152,771
DC College Savings Plan Returns	1,495	38	71	72	68	140
DC College Savings Plan Total	5,459,293	104,307	161,085	149,478	148,329	326,924
Other Income Returns	655	23	85	182	82	133
Other Income Totals	6,333,724	301,258	479,099	1,548,603	875,696	1,435,344
Federal Total Income Totals	6,560	100	851	1,258	1,117	1,615
Federal Total Income Totals	323,590,615	5,704,454	11,188,227	26,110,701	33,515,489	69,138,691
Adjustment Returns	2,034	65	224	338	310	610
Adjustment Totals	5,625,939	243,527	516,776	623,860	594,322	1,287,088
Total Number of Exemptions	520,278	7,547	70,652	98,018	93,825	108,757
Exemptions Totals	684,996,131	9,454,304	87,897,258	127,268,095	124,664,203	145,491,568
Taxable Income Returns	239,545	1	28,737	44,790	41,477	54,576
Taxable Income Totals	11,084,218,070	1,370	91,168,583	442,221,076	755,493,395	1,655,752,769
Tax Due Returns	239,311	11	28,525	44,766	41,473	54,574
Tax Due Totals	882,958,477	26,064	4,574,454	23,724,086	46,468,318	113,489,180
Out of State Credit Returns	7,368	11	548	675	640	945
Out of State Credit Totals	43,529,656	14,124	111,172	236,769	280,884	580,169
Childcare Credit Returns	15,139	64	703	2,007	3,891	4,193
Childcare Credit Totals	3,731,352	16,349	176,713	571,188	1,071,325	1,015,542
DC Metro Police Credit Returns	65	6	17	8	9	3
DC Metro Police Credit Totals	130,000	12,000	34,000	16,000	18,000	6,000
Low Income Credit Returns	9,730	111	7,249	1,631	494	205
Low Income Credit Totals	2,791,658	26,988	1,550,149	817,908	291,172	87,577
Total Taxes Returns	230,698	10	21,984	43,138	41,172	54,499
Total Taxes Totals	834,665,400	25,902	3,667,273	22,612,542	44,903,076	111,865,185
Property Tax Credit Returns	7,321	1,164	2,362	3,775	15	3
Property Tax Credit Totals	3,314,768	612,275	1,168,587	1,523,185	7,394	1,986
DC Earned Income Tax Credit Returns	46,181	454	15,845	15,297	12,934	1,640
DC Earned Income Tax Credit Returns	20,276,828	98,813	5,164,282	10,421,309	4,405,362	181,169
DC Income Tax Withheld Returns	225,420	1,465	32,154	38,578	38,108	51,176
DC Income Tax Withheld Totals	721,916,399	2,159,687	7,988,744	27,274,760	50,441,699	122,648,983
Extension Payments Returns	3,882	52	192	247	239	438
Extension Payments Totals	45,108,088	214,402	108,854	150,529	236,744	593,734
Total Payments and Credit Returns	3,882	52	192	247	239	438
Total Payments and Credit Totals	45,108,088	214,402	108,854	150,529	236,744	593,734
Overpayments Returns	195,758	3,049	33,959	35,865	32,077	41,212
Overpayments Totals	168,624,331	4,301,192	12,106,257	21,102,305	16,640,073	24,922,018
Refund Returns	190,652	2,316	34,072	36,039	31,966	40,592
Refund Totals	174,871,709	3,120,908	17,569,894	21,331,256	21,978,700	24,876,921
Tax Owed Returns	53,415	5	4,614	8,494	8,595	12,007
Tax Owed Totals	67,106,844	2,623	625,315	2,847,940	4,227,726	8,211,464
Total Amount Due Returns	58,158	13	5,206	9,462	9,656	13,482
Total Amount Due Totals	68,768,243	2,736	692,473	3,115,226	4,638,647	8,811,419
Federal Adjusted Gross Income Returns	259,574	1,704	44,243	46,390	42,065	54,951
Federal Adjusted Gross Income Totals	15,454,867,327	243,441,689	469,671,706	901,623,065	1,202,180,006	2,354,751,926
DC AGI	13,664,303,396	-20,336,935	233,248,669	694,273,219	1,044,468,260	2,132,438,061

\$50,000-\$75,000	\$75,000-\$100,000	\$100,000-\$150,000	\$150,000-\$200,000	\$200,000-\$500,000	\$500,000-\$1,000,000	\$1,000,000 and Over
30,335	14,483	12,557	5,203	5,956	1,131	561
27,775	13,314	11,636	4,744	5,186	815	378
1,713,079,956	1,133,050,355	1,336,255,125	738,538,191	1,208,038,129	344,769,283	415,432,136
27,084	13,470	11,904	4,983	5,731	1,095	549
3,251	1,013	653	220	225	36	12
22,304	12,875	11,948	5,095	5,872	1,119	558
283,115,733	189,619,644	219,051,478	120,770,313	202,791,182	74,047,632	156,053,860
8,017	1,596	607	106	84	12	3
15,607,838	3,109,581	1,178,166	207,000	159,333	23,000	6,000
1,075	383	213	55	46	7	3
251,272	262,382	170,393	85,088	74,117	77,092	20,061
194	135	134	42	40	8	3
160,590	162,889	175,235	132,475	99,495	36,263	138,196
2,092	1,577	2,011	1,026	1,947	681	378
33,792,267	28,604,968	46,678,829	43,551,791	254,367,373	293,228,029	589,117,124
3,165	1,948	2,013	1,028	1,435	303	166
56,243,772	46,731,405	64,146,111	46,537,499	117,634,862	48,676,037	52,336,615
1,139	610	564	267	344	74	33
-6,658,753	-5,173,995	-3,932,274	-3,240,021	-3,371,603	-4,365,511	-3,005,867
65	39	47	13	22	2	1
116,784	167,732	489,998	49,877	460,308	182,689	1,103,582
63	57	58	18	25	5	2
-119,884	-126,956	-124,360	-43,198	-69,942	-12,498	-6,000
139	141	243	203	305	56	19
360,901	466,505	939,500	892,824	1,494,390	310,000	105,050
71	35	26	11	4	1	2
586,079	273,257	312,520	244,703	197,893	112	79,160
828	380	272	70	57	8	4
53,844,693	33,873,611	34,009,328	12,363,343	19,646,432	6,796,386	17,399,260
266	88	83	18	22	7	3
506,499	255,953	241,110	110,899	510,450	521,346	214,109
56,201	27,164	26,018	12,110	15,277	3,089	1,620
75,394,789	36,463,533	34,943,843	16,356,681	20,682,452	4,185,464	2,193,941
30,189	14,426	12,527	5,193	5,946	1,124	559
1,476,396,568	1,018,846,424	1,264,562,514	755,577,997	1,482,684,468	695,816,671	1,445,696,235
30,187	14,426	12,526	5,193	5,946	1,125	559
112,739,631	82,171,586	105,939,081	65,008,731	131,536,405	63,535,266	133,745,675
746	531	695	479	1,221	532	345
648,064	622,066	1,133,909	1,038,471	6,680,919	8,829,717	23,353,392
1,476	711	844	511	608	94	37
294,140	136,874	168,503	92,166	114,661	20,580	53,311
11	4	3	1	2	1	-
22,000	8,000	6,000	2,000	4,000	2,000	-
27	7	3	1	2	-	-
12,693	2,342	956	111	1,762	-	-
30,153	14,418	12,519	5,190	5,933	1,125	557
111,789,554	81,438,116	104,637,541	63,879,436	124,825,023	54,682,777	110,338,975
1	1	-	-	-	-	-
750	591	-	-	-	-	-
9	1	-	-	1	-	-
5,593	27	-	-	273	-	-
28,217	13,419	11,497	4,648	5,024	781	353
117,590,349	82,163,989	100,232,727	56,944,893	94,245,267	26,939,512	33,285,789
419	351	432	320	671	302	219
772,647	842,166	1,476,895	1,470,905	5,801,775	5,671,767	27,767,670
419	351	432	320	671	302	219
772,647	842,166	1,476,895	1,470,905	5,801,775	5,671,767	27,767,670
22,100	10,312	8,711	3,507	3,887	702	377
20,408,395	12,343,220	13,363,990	7,134,097	14,055,052	7,502,822	14,744,910
21,372	9,715	8,002	3,100	3,005	344	129
25,595,209	16,720,637	16,798,934	5,778,466	14,150,189	2,703,803	4,246,792
7,572	4,004	3,802	1,676	2,041	423	182
7,235,499	5,065,147	6,630,749	4,554,555	11,441,502	5,735,160	10,529,164
8,089	4,111	3,811	1,677	2,045	423	183
7,488,192	5,119,793	6,633,506	4,558,162	11,442,419	5,735,516	10,530,154
30,333	14,481	12,557	5,203	5,956	1,130	561
2,051,437,697	1,347,532,011	1,618,988,727	945,669,033	1,816,646,520	820,930,765	1,681,994,182
1,846,439,420	1,246,017,716	1,518,186,458	892,613,394	1,705,166,394	770,822,984	1,600,965,824



**Figure 5-37** TY 2004 Statistics of Income (SOI)

Category of Statistic	Total Returns	Break even and Loss	\$0.01-\$10,000	\$10,000-\$20,000	\$20,000-\$30,000	\$30,000-\$50,000
Total Number of Returns	262,328	6,813	41,368	43,718	39,596	54,823
Salary and Wages Returns	224,684	2,184	34,061	36,581	34,505	49,513
Salary and Wages Totals	12,004,914,676	78,408,485	346,517,255	699,758,864	959,923,547	2,139,272,270
Months in DC Returns	216,189	5,401	28,220	33,755	32,423	46,339
Not 12 Months in DC Returns	46,139	1,412	13,148	9,963	7,173	8,484
Itemized Deductions Returns	112,811	1,806	3,540	7,157	11,013	25,058
Itemized Deductions Totals	1,969,932,430	40,293,103	27,053,890	64,402,335	109,822,411	281,913,331
Standard Deductions Returns	149,517	5,007	37,828	36,561	28,583	29,765
Standard Deductions Totals	278,927,045	8,840,993	67,331,504	67,177,621	54,099,096	57,768,766
Taxable Interest Returns	31,226	221	2,520	2,840	3,216	6,735
Taxable Interest Totals	23,187,719	207,559	1,462,808	1,413,772	1,516,274	3,186,120
Ordinary Dividends Returns	14,805	111	1,044	1,091	1,132	2,531
Ordinary Dividends Totals	42,957,645	256,652	1,318,569	1,540,962	1,569,270	3,568,885
Rental Real Estate Royalties Returns	16,095	361	898	937	970	1,909
Rental Real Estate Royalties Totals	1,836,147,558	43,068,367	10,732,526	13,901,223	12,656,680	29,949,388
Business Income Returns	28,695	905	4,629	4,177	2,961	4,457
Business Income Returns Totals	949,517,439	13,194,342	30,129,433	45,911,343	35,703,730	63,018,943
Business Loss Returns	6,796	495	430	628	671	1,327
Business Loss Totals	-78,310,004	-14,621,641	-2,696,255	-4,554,893	-4,312,006	-8,736,749
Capital Gains Returns	11,380	94	789	782	840	1,852
Capital Gains Returns Totals	143,240,124	14,431,035	3,048,808	2,777,251	2,040,536	5,210,720
Capital Loss Returns	478	22	37	44	42	78
Capital Loss Totals	-1,158,765	-224,880	-73,081	-92,005	-87,494	-124,025
DC College Savings Plan Returns	1,886	45	40	51	85	138
DC College Savings Plan Total	6,987,766	82,588	68,811	105,922	173,676	258,140
Pension & Other Income Returns	15,017	161	1,512	2,630	2,341	3,411
Pension & Other Income Totals	253,732,349	4,413,570	11,862,082	30,114,668	35,112,333	54,446,826
Federal Total Income Totals	99,666	793	15,803	19,081	17,654	21,858
Federal Total Income Totals	4,709,778,231	32,139,375	143,451,516	339,841,778	507,899,669	908,250,506
Adjustment Returns	22,837	424	3,001	3,352	3,014	6,037
Adjustment Totals	60,483,411	1,064,165	5,466,815	5,160,006	5,168,752	11,231,398
Total Number of Exemptions	517,297	9,136	64,999	91,919	88,551	109,387
Exemptions Totals	679,971,214	11,445,505	80,206,268	118,969,492	117,251,617	146,121,217
Taxable Income Returns	238,336	1	27,043	42,118	38,972	54,473
Taxable Income Totals	12,755,054,371	17,852	85,295,881	418,373,084	711,870,408	1,654,149,484
Tax Due Returns	238,120	28	26,845	42,086	38,969	54,468
Tax Due Totals	1,036,824,300	1,312,170	4,271,053	22,476,554	43,827,340	113,515,097
Out of State Credit Returns	8,435	16	566	729	726	1,085
Out of State Credit Totals	63,627,479	62,736	110,969	209,901	339,276	708,239
Childcare Credit Returns	15,155	113	709	2,018	3,551	4,280
Childcare Credit Totals	3,662,897	31,450	167,649	563,883	994,224	1,045,434
DC Police Homebuyer Credit Returns	63	19	14	4	3	2
DC Police Homebuyer Credit Totals	126,000	38,000	28,000	8,000	6,000	4,000
Low Income Credit Returns	9,832	135	7,521	1,570	375	195
Low Income Credit Totals	2,744,760	35,074	1,555,635	776,842	245,712	115,355
Total Taxes Returns	229,508	27	20,228	40,460	38,727	54,384
Total Taxes Totals	968,597,239	1,274,259	3,332,049	21,349,593	42,342,555	111,747,618
Property Tax Credit Returns	8,598	1,284	2,963	4,352	23	3
Property Tax Credit Totals	4,089,938	705,048	1,492,331	1,881,280	9,685	1,594
DC Earned Income Tax Credit Returns	44,166	606	14,438	14,568	12,402	2,135
DC Earned Income Tax Credit Returns	20,141,717	148,997	4,915,296	10,240,916	4,565,257	264,061
DC Income Tax Withheld Returns	223,537	1,640	30,529	36,637	35,661	50,843
DC Income Tax Withheld Totals	776,173,892	2,077,618	7,999,248	26,770,227	47,649,483	121,954,139
Extension Payments Returns	4,560	67	200	213	237	459
Extension Payments Totals	62,540,561	571,760	86,265	169,827	212,563	880,960
Total Payments and Credit Returns	4,560	67	200	213	237	459
Total Payments and Credit Totals	62,540,561	571,760	86,265	169,827	212,563	880,960
Overpayments Returns	193,869	3,379	32,446	34,802	30,235	40,822
Overpayments Totals	181,229,382	5,026,430	12,279,006	21,306,808	16,135,390	25,100,938
Refund Returns	188,131	2,859	32,110	34,602	30,178	40,361
Refund Totals	148,753,303	4,029,477	12,512,861	21,531,072	16,494,651	25,187,774
Tax Owed Returns	54,335	10	3,847	7,080	8,166	12,408
Tax Owed Totals	85,849,607	702,706	506,367	2,350,035	4,045,287	8,727,190
Total Amount Due Returns	58,653	27	4,406	7,924	9,033	13,745
Total Amount Due Totals	87,456,674	702,916	571,722	2,578,769	4,383,926	9,265,346
Federal Adjusted Gross Income Returns	257,489	2,049	41,328	43,709	39,589	54,815
Federal Adjusted Gross Income Totals	17,378,680,675	170,899,842	428,785,034	859,227,113	1,137,161,713	2,350,545,419
DC AGI	15,509,873,237	-22,753,981	216,763,727	655,498,852	984,327,919	2,132,092,231

\$50,000-\$75,000	\$75,000-\$100,000	\$100,000-\$150,000	\$150,000-\$200,000	\$200,000-\$500,000	\$500,000-\$1,000,000	\$1,000,000 and Over
31,148	15,397	13,817	5,827	7,299	1,606	916
28,263	13,939	12,558	5,234	6,141	1,108	597
1,756,511,501	1,245,026,386	1,430,182,774	805,290,320	1,388,563,986	428,831,634	726,627,154
27,589	14,272	13,135	5,564	7,033	1,563	895
3,559	1,125	682	263	266	43	21
22,335	13,519	13,057	5,674	7,167	1,584	901
291,438,381	203,053,648	249,419,506	137,190,501	247,695,123	93,712,088	223,938,113
8,813	1,878	760	153	132	22	15
17,243,830	3,964,068	1,723,249	357,577	351,841	41,334	27,166
5,910	3,605	3,283	1,360	1,286	171	79
2,953,402	2,543,066	3,283,588	1,397,173	2,450,349	1,477,400	1,296,208
2,547	1,853	2,168	1,034	1,065	157	72
4,198,120	3,719,245	5,062,932	4,052,588	7,027,423	4,040,324	6,602,675
2,168	1,685	2,195	1,116	2,329	923	604
32,757,177	27,357,168	48,183,429	44,040,674	315,107,381	458,966,352	799,427,193
3,473	2,073	2,371	1,185	1,826	382	256
59,385,035	52,564,931	79,708,438	265,752,006	153,129,274	71,302,995	79,716,969
1,089	636	630	300	405	122	63
-8,377,327	-6,781,497	-6,398,144	-3,768,783	-7,615,264	-3,168,660	-7,278,785
1,880	1,432	1,717	860	906	155	73
5,930,913	5,818,236	9,495,719	8,348,940	23,098,081	14,800,416	48,239,469
70	51	60	27	39	3	5
-133,971	-100,252	-125,381	-65,567	-108,109	-9,000	-15,000
171	183	336	252	436	104	45
477,044	557,365	1,205,466	1,074,881	2,194,911	545,959	243,003
2,158	1,086	913	361	369	47	28
40,438,161	23,507,854	23,678,964	11,055,857	13,473,814	2,438,949	3,189,271
11,434	5,353	4,383	1,638	1,412	179	78
737,141,011	485,745,435	551,588,987	290,716,375	410,144,679	131,438,194	171,420,706
3,579	1,204	1,298	385	403	90	50
6,358,097	4,045,620	4,807,057	2,326,840	6,903,330	4,392,352	3,558,979
57,626	28,623	28,215	13,282	18,509	4,340	2,710
77,072,273	38,427,541	37,950,652	17,912,089	25,046,253	5,896,364	3,671,943
30,984	15,344	13,782	5,814	7,288	1,604	913
1,515,127,653	1,082,892,678	1,387,965,384	846,339,064	1,844,763,122	1,017,609,750	2,190,650,011
30,985	15,341	13,781	5,814	7,287	1,604	912
115,802,926	87,432,594	116,309,176	72,858,260	163,624,741	92,833,540	202,560,849
764	537	776	530	1,406	767	533
728,925	721,523	1,286,028	1,377,864	8,592,952	12,931,967	36,557,099
1,462	724	887	482	719	133	77
293,089	135,083	167,413	84,861	124,979	37,104	17,728
8	8	3	1	1	-	-
16,000	16,000	6,000	2,000	2,000	-	-
24	4	3	3	1	-	1
9,528	4,657	1,609	301	1	-	46
30,971	15,337	13,772	5,811	7,277	1,602	912
114,807,601	86,561,923	114,867,394	71,397,454	155,000,900	79,877,871	166,038,022
-	-	-	-	-	-	-
-	-	-	-	-	-	-
13	2	2	-	-	-	-
4,766	1,326	1,098	-	-	-	-
28,865	14,139	12,503	5,144	5,953	1,060	563
120,263,146	86,325,251	107,780,135	62,049,422	108,391,424	34,606,941	50,306,858
425	342	536	368	890	449	374
842,040	805,963	1,739,249	1,613,301	8,187,833	9,234,455	38,196,345
425	342	536	368	890	449	374
842,040	805,963	1,739,249	1,613,301	8,187,833	9,234,455	38,196,345
22,573	10,666	9,289	3,772	4,363	932	590
20,851,509	12,901,594	14,517,537	7,203,068	15,725,449	8,768,327	21,413,326
21,892	10,125	8,662	3,368	3,372	414	188
20,102,204	12,004,735	12,869,731	5,972,782	10,084,905	3,437,077	4,526,034
7,912	4,525	4,466	2,022	2,907	669	323
8,033,086	5,976,114	8,401,360	5,817,751	17,918,709	9,132,435	14,238,567
8,447	4,669	4,475	2,026	2,907	670	324
8,309,707	6,116,889	8,395,049	5,818,586	17,919,140	9,155,957	14,238,667
31,144	15,394	13,816	5,826	7,298	1,605	916
2,064,004,171	1,424,209,254	1,798,629,528	1,075,713,772	2,286,664,623	1,181,970,736	2,600,869,470
1,895,934,075	1,326,217,715	1,672,699,813	1,000,668,589	2,116,531,740	1,116,324,050	2,415,568,507

**Figure 5-38** TY 2002 Statistics of Income (SOI) Summary by Filer Type

Category of Statistic	Total Returns, All Filers	Total Returns Single	Total Returns, Head of Household*	Total Returns Dependents**	Total Returns Married Separate	Total Returns Married Combined	Total Returns Married Joint
Total Number of Returns	266,749	147,425	59,539	7,857	8,124	13,920	28,407
Percent Returns	100.0%	55.3%	22.3%	2.9%	3.0%	5.2%	10.6%
Salary and Wages Returns	229,709	125,572	55,671	6,188	6,666	12,004	23,603
Percent Returns	100.0%	54.7%	24.2%	2.7%	2.9%	5.2%	10.3%
Salary and Wages Totals	11,333,744,164	5,173,022,677	1,631,511,722	36,839,708	522,753,787	1,619,190,029	2,350,349,470
Percent Returns	100.0%	45.6%	14.4%	0.3%	4.6%	14.3%	20.7%
Average Wage & Salary	49,340	41,196	29,306	5,953	78,421	134,888	99,578
Itemized Deductions Returns	111,385	58,943	16,774	389	4,974	11,401	18,904
Percent Returns	100.0%	52.9%	15.1%	0.3%	4.5%	10.2%	17.0%
Percent all Wage & Salary	41.8%	22.1%	6.3%	0.1%	1.9%	4.3%	7.1%
Standard Deductions Returns	153,874	88,473	42,763	7,467	3,150	2,519	9,502
Percent Returns	100.0%	57.5%	27.8%	4.9%	2.0%	1.6%	6.2%
Percent all Wage & Salary	57.7%	33.2%	16.0%	2.8%	1.2%	0.9%	3.6%
DC College Savings Plan Returns	957	198	132	-	27	259	338
Percent Returns	100.0%	20.7%	13.8%	0.0%	2.8%	27.1%	35.3%
Total Number of Exemptions*	526,844	171,430	212,140	30	11,631	42,440	89,164
Percent Returns	100.0%	32.5%	40.3%	0.0%	2.2%	8.1%	16.9%
<i>Est. No. People Return</i>	1.5	1.0	2.2	**	1.2	2.6	2.7
<i>Est. No. People Total</i>	401,836	147,425	131,233	**	10,002	36,497	76,679
<i>Est. Percent People</i>	100.0%	36.7%	32.7%	-	2.5%	9.1%	19.1%
Exemptions Totals	694,520,036	222,106,984	285,249,052	40,872	14,866,429	56,378,737	115,865,632
Taxable Income Returns	242,324	135,927	53,309	5,525	7,545	13,827	26,187
Percent Returns	100.0%	56.1%	22.0%	2.3%	3.1%	5.7%	10.8%
Taxable Income Totals	10,822,599,891	4,818,662,316	1,129,393,732	32,341,861	390,841,428	2,194,797,161	2,256,253,136
Percent Returns	100.0%	44.5%	10.4%	0.3%	3.6%	20.3%	20.9%
Tax Due Returns	242,097	135,804	53,253	5,480	7,541	13,845	26,170
Percent Returns	100.0%	56.1%	22.0%	2.3%	3.1%	5.7%	10.8%
Tax Due Totals	854,340,258	368,373,354	77,597,870	1,924,250	31,682,400	182,295,392	192,464,494
Average Tax Due	3,529	2,713	1,457	351	4,201	13,167	7,354
Out of State Credit Returns	7,385	3,438	482	208	240	1,621	1,396
Percent Returns	100.0%	46.6%	6.5%	2.8%	3.2%	21.9%	18.9%
Out of State Credit Totals	44,010,876	8,591,976	871,273	181,429	4,178,874	16,237,206	13,950,118
Average Out of State Credit	5,959	2,499	1,808	872	17,412	10,017	9,993
Childcare Credit Returns	13,646	595	9,771	-	60	1,486	1,721
Percent Returns	100.0%	4.4%	71.6%	0.0%	0.4%	10.9%	12.6%
DC Metro Police Credit Returns	37	17	9	-	-	-	10
Percent Returns	100.0%	45.9%	24.3%	0.0%	0.0%	0.0%	27.0%
Low Income Credit Returns	8,607	5,582	1,040	927	229	53	775
Percent Returns	100.0%	64.9%	12.1%	10.8%	2.7%	0.6%	9.0%
Low Income Credit Totals	2,037,544	1,135,804	369,722	78,133	58,962	21,887	372,845
Average Low Income Credit	237	203	356	84	257	413	481
Total Taxes Returns	235,265	131,477	52,459	4,657	7,361	13,803	25,505
Percent Returns	100.0%	55.9%	22.3%	2.0%	3.1%	5.9%	10.8%
Total Taxes Totals	807,039,752	359,109,041	74,882,191	1,684,008	27,471,695	165,793,168	178,097,288
Average Total Tax	3,430	2,731	1,427	362	3,732	12,011	6,983
Property Tax Credit Returns	9,341	4,852	2,912	7	89	25	459
Percent Returns	100.0%	51.9%	31.2%	0.1%	1.0%	0.3%	4.9%
Property Tax Credit Totals	3,896,213	2,068,051	1,071,590	3,221	38,288	10,198	206,979
Average Property Tax Credit	417	426	368	460	430	408	451
DC EITC Returns	46,281	10,365	33,041	35	24	225	2,590
Percent Returns	100.0%	22.4%	71.4%	0.1%	0.1%	0.5%	5.6%
DC EITC Totals	20,224,439	2,398,980	16,499,309	6,646	9,915	82,428	1,227,102
Average EITC	437	231	499	190	413	366	474
Federal AGI Returns	262,468	145,909	58,857	7,665	8,005	13,901	28,127
Percent Returns	100.0%	55.6%	22.4%	2.9%	3.0%	5.3%	10.7%
Federal AGI Totals	15,170,602,643	6,477,381,353	1,754,319,080	52,827,426	578,580,193	2,804,801,375	3,502,646,958
Average FAGI	57,800	44,393	29,806	6,892	72,277	201,770	124,530
<i>Est. Average FAGI per Person</i>	37,753	43,937	13,368	-	57,845	76,850	45,680

\* Personal exemptions are assigned to each person in a filing household. In addition to 1 exemption per person, exemptions are assigned for age 65 and over for blindness.

\*\* Dependents should be counted on the return of the parent or guardian.

Source: OCFO, D.C. Office of Tax and Revenue

**Figure 5-39** TY 2003 Statistics of Income (SOI) Summary by Filer Type

Category of Statistic	Total Returns, All Filers	Total Returns Single	Total Returns, Head of Household*	Total Returns Dependents**	Total Returns Married Separate	Total Returns Married Combined	Total Returns Married Joint
Total Number of Returns	264,046	146,461	58,759	7,515	8,087	14,184	27,694
Percent Returns	100.0%	55.5%	22.3%	2.8%	3.1%	5.4%	10.5%
Salary and Wages Returns	228,310	124,746	55,458	5,986	6,614	12,370	23,128
Percent Returns	100.0%	54.6%	24.3%	2.6%	2.9%	5.4%	10.1%
Salary and Wages Totals	11,126,894,951	5,226,496,348	1,590,231,391	39,117,733	356,150,671	1,654,460,292	2,260,028,254
Percent Wages	100.0%	47.0%	14.3%	0.4%	3.2%	14.9%	20.3%
Average Wage & Salary	48,736	41,897	28,675	6,535	53,848	133,748	97,718
Itemized Deductions Returns	111,047	59,814	16,234	343	5,063	11,361	18,049
Percent Returns	100.0%	53.9%	14.6%	0.3%	4.6%	10.2%	16.3%
Percent All Returns	42.1%	22.7%	6.1%	0.1%	1.9%	4.3%	6.8%
Standard Deductions Returns	152,893	86,573	42,512	7,172	3,020	2,823	9,630
Percent Returns	100.0%	56.6%	27.8%	4.7%	2.0%	1.8%	6.3%
Percent All Returns	57.9%	32.8%	16.1%	2.7%	1.1%	1.1%	3.6%
DC College Savings Plan Returns	1,495	272	182	7	35	404	595
Percent Returns	100.0%	18.2%	12.2%	0.5%	2.3%	27.0%	39.8%
Total Number of Exemptions*	520,278	170,181	209,083	130	11,548	43,330	85,988
Percent Exemptions	100.0%	32.7%	40.2%	0.0%	2.2%	8.3%	16.5%
<i>Est. No. People Return</i>	1.5	1	2.2	**	1.2	2.6	2.7
<i>Est. No. People Total</i>	397,065	146,461	129,372	**	9,938	37,291	74,003
<i>Est. Percent People</i>	100.0%	36.9%	32.6%	**	2.5%	9.4%	18.6%
Exemptions Totals	684,996,131	220,137,177	280,974,502	178,100	14,725,181	57,386,276	111,570,235
Taxable Income Returns	239,545	134,541	52,690	5,334	7,474	14,073	25,425
Percent Returns	100.0%	56.2%	22.0%	2.2%	3.1%	5.9%	10.6%
Taxable Income Totals	11,084,218,070	5,007,596,060	1,137,592,368	34,908,298	355,397,212	2,269,903,094	2,277,891,503
Percent Returns	100.0%	45.2%	10.3%	0.3%	3.2%	20.5%	20.6%
Tax Due Returns	239,311	134,418	52,641	5,285	7,469	14,086	25,404
Percent Returns	100.0%	56.2%	22.0%	2.2%	3.1%	5.9%	10.6%
Tax Due Totals	882,958,477	386,330,765	78,420,963	2,111,168	28,384,742	192,738,973	194,891,539
Percent Returns	100.0%	43.8%	8.9%	0.2%	3.2%	21.8%	22.1%
Out of State Credit Returns	7,368	3,475	530	233	234	1,490	1,406
Percent Returns	100.0%	47.2%	7.2%	3.2%	3.2%	20.2%	19.1%
Out of State Credit Totals	43,529,656	8,963,740	894,856	68,150	1,967,741	18,333,776	13,328,393
Average Out of State Credit	5,908	2,572	1,688	292	8,409	12,305	9,480
Childcare Credit Returns	15,139	758	10,797	37	61	1,627	1,843
Percent Returns	100.0%	5.0%	71.3%	0.2%	0.4%	10.7%	12.2%
DC Metro Police Credit Returns	65	35	12	-	-	-	13
Percent Returns	100.0%	53.8%	18.5%	-	-	-	20.0%
Low Income Credit Returns	9,730	6,268	1,059	980	246	73	1,104
Percent Returns	100.0%	64.4%	10.9%	10.1%	2.5%	0.8%	11.3%
Low Income Credit Totals	2,791,658	1,489,129	410,865	91,096	80,931	35,608	684,029
Average Low Income Credit	287	238	388	93	329	488	620
Total Taxes Returns	230,698	129,394	51,164	4,445	7,264	14,035	24,388
Percent Returns	100.0%	56.1%	22.2%	1.9%	3.1%	6.1%	10.6%
Total Taxes Totals	834,665,400	376,556,600	74,783,527	1,965,440	26,365,519	174,027,829	180,886,158
Average Total Tax	3,618	2,910	1,462	442	3,630	12,400	7,417
Property Tax Credit Returns	7,321	3,604	2,456	9	53	24	345
Percent Returns	100.0%	49.2%	33.5%	0.1%	0.7%	0.3%	4.7%
Property Tax Credit Totals	3,314,768	1,647,937	1,025,414	3,865	25,194	11,057	159,702
Average Property Tax Credit	453	457	418	429	475	461	463
DC EITC Returns	46,181	10,463	32,919	85	49	262	2,402
Percent Returns	100.0%	22.7%	71.3%	0.2%	0.1%	0.6%	5.2%
DC EITC Totals	20,276,828	2,401,948	16,587,546	33,777	18,200	101,909	1,133,205
Average EITC	439	230	504	397	371	389	472
Federal AGI Returns	259,574	144,701	58,366	7,051	7,950	14,158	27,338
Percent Returns	100.0%	55.7%	22.5%	2.7%	3.1%	5.5%	10.5%
Federal AGI Totals	15,454,867,327	6,738,042,596	1,774,276,180	59,629,850	524,237,587	2,831,996,415	3,525,451,867
Average FAGI	59,539	46,565	30,399	8,457	65,942	200,028	128,958
<i>Est. Average FAGI per Person</i>	38,923	46,006	13,715	-	52,749	75,944	47,639

\* Personal exemptions are assigned to each person in a filing household. In addition to 1 exemption per person, exemptions are assigned for age 65 and over for blindness. Each head-of-household return receives an additional exemption.

\*\* Dependents should be counted on the return of the parent or guardian.

Source: OCFO, D.C. Office of Tax and Revenue

**Figure 5-40** TY 2004 Statistics of Income (SOI) Summary by Filer Type

Category of Statistic	Total Returns, All Filers	Total Returns Single	Total Returns, Head of Household*	Total Returns Dependents**	Total Returns Married Separate	Total Returns Married Combined	Total Returns Married Joint
Total Number of Returns	262,328	145,433	57,197	7,799	8,003	14,825	27,829
Percent Returns	100.0%	55.4%	21.8%	3.0%	3.1%	5.7%	10.6%
Total DC AGI	15,509,873,237	6,475,461,360	1,757,086,138	61,364,965	519,366,449	3,460,702,918	3,235,891,407
Average DC AGI	59,124	44,525	30,720	7,868	64,896	233,437	116,278
Median DC AGI	\$30,000	\$29,000	\$24,000	\$5,800	\$36,000	\$118,000	\$56,000
Salary and Wages Returns	224,684	122,958	53,619	6,232	6,478	12,589	22,804
Salary and Wages Totals	12,004,914,676	5,524,967,755	1,637,026,435	45,149,732	386,088,365	1,958,050,921	2,453,572,273
Average Wage & Salary	53,430	44,934	30,531	7,245	59,600	155,537	107,594
Itemized Deductions Returns	112,811	60,674	16,180	415	4,911	12,009	18,358
Percent All Returns	43.0%	23.1%	6.2%	0.2%	1.9%	4.6%	7.0%
Standard Deductions Returns	149,517	84,759	41,017	7,384	3,092	2,816	9,471
Percent All Returns	57.0%	32.3%	15.6%	2.8%	1.2%	1.1%	3.6%
DC College Savings Plan Returns	1,886	297	213	11	49	563	753
Total Number of Exemptions	517,297	169,877	204,317	55	11,246	45,201	86,592
<i>Est. No. People Return</i>	<i>1.5</i>	<i>1</i>	<i>2.2</i>	<i>**</i>	<i>1.2</i>	<i>2.6</i>	<i>2.7</i>
<i>Est. No. People, Total</i>	<i>398,340</i>	<i>145,433</i>	<i>125,951</i>	<i>**</i>	<i>9,628</i>	<i>38,697</i>	<i>74,132</i>
<i>Est. Percent People</i>	<i>100.0%</i>	<i>36.9%</i>	<i>32.0%</i>	<i>-</i>	<i>2.4%</i>	<i>9.8%</i>	<i>18.8%</i>
Exemptions Totals	679,971,214	219,092,185	274,331,960	74,665	14,359,645	59,999,656	112,100,773
Taxable Income Returns	238,336	133,435	51,652	5,735	7,385	14,688	25,434
Taxable Income Totals	12,755,054,371	5,395,898,384	1,204,051,740	47,335,664	435,218,190	3,033,927,135	2,638,556,321
Average Taxable Income	53,517	40,438	23,311	8,254	58,933	206,558	103,741
Tax Due Returns	238,120	133,312	51,590	5,697	7,378	14,713	25,423
Tax Due Totals	1,036,824,300	421,560,849	84,694,679	3,089,152	35,778,302	263,565,315	228,130,402
Average Tax Due	4,354	3,162	1,642	542	4,849	17,914	8,973
Out of State Credit Returns	8,435	3,924	620	270	229	1,823	1,569
Out of State Credit Totals	63,627,479	12,773,437	1,408,042	253,266	2,668,553	29,589,610	16,934,571
Average Out of State Credit	7,543	3,255	2,271	938	11,653	16,231	10,793
Childcare Credit Returns	15,155	724	10,783	12	56	1,709	1,843
D.C. Metro Police Credit Returns	63	34	8	na	-	na	16
Low Income Credit Returns	9,832	6,155	887	1,349	246	75	1,120
Low Income Credit Totals	2,744,760	1,452,960	386,717	131,209	71,975	34,191	667,708
Average Low Income Credit	279	236	436	97	293	456	596
Total Taxes Returns	229,508	128,443	50,154	4,601	7,185	14,671	24,447
Total Taxes Totals	968,597,239	408,010,567	80,534,593	2,732,886	33,097,247	233,724,053	210,492,292
Average Total Tax	4,220	3,177	1,606	594	4,606	15,931	8,610
Property Tax Credit Returns	8,598	4,535	2,738	14	85	24	411
Property Tax Credit Totals	4,089,938	2,192,743	1,187,775	5,843	43,381	11,462	212,752
Average Property Tax Credit	476	484	434	417	510	478	518
DC EITC Returns	44,166	9,990	31,608	49	22	244	2,253
DC EITC Totals	20,141,717	2,443,629	16,468,353	10,133	7,641	98,366	1,113,595
Average EITC	456	245	521	207	327	403	494
Federal AGI Returns	257,489	143,500	56,665	7,396	7,858	14,776	27,290
Federal AGI Totals	17,378,680,675	7,237,595,493	1,847,343,384	67,866,602	595,475,719	3,723,966,590	3,906,362,906
Average FAGI	67,493	50,436	32,601	9,176	75,780	252,028	143,143
Est. Average FAGI per Person	44,126	49,766	14,667	-	61,850	96,234	52,695

\* Personal exemptions are assigned to each person in a filing household. In addition to 1 exemption per person, exemptions are assigned for age 65 and over for blindness.  
Each head-of-household return receives an additional exemption.  
\*\* Dependents should be counted on the return of the parent or guardian.

Source: OCFO, D.C. Office of Tax and Revenue



# Questions and Answers about TY 2001 and TY 2004 D.C. Individual Income Tax Filers

**What is happening at income levels over \$200,000 DCAGI?**

The number of filers increased by more than 2,000 between TY 2001 and TY 2004.

The number with wage and salary income grew more than 1,500.

Average out-of-state tax credits increased substantially.

**Figure A-1** How many Filers are there? Has the number changed?

	TY 2004	TY 2001	Percent Change
<b>Total</b>	<b>262,328</b>	<b>270,645</b>	<b>-3.1%</b>
Single Filers, no dependents	145,433	150,416	-3.3%
Head of Household filers (single with dependents)	57,197	58,977	-3.0%
Dependent Filers	7,799	7,899	-1.3%
Filers Married	27,829	27,573	0.9%
Filers Married filing Combined	14,825	15,179	-2.3%
Filers Married filing Separately (All Married Filers)	8,003	8,708	-8.1%
	50,657	51,460	-1.6%

**Figure A-2** D.C. Filers with DCAGI between \$50,000 and \$200,000, TY 2001 and TY 2004

	TY 2004	TY 2001	Change
Number of filers with DCAGI of \$200,000 or more	9,821	7,701	2,120
Number of these filers who have wage income	7,846	6,278	1,568
Percent of all wage income	21.2%	16.2%	5.0%
Percent of all filers with wage income	3.5%	2.7%	0.8%
Amount of out-of-state tax credit, all filers, \$000	\$63,726	\$37,049	\$26,677
Percent of out-of-state tax credit, filers with \$200,000 or more income	91.3%	87.8%	3.5%
Filers with \$200,000+ income as % of all filers with out-of-state tax credit	32.1%	32.2%	-0.1%

### What is happening at the \$50,000-\$200,000 income level?

- These taxpayers represent about 22% of all filers. Their numbers grew about 10% between TY 2001 and TY 2004.
- The number with current wage and salary income grew about 10%.
- Average wage of those with current wage income dropped about 5%.
- The number of full year returns grew at the same rate as all returns.

**Figure A-3** D.C. Filers with DCAGI between \$50,000 and \$200,000, TY 2001 and TY 2004

	TY 2004	TY 2001	Change	Percent Change	Percent all, TY 2001
Number of Filers	66,189	60,364	5,825	9.6	22.3
Number of filers with W&S Income	59,994	54,475	5,519	10.1	23.5
Average Wage	87,292	92,152	(4,860)	-5.3	-
Full Year Returns	60,560	55,345	5,215	9.4	25.3

### Total Income Tax Revenue in (\$ Millions):

FY2005 \$1160      FY2003 \$929  
 FY2004 \$1042      FY2002 \$949



D.C.'s Individual Income Tax Base is limited, by federal action, in a way that is unique across the U.S. Incomes earned in D.C. by non-residents are not taxed here. The tax base is only the incomes of individuals who reside in D.C. Earnings of residents equal about 1/3 of income earned in D.C.

### What is happening at the \$0 to \$50,000 DCAGI levels?

- The median DCAGI for filers is about \$30,000.
- Average DCAGI for all filers is about \$60,000 in TY 2001. Roughly 80% of all filers have income below average.

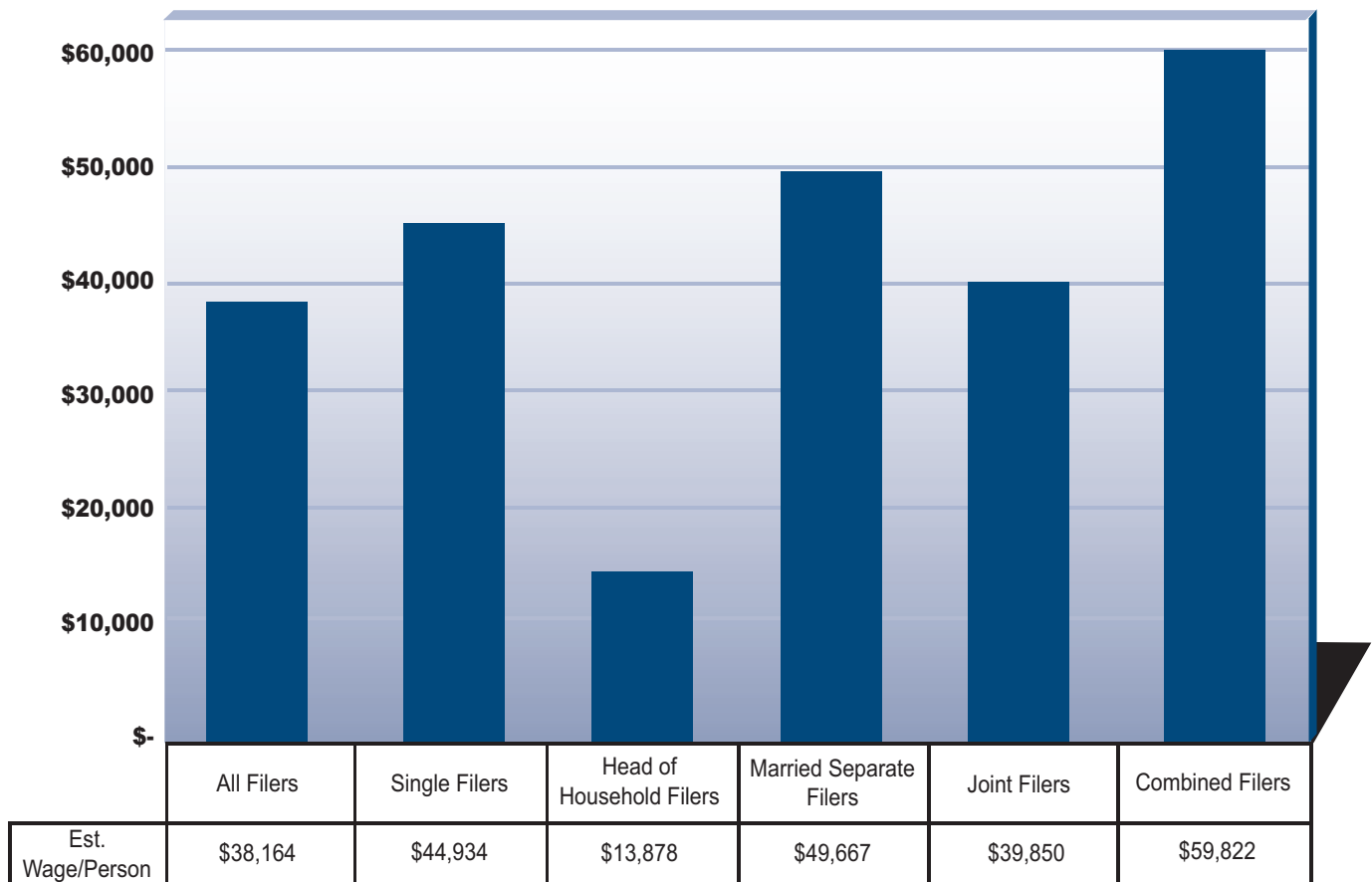
**Figure A-4** Filers with D.C. AGI between \$0 and \$50,000, TY 2001 and TY 2004

	TY 2004	TY 2001	Change	Percent Change	Percent all, TY 2001
Total Number of Returns	179,505	197,287	(17,782)	-9.0	72.9
Salary and Wages Returns	154,660	169,934	(15,274)	-9.0	73.2
12 Months in D.C. Returns	140,737	151,360	(10,623)	-7.0	69.3
Average Wage in Category	26,804	32,902	(6,098)	-18.5	-
Number EITC Tax Credits	43,543	43,352	191	0.4	-
Average EITC Credit	459	435	24	5.6	-

- The number of returns with DCAGI between \$0 and \$50,000 dropped about 9% between TY 2001 and TY 2004, compared to 3% drop overall. The same holds for returns reporting wage and salary income.
- The number of full year resident returns dropped 7% between TY 2001 and TY 2004.
- The number of returns with EITC tax credits was virtually unchanged and the amount of the average credit grew, roughly, only by the amount of inflation.

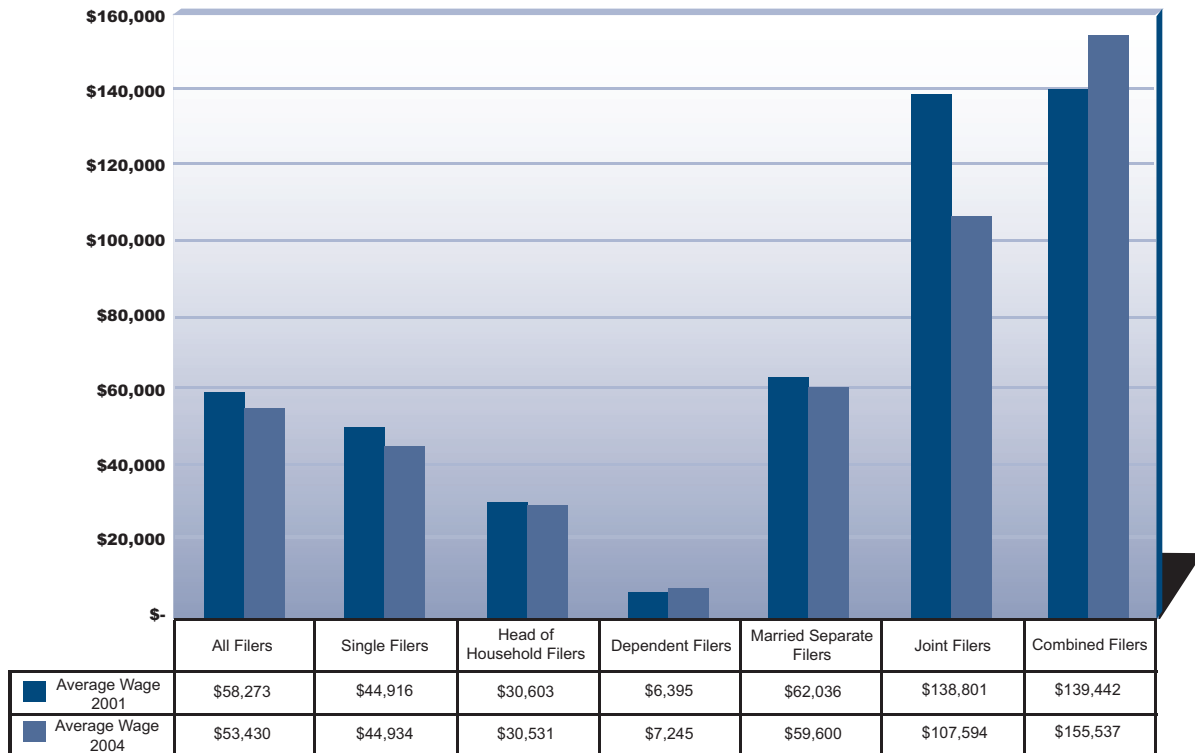
**Figure A-5** What is Estimated Average Wage per person, in TY 2004?

Single= 55% filers, 37% people  
 Married Separate= 3% filers, 2% people  
 Married Joint= 11% filers, 19% people  
 Head of Household= 22% filers, 33% people  
 Dependent= 3% filers, 0% people  
 Married Combined= 6% filers, 10% people



**Figure A-6** What is Wage Income by Filer Type, TY 2001 and TY 2004?

Single=1; Head of Household=2.2; Married Separate= 1.2; Married Joint=2.6; Married Combined= 2.7



**Tax Rates on Net Taxable Income, TY 2001:**

First \$10,000, rate = 5.0%  
 Between \$10,000 and \$30,000, rate = 7.5%  
 Over \$30,000, rate = 9.3%

**Tax Rates on Net Taxable Income, TY 2004:**

First \$10,000, rate = 5.0%  
 Between \$10,000 and \$30,000, rate = 7.5%  
 Over \$30,000, rate = 9.0%

**Figure A-7** How many filers are there, by DCAGI group, in TY 2001 and TY 2004?

Category of Statistics	Total Returns	Break even and Loss	\$0.01 Under \$10,000	\$10,000 Under \$20,000	\$20,000 Under \$30,000	\$30,000 Under \$50,000	\$50,000 Under \$75,000	\$75,000 Under \$100,000	\$100,000 Under \$150,000	\$150,000 Under \$200,000	\$200,000 Under \$500,000	\$500,000 Under \$1,000,000	\$1,000,000 and Over
<b>TY 2001</b>													
Total Number of Returns	270,645	5,293	47,567	49,417	44,407	55,896	29,801	13,674	12,023	4,866	5,912	1,174	615
Salary and Wages Returns	232,270	1,583	38,511	41,727	39,186	50,510	26,894	12,339	10,867	4,375	5,005	843	430
12 Months in D.C. Returns	218,452	4,268	31,646	37,646	35,686	46,382	26,443	12,734	11,480	4,688	5,741	1,140	598
<b>TY 2004</b>													
Total Number of Returns	262,328	6,813	41,368	43,718	39,596	54,823	31,148	15,397	13,817	5,827	7,299	1,606	916
Salary and Wages Returns	224,684	2,184	34,061	36,581	34,505	49,513	28,263	13,939	12,558	5,234	6,141	1,108	597
12 Months in D.C. Returns	216,189	5,401	28,220	33,755	32,423	46,339	27,589	14,272	13,135	5,564	7,033	1,563	895

### Who must file?

- Single Residents or Residential Households that are domiciled in D.C. for tax purposes—generally here for 183 days in the year or have D.C. as a permanent residence.

### What is Taxed?

- Wage and Salary income, incomes from investments including rental property, financial asset, and business activity, and pension income. Social Security income is not taxed. Credits are allowed for tax owed to a state. Income earned in D.C. by non-residents is not taxed.

### Who must pay?

- Those with sufficient income for the tax to apply—after all credits, deductions and exemptions.

### Who does not file taxes in D.C.?

- More than 100,000 current D.C. residents such as:
  - Many students in higher education
  - Citizens in nursing homes and other institutions
  - Members of the U.S. Military
  - Those with too little income.
  - Those who avoid or evade taxes.

Those exempt by federal acts, such as foreign diplomats and non-D.C. residents who work in the District.

About one-quarter of D.C.'s population is not part of a tax-filing household.

**Figure A-8** How many returns are filed?

	Tax Year 2004	Tax Year 2001
Total	261,086	268,752
Single Filers, no dependents	145,433	150,416
Head of Household filers (Single with dependents)	57,197	58,977
Dependent Filers	7,799	7,899
Filers Married filing Jointly	27,829	27,573
Filers Married filing Combined	14,825	15,179
Filers Married filing Separately	8,003	8,708

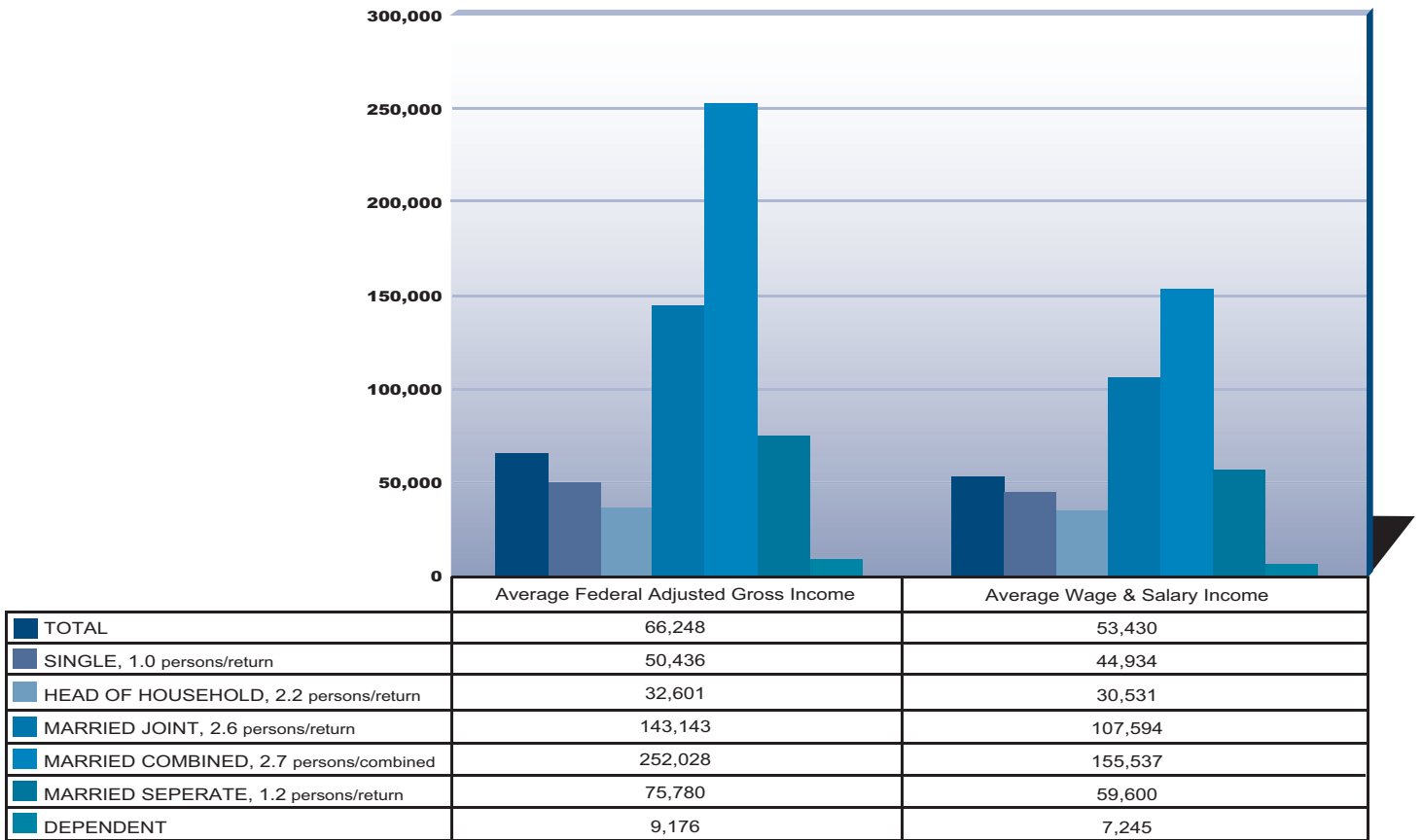
**NOTE:** Items may not sum to total due to errors in some returns filed.

### What are the differences among the filer-types?

- Single filers are single and have no dependents. Fifty-five percent of D.C. filers are single.
- Head of household filers are single and have dependents such as children or elderly parents on the returns of their guardian or parent, although their income is filed separately. They make up about 3 percent of filers.
- Married people make up about 20 percent of filers. They can file:
  - Jointly: Usually when only one spouse works or
  - Combined: Usually when both spouses have income or
  - Separately: Usually when the spouses live apart.



**Figure A-9** How much income do D.C. tax filers have?  
Average incomes by filer types, TY 2004, D.C. Individual income tax returns

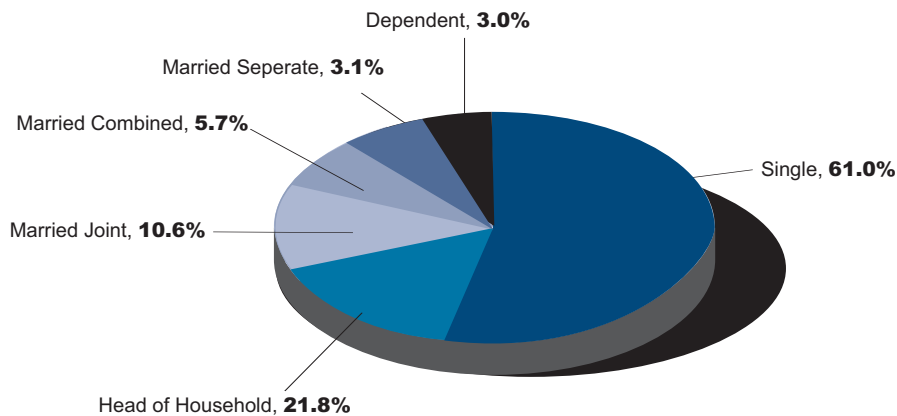


**Figure A-10** How many people are represented by TY 2004 tax-filers?

**Persons in Filer Households, estimated TY 2004**

Total	393,840	Head of Household	125,951
Single	145,433	Married Combined	38,697
Married Joint	74,132	Married Seperate	9,628

**Figure A-11** Percent Total Returns by Filer Type, TY 2004



### What about the working poor?

- On average, people in the “head of household” filing group tend to have much less income than people in other tax filing groups. They average about 1/3 the income of single people per person and less than that when compared to people in married households.
- The “working poor” – as indicated by the presence of the Earned Income Tax Credit or Low Income Tax Credit - are found in all filer types. In total, about 1 in 5 tax filers claim such a credit in TY2004.
- Tax credits for low income earners reduce tax burdens; the EITC can refund more than the taxpayer may owe and increase after-tax income.
- Filers for these credits represent about 57% of Head of Household returns. About 1 in 9 singles and married-joint filers get these credits.

**Figure A-12** Returns, Gross Income, and D.C. Income Tax Liability—from D.C. for D-40, TY 2004:

Category of Stats All Filers	Breakeven and Loss	\$0.01 Under \$10,000	\$10,000 Under \$20,000	\$20,000 Under \$30,000	\$30,000 Under \$50,000	\$50,000 Under \$75,000	\$75,000 Under \$100,000	\$100,000 Under \$150,000	\$150,000 Under \$200,000	\$200,000 Under \$500,000	\$500,000 Under \$1,000,000	\$1,000,000 and Over
Total Number of Returns	6,813	41,368	43,718	39,596	54,823	31,148	15,397	13,817	5,827	7,299	1,606	916
TOTAL Gross Income \$000	139,133	402,302	790,771	1,044,123	2,289,793	1,893,663	1,353,655	1,593,072	1,135,103	1,895,127	978,680	1,657,805
Total Taxes Totals, \$000	1,274	3,332	21,350	42,343	111,748	114,808	86,562	114,867	71,397	155,001	79,878	166,038
Percent of Returns	3%	16%	17%	15%	21%	12%	6%	5%	2%	3%	1%	0%
Percent of Income	1%	3%	5%	7%	15%	12%	9%	10%	7%	12%	6%	11%
Percent of Tax	0%	0%	2%	4%	12%	12%	9%	12%	7%	16%	8%	17%
Cumulative Percent of Returns	3%	4%	9%	16%	31%	43%	52%	63%	70%	83%	89%	100%
Cumulative Percent of Income	1%	4%	9%	16%	31%	43%	52%	63%	70%	83%	89%	100%
Cumulative Percent of Tax	0%	0%	3%	7%	19%	30%	39%	51%	59%	75%	83%	100%

### How is income distributed?

- The median tax-filer in D.C. has \$30,000 in DC AGI.
- This first-half of tax-filers pays about 7% of the tax.
- Tax-filers with \$100,000 and more DCAGI account for about 11% of filers, about 48% of income, and about 61% of D.C. income tax in TY2004.
- More than 80% of filers have less than average filer income in TY 2004.

**Figure A-13** Filers with Wage & Salary Income Percentage

Total	86%
Single	85%
Head of Household	94%
Married Joint	82%
Married Combined	85%
Married Separate	81%
Dependent	74%

**Figure A-14** Has the number of Filers changed over time?

D.C. D-40 Filers	
Tax Year	No. Returns
1989	311,924
1990	304,508
1991	292,792
1992	283,062
1993	276,003
1994	269,011
1995	260,717
1996	255,408
1997	262,308
1998	262,333
1999	*
2000	*
2001	270,645
2002	266,749
2003	264,046
2004	262,328

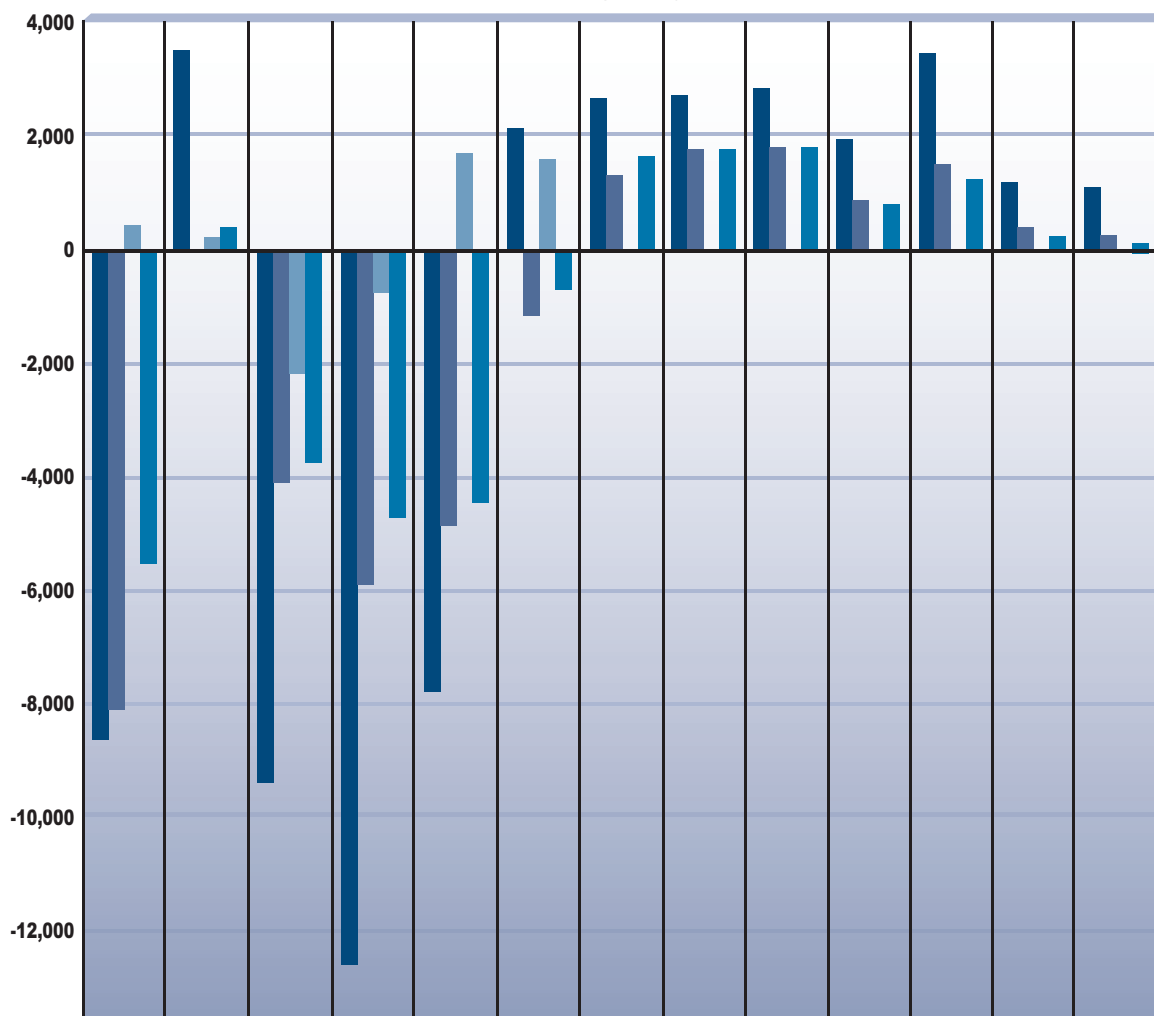
\* Comparable data are not available due to change in tax systems.

**Figure A-15** Who gets the Earned Income Tax Credit?

Filers with Earned Income Tax Credit or Low Income	Total	Percent of Filer Group
Single	16,145	11.1%
Head of Household	32,495	56.8%
married Joint	3,373	12.1%
Married Combined	319	2.2%
Married Separate	268	3.3%
Total Filers	53,998	20.6%



**Figure A-16** How has the number of filers changed by Income level, TY 2001–TY 2004?



	Total Returns	Breakeven and Loss	\$0.01 Under \$10,000	\$10,000 Under \$20,000	\$20,000 Under \$30,000	\$30,000 Under \$50,000	\$50,000 Under \$75,000	\$75,000 Under \$100,000	\$100,000 Under \$150,000	\$150,000 Under \$200,000	\$200,000 Under \$500,000	\$500,000 Under \$1,000,000	\$1,000,000 and Over
<b>Total Number of Returns, down 8,317</b>	-8,755	3,502	-9,334	-12,823	-7,735	2,056	2,712	2,734	2,863	1,937	3,353	1,049	931
<b>Taxable Income Returns</b>	-8,071	0	-4,026	-5,882	-4,958	-1,098	1,306	1,709	1,794	956	1,391	438	299
<b>D.C. Earned Income Tax Credit Returns</b>	454	260	-2,076	-849	1,596	1,520	4	-1	1	-1	-1	0	0
<b>D.C. Income Tax Withheld Returns</b>	-5,489	499	-3,687	-4,635	-4,455	-744	1,593	1,735	1,809	864	1,110	259	163





**DUPONT** CIR  
**UNIT** NW

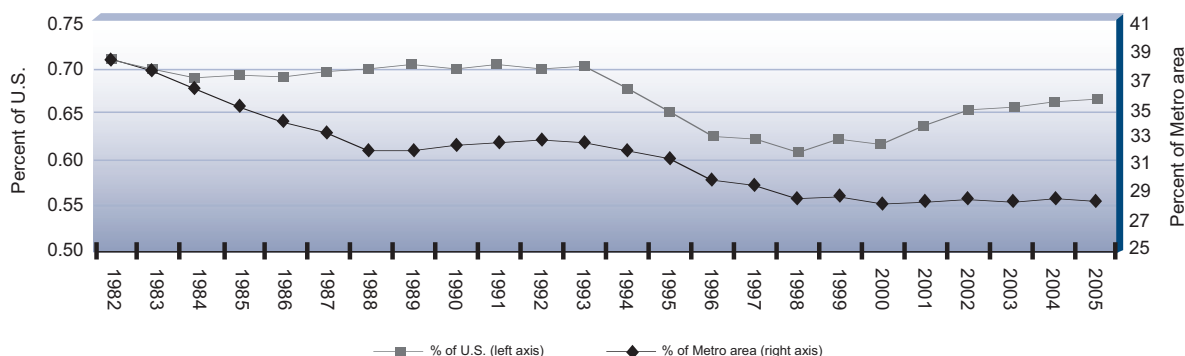
CONNECTICUT AVE  
NW



# Economic Characteristics (Employment, Income and Housing): CY 1982-CY 2005

**Figure B-1** D.C. Gross State Product and Personal Income: 1982 to 2005

D.C. Gross State Product as Percent of U.S. and  
Washington Metropolitan Area Levels: 1982 to 2005



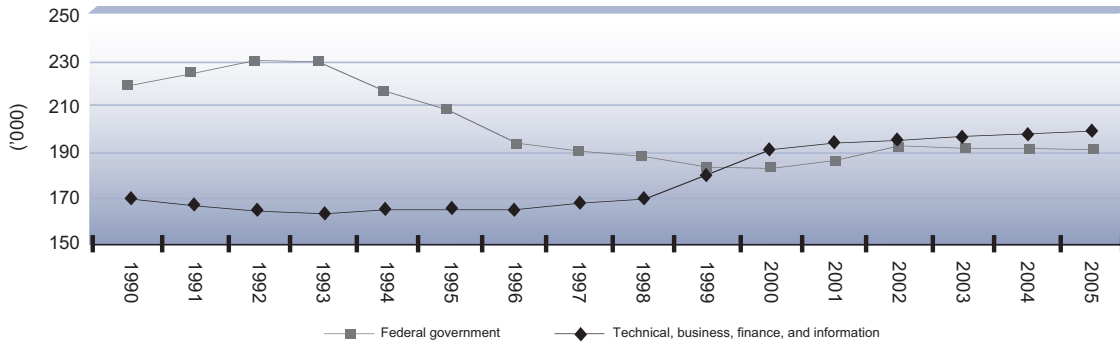
D.C. Gross State Product CY	D.C. Gross State Product (\$ Billions)	Percent Change	*Real Gross State Product (\$ Billions)	Percent Change	D.C. Personal Income (\$ Billions)	Percent Change	Real D.C. Personal Income (\$ Billions)	Percent Change	D.C. GSP as Percent of U.S.	D.C. GSP as Percent of Washington Metro Area
1982	23.17	-	43.23	-	9.35	-	15.62	-	0.71	38.8
1983	24.72	6.7	48.38	11.9	9.80	4.8	15.69	0.4	0.70	37.5
1984	26.89	8.8	49.58	2.5	10.83	10.5	16.71	6.5	0.68	36.0
1985	28.97	7.7	50.57	2.0	11.52	6.3	17.20	3.0	0.69	35.0
1986	30.57	5.5	50.96	0.8	12.14	5.4	17.70	2.9	0.68	33.8
1987	32.79	7.3	52.65	3.3	12.83	5.7	18.08	2.2	0.69	33.0
1988	35.73	9.0	54.47	3.5	14.04	9.5	19.04	5.3	0.70	32.3
1989	38.45	7.6	56.17	3.1	15.06	7.3	19.57	2.8	0.70	32.2
1990	40.38	5.0	55.86	-0.5	16.02	6.4	19.91	1.7	0.70	32.9
1991	42.14	4.4	55.25	-1.1	16.56	3.4	19.86	-0.2	0.70	33.1
1992	44.23	5.0	55.79	1.0	17.28	4.3	20.13	1.4	0.70	33.4
1993	46.38	4.9	56.73	1.7	17.86	3.3	20.34	1.0	0.70	33.2
1994	47.49	2.4	56.57	-0.3	18.17	1.8	20.27	-0.4	0.67	32.4
1995	47.57	0.2	54.82	-3.1	18.15	-0.1	19.82	-2.2	0.64	31.4
1996	47.96	0.8	53.60	-2.2	18.77	3.4	20.06	1.2	0.61	30.0
1997	50.37	5.0	54.69	2.0	19.58	4.3	20.58	2.6	0.61	29.6
1998	51.68	2.6	55.09	0.7	20.56	5.0	21.42	4.1	0.59	28.5
1999	56.41	9.1	58.35	5.9	21.12	2.7	21.64	1.0	0.61	28.8
2000	58.70	4.1	58.70	0.6	23.10	9.4	23.10	6.8	0.60	28.1
2001	63.73	8.6	61.57	4.9	25.53	10.5	25.00	8.2	0.63	28.2
2002	67.72	6.3	62.83	2.0	25.79	1.0	24.90	-0.4	0.65	28.5
2003	71.28	5.3	64.27	2.3	26.62	3.2	25.23	1.3	0.65	28.1
2004	77.51	8.7	67.31	4.7	28.35	6.5	26.19	3.8	0.66	28.4
2005	82.78	6.8	70.32	4.5	30.14	6.3	27.07	3.4	0.66	28.3

\*Stated in \$ for CY 2000

Source: U.S. Bureau of Economic Analysis, accessed through Global Insight (Real GDP from 1982 to 1989 estimated from economy.com)

**Figure B-2** Wage and Salary Employment: 1982 to 2005

Employment in (1) Federal government and (2) Professional, business, information, and financial services: 1990 to 2005 (*in thousands*)

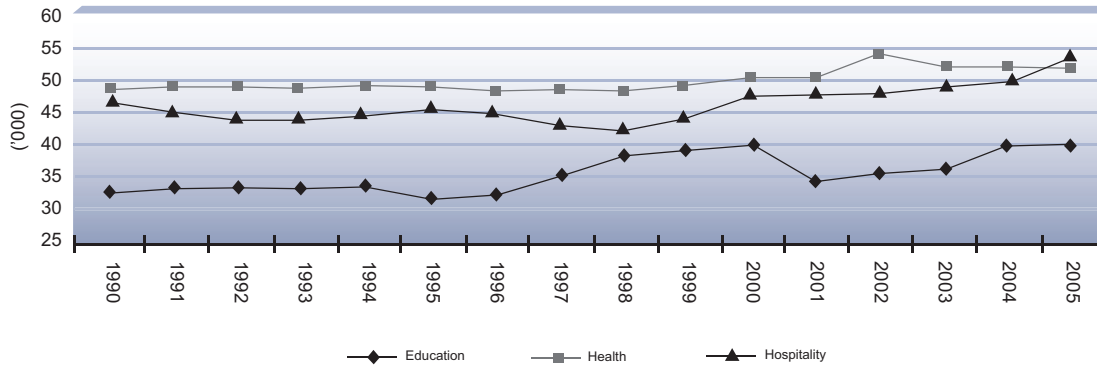


CY	Wage and Salary employment (000)	Percent Change (Percent)	Professional & Technical Services						
			Federal Government (000)	D.C. Government (000)	Professional & Technical Services (000)	Business Services (000)	Information (000)	Financial (000)	Trade (000)
1982	597.9	-	-	-	-	-	-	-	-
1983	596.6	-0.2	205.6	52.4	50.8	24.6	24.4	30.7	31.5
1984	613.7	2.9	207.0	52.8	54.1	26.9	24.5	31.6	31.7
1985	628.9	2.5	210.5	53.7	57.7	28.8	24.5	33.4	31.8
1986	640.0	1.8	212.1	54.1	60.4	29.8	23.7	34.2	32.2
1987	655.6	2.4	215.0	54.9	63.5	31.9	24.6	34.4	32.6
1988	673.6	2.7	219.4	56.0	68.3	36.1	25.2	33.6	33.2
1989	680.6	1.0	219.9	56.1	70.6	37.7	25.6	33.1	33.2
1990	686.1	0.8	220.0	57.3	72.0	37.7	25.9	33.5	32.0
1991	677.2	-1.3	225.0	56.2	72.1	35.5	25.1	32.0	28.9
1992	673.6	-0.5	230.1	55.7	71.9	35.9	24.4	30.1	27.0
1993	670.3	-0.5	230.0	55.3	72.4	36.1	23.7	29.2	25.2
1994	658.7	-1.7	217.4	53.1	74.0	37.0	23.1	29.6	24.3
1995	642.6	-2.4	206.7	48.2	73.5	37.5	24.0	29.3	23.6
1996	623.1	-3.0	195.5	44.9	74.3	36.6	24.3	28.3	22.7
1997	618.5	-0.7	191.6	41.6	75.8	39.2	24.2	28.3	22.0
1998	613.6	-0.8	186.6	39.2	78.4	39.8	22.8	28.9	21.0
1999	627.4	2.2	183.4	39.1	83.7	41.4	23.8	31.3	21.9
2000	650.3	3.7	183.6	40.4	88.6	44.5	25.4	33.3	21.8
2001	653.7	0.5	185.5	40.6	92.9	45.8	25.8	31.1	21.5
2002	664.3	1.6	192.4	39.3	93.2	45.9	25.4	30.8	21.5
2003	665.6	0.2	192.4	38.2	94.6	47.1	24.5	30.8	21.7
2004	674.3	1.3	192.7	38.5	97.7	46.2	23.8	30.6	22.1
2005	681.7	1.1	193.3	39.9	100.6	47.6	22.6	30.0	22.2

Source: U.S. Bureau of Labor Statistics. Sector detail from 1983 to 1989 accessed through economy.com

**Figure B-2 (continued)** Wage and Salary Employment: 1982 to 2005

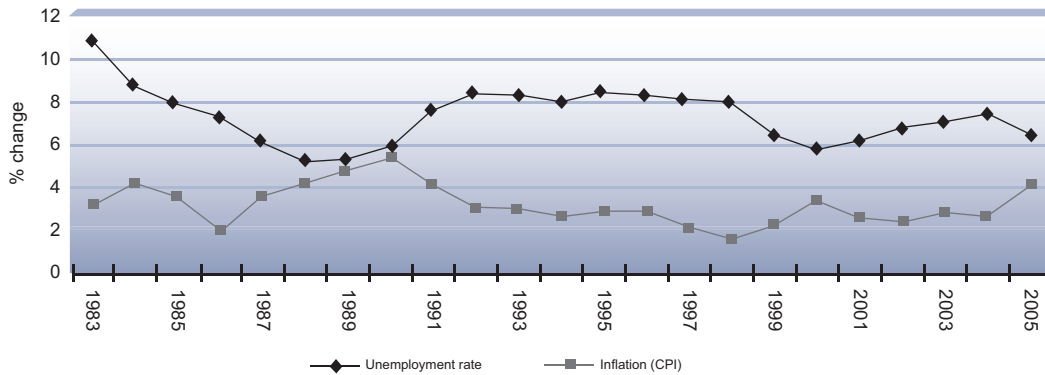
Employment in Education, Health, and  
Hospitality Industries: 1990 to 2005 (in thousands)



CY	Wage and Salary Employment (in thousands)									
	Education (000)	Health (000)	Arts (000)	Accommodation (000)	Food Service (000)	Organization (000)	Other Services (000)	Construction (000)	Transportation and Utilities (000)	Manufacturing (000)
1982	-	-	-	-	-	-	-	-	-	-
1983	29.3	39.7	2.7	11.4	23.1	35.6	6.7	9.5	12.2	6.8
1984	31.0	40.1	2.8	12.3	25.6	36.4	6.9	10.6	12.9	6.8
1985	31.8	40.4	2.8	12.9	25.6	35.6	6.7	12.9	13.0	7.0
1986	31.3	42.8	2.9	13.7	25.8	36.3	6.9	13.6	13.2	7.1
1987	31.7	44.9	2.7	14.4	26.9	36.9	7.0	14.0	13.1	7.4
1988	31.6	45.8	3.1	15.1	28.3	37.4	7.0	13.4	13.1	7.5
1989	31.7	46.5	3.2	15.3	28.6	37.7	7.0	13.8	13.1	7.4
1990	32.4	48.6	3.3	16.0	27.9	38.8	6.8	13.8	12.7	7.3
1991	32.5	49.4	3.1	16.1	25.7	39.1	6.4	10.7	13.4	6.2
1992	32.5	49.1	3.0	15.5	25.3	40.8	6.1	8.8	12.0	5.5
1993	32.6	48.7	3.0	15.5	25.5	41.8	6.1	8.4	11.5	5.3
1994	33.1	48.9	3.3	15.4	26.0	42.4	6.2	9.3	10.7	5.1
1995	31.8	48.8	3.4	16.1	26.8	42.5	6.2	9.4	9.8	4.9
1996	32.4	48.1	3.6	15.3	26.4	41.9	6.1	9.1	9.0	4.6
1997	34.9	48.2	3.3	14.9	25.0	42.0	6.0	9.2	7.9	4.3
1998	38.0	47.8	4.0	13.3	24.9	42.7	5.6	9.1	7.7	4.0
1999	39.1	48.7	4.5	13.8	25.9	43.9	5.8	9.7	7.7	3.9
2000	40.6	50.9	5.2	14.9	27.8	44.5	6.2	11.3	7.7	3.7
2001	34.4	50.9	5.3	14.7	27.8	48.7	7.2	11.6	6.6	3.4
2002	35.5	54.2	5.5	14.1	28.6	49.7	6.4	12.4	6.4	3.1
2003	36.3	52.3	5.8	14.3	29.5	49.8	6.5	12.9	6.3	2.5
2004	40.1	52.1	5.7	14.8	30.4	52.0	6.8	12.4	5.8	2.4
2005	40.3	52.0	6.2	15.3	32.5	52.1	6.9	12.6	5.5	2.1

**Figure B-3** D.C. Population, Households, Labor Force, Resident Employment, Unemployment Rate, and Inflation: 1982 to 2005

D.C. Unemployment rate and inflation rate (CPI): 1983 to 2005



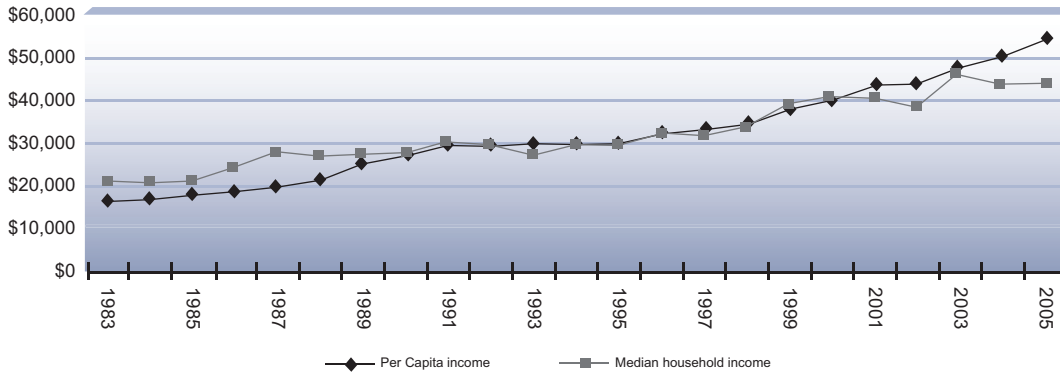
CY	D.C. Population (000)	Households (000)	Ratio of Population to Households	Labor Force (000)	Ratio of Labor Force to Households	Resident Employment (000)	Unemployment Rate (Percent)	Inflation (CPI for Greater Washington) (Percent)
1982	634.0	254.4	2.49	308.5	1.21	275.7	10.6	-
1983	632.7	254.5	2.49	313.2	1.23	278.8	11.0	3.1
1984	633.5	256.7	2.47	320.6	1.25	292.1	8.9	4.3
1985	635.2	258.8	2.45	321.9	1.24	296.1	8.0	3.5
1986	637.8	261.0	2.44	322.2	1.23	298.7	7.3	1.9
1987	635.8	261.2	2.43	329.1	1.26	308.8	6.2	3.5
1988	629.7	260.2	2.42	330.0	1.27	313.2	5.1	4.0
1989	621.0	256.9	2.42	316.3	1.23	300.3	5.1	4.7
1990	605.6	251.4	2.41	331.7	1.32	311.8	6.0	5.3
1991	600.5	250.3	2.40	322.6	1.29	297.8	7.7	4.2
1992	597.3	250.7	2.38	317.3	1.27	290.1	8.6	3.0
1993	594.3	249.8	2.38	314.3	1.26	287.7	8.5	2.9
1994	588.0	247.2	2.38	310.1	1.25	285.2	8.0	2.6
1995	579.5	245.6	2.36	299.5	1.22	273.8	8.6	2.8
1996	572.0	245.4	2.33	290.5	1.18	265.7	8.5	2.9
1997	567.6	245.3	2.31	286.5	1.17	262.8	8.3	2.0
1998	566.3	245.4	2.31	293.8	1.20	270.2	8.0	1.3
1999	570.4	247.9	2.30	308.1	1.24	288.0	6.5	2.1
2000	571.0	248.7	2.30	309.4	1.24	291.9	5.7	3.3
2001	568.5	249.1	2.28	305.8	1.23	286.6	6.3	2.6
2002	563.6	250.4	2.25	299.8	1.20	279.6	6.7	2.3
2003	557.6	252.2	2.21	296.4	1.18	275.6	7.0	2.9
2004	553.8	252.7	2.19	295.8	1.17	273.6	7.5	2.8
2005	550.1	251.3	2.19	296.1	1.18	277.0	6.5	4.0

Note: In August 2006 the Bureau of the Census re-estimated the D.C. population as of July 1, 2005, to be 582,049. This is likely to result eventually in modifications in other demographic and labor force information.

Source: Information accessed through Global Insight. Data on population and households are from the U.S. Bureau of the Census and data on labor force, resident employment, unemployment, and inflation are from the U.S. Bureau of Labor Statistics. Global Insight information may vary from published Census numbers in part because it is based on an average for the year rather than as of a certain date.

**Figure B-4** D.C. Personal Income, Wages, Earnings,  
Per capita and Per household earnings: 1982 to 2005

D.C. Per Capita Income and Median Household Income: 1983 to 2005



CY	Personal Income (\$ Billions)	Wages earned in D.C. (\$ Billions)	Income earned in D.C. (\$ Billions)	Income earned by D.C. residents (\$ Billions)	Per Capita Income (Dollars)	Real per capita Income (Dollars)	Average Household Income (Dollars)	Median Household Income (Dollars)
1982	9.4	14.1	17.6	6.2	14,751	24,640	-	-
1983	9.8	14.8	18.3	6.6	15,483	24,796	38,486	20,299
1984	10.8	16.1	19.9	7.2	17,093	26,377	42,187	20,408
1985	11.5	17.3	21.1	7.7	18,130	27,086	44,489	21,076
1986	12.1	18.5	22.4	8.2	19,027	27,747	46,494	24,322
1987	12.8	20.0	24.1	8.8	20,179	28,438	49,123	27,455
1988	14.0	22.0	26.5	9.6	22,302	30,232	53,967	26,741
1989	15.1	23.4	28.0	10.0	24,260	31,515	58,635	26,752
1990	16.0	24.9	30.0	10.9	26,462	32,868	63,751	27,392
1991	16.6	25.9	31.6	11.2	27,584	33,066	66,167	29,885
1992	17.3	27.3	33.4	11.7	28,927	33,703	68,911	30,247
1993	17.9	28.1	34.7	12.1	30,047	34,221	71,488	27,304
1994	18.2	28.8	35.5	12.3	30,903	34,469	73,491	30,116
1995	18.2	29.3	35.9	12.4	31,319	34,201	73,892	30,748
1996	18.8	29.7	36.3	12.8	32,807	35,071	76,465	31,966
1997	19.6	30.4	37.3	13.2	34,499	36,267	79,806	31,860
1998	20.6	32.0	39.0	13.9	36,309	37,831	83,797	33,433
1999	21.1	34.9	42.2	14.5	37,020	37,942	85,161	38,670
2000	23.1	37.0	44.5	16.2	40,461	40,461	92,899	41,222
2001	25.5	39.1	47.3	18.5	44,896	43,974	102,477	41,169
2002	25.8	41.1	49.8	18.6	45,750	44,185	102,978	39,070
2003	26.6	42.9	51.9	19.3	47,741	45,242	105,547	45,044
2004	28.4	45.9	56.1	20.9	51,201	47,296	112,206	43,451
2005	30.1	48.1	59.5	22.3	54,787	49,216	119,929	44,993

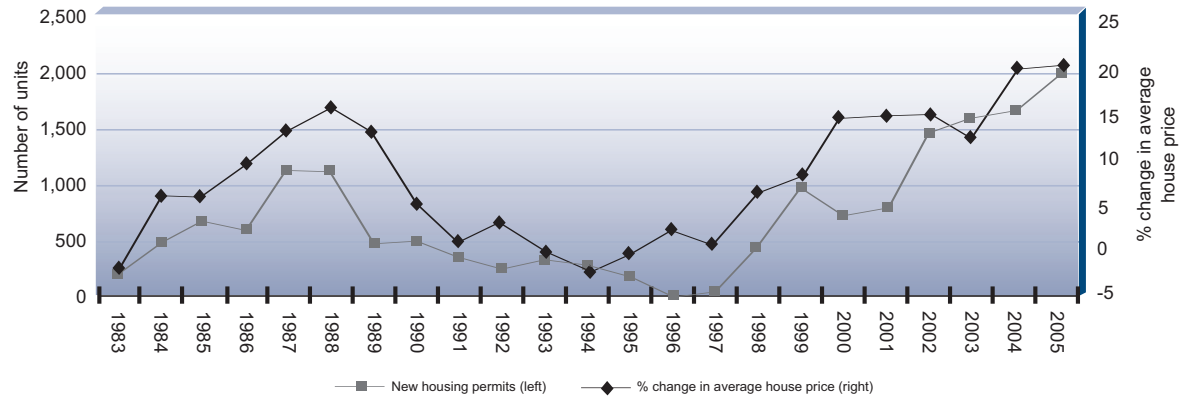
\* Stated in \$ for CY 2000

Source: Income data are from the U.S. Bureau of Economic Analysis, except for median household income, which is from the Bureau of the Census. Except for median household income, data is accessed through Global Insight, including per capita and average household income. Median household income is accessed through economy.com. Average household income is based on personal income and includes benefits. Median household income excludes benefits and differs in other respects from the personal income definition.



**Figure B-5** Housing starts, sales, and prices: 1982 to 2005

New Housing units and average house price: 1983 to 2005



CY	Housing Starts	Number of Housing units Sold ('000)	Average Selling Price (Dollars)	Percent Change	Median Selling Price (Dollars)	Percent Change	Ratio of Median Selling Price to Median Household Income	Ratio of Average Selling Price to Average Household Income
1982	594	5.4	101,278	-	69,479	-	-	-
1983	189	7.3	99,481	-1.8	68,575	-1.3	3.4	2.6
1984	415	7.6	104,959	5.5	71,986	5.0	3.5	2.5
1985	661	9.2	110,909	5.7	75,131	4.4	3.6	2.5
1986	572	11.4	121,496	9.5	80,764	7.5	3.3	2.6
1987	1,140	9.1	137,846	13.5	90,434	12.0	3.3	2.8
1988	1,139	8.0	159,345	15.6	102,948	13.8	3.8	3.0
1989	398	7.3	179,984	13.0	114,880	11.6	4.3	3.1
1990	434	6.0	187,641	4.3	122,011	6.2	4.5	2.9
1991	269	5.6	187,546	-0.1	118,938	-2.5	4.0	2.8
1992	185	5.5	192,379	2.6	123,258	3.6	4.1	2.8
1993	260	5.7	191,006	-0.7	123,887	0.5	4.5	2.7
1994	209	5.6	185,274	-3.0	121,036	-2.3	4.0	2.5
1995	104	5.5	183,530	-0.9	121,358	0.3	3.9	2.5
1996	2	5.2	186,944	1.9	124,346	2.5	3.9	2.4
1997	13	6.8	186,823	-0.1	123,113	-1.0	3.9	2.3
1998	376	10.3	197,168	5.5	129,556	5.2	3.9	2.4
1999	959	11.1	213,396	8.2	137,649	6.2	3.6	2.5
2000	677	10.8	244,168	14.4	156,273	13.5	3.8	2.6
2001	824	10.4	280,028	14.7	181,104	15.9	4.4	2.7
2002	1,432	11.7	321,508	14.8	204,989	13.2	5.2	3.1
2003	1,625	12.6	360,232	12.0	230,185	12.3	5.1	3.4
2004	1,727	13.6	433,534	20.3	274,909	19.4	6.3	3.9
2005	2,097	13.7	524,809	21.1	343,368	24.9	7.6	4.4

Source: Global Insight. Median income used in calculating the ratio of median housing value to median household income is accessed through economy.com.

# Demographic, Social, Economic and Housing Characteristics: CY 2000 to CY 2004

**Figure C-1** Demographic, Social, Economics and Housing Characteristics for Washington, D.C. (2000-2004)

	2000	2001	2002	2003	2004
<i>Demographic</i>					
<b>Total Population</b>	536,497	536,260	535,632	528,759	518,074
<b>Total Households</b>	243,992	243,064	242,095	246,669	248,563
Family Households	108,576	106,705	112,332	112,481	109,865
Percent Distribution	44.5%	43.9%	46.4%	45.6%	44.2%
With own children under 18 years	21,607	20,487	23,927	23,171	21,094
Percent Distribution	19.9%	19.2%	21.3%	20.6%	19.2%
Married-Couple Families	23,235	21,981	24,938	25,308	23,951
Percent Distribution	21.4%	20.6%	22.2%	22.5%	21.8%
With own children under 18 years	1,789	1,583	2,095	2,050	1,724
Percent Distribution	7.7%	7.2%	8.4%	8.1%	7.2%
Female Householder, no husband present	20,304	19,314	21,905	21,821	19,886
Percent Distribution	18.7%	18.1%	19.5%	19.4%	18.1%
With own children under 18 years	2,132	1,854	2,453	2,422	2,028
Percent Distribution	10.5%	9.6%	11.2%	11.1%	10.2%
Non-family Households	135,416	136,359	129,763	134,188	138,698
Percent Distribution	55.5%	56.1%	53.6%	54.4%	55.8%
Household Size	2.2	2.21	2.21	2.14	2.08
<i>Social</i>					
<b>Population 25 years and over</b>	370,634	374,825	378,881	377,677	372,359
High School Graduate or Higher	302,808	300,235	310,682	308,562	314,271
Percent high school graduate or higher	81.7%	80.1%	82.0%	81.7%	84.4%
Bachelor's Degree or Higher	124,151	126,999	132,040	136,384	149,907
Percent bachelor's degree or higher	41.0%	42.3%	42.5%	44.2%	47.7%
<i>Economic</i>					
<b>Employed Civilian Population 16 years and over</b>	269,963	273,328	270,849	260,387	260,558
<b>Occupation</b>					
Management, professional, and related occupations	133,902	134,751	139,758	133,318	144,870
Percent Distribution	49.6%	49.3%	51.6%	51.2%	55.6%
Service occupations	43,734	48,106	45,232	48,172	39,084
Percent Distribution	16.2%	17.6%	16.7%	18.5%	15.0%
Sales and office occupations	62,901	64,232	61,212	52,338	51,851
Percent Distribution	23.3%	23.5%	22.6%	20.1%	19.9%
Other Occupations*	29,156	26,239	24,647	26,820	24,753
Percent Distribution	10.8%	9.6%	9.1%	10.3%	9.5%
* Consists of farm, fishing and forestry occupations; construction, extraction, maintenance and repair occupations; and production transportation, and material moving occupations					

**Figure C-1 (Continued)** Demographic, Social, Economics and Housing Characteristics for Washington, D.C. (2000-2004)

	2000	2001	2002	2003	2004
<b>Employed Civilian Population 16 years and over</b>	269,963	273,328	270,849	260,387	260,558
<b>Industry</b>					
Agriculture, forestry, fishing and hunting, and mining	270	273	271	260	521
Percent Distribution	0.1%	0.1%	0.1%	0.1%	0.2%
Construction	11,338	9,840	7,313	13,540	7,817
Percent Distribution	4.2%	3.6%	2.7%	5.2%	3.0%
Manufacturing	5,399	3,553	4,063	6,510	2,606
Percent Distribution	2.0%	1.3%	1.5%	2.5%	1.0%
Wholesale trade	1,620	2,187	2,979	2,604	2,345
Percent Distribution	0.6%	0.8%	1.1%	1.0%	0.9%
Retail trade	14,848	16,400	16,793	13,280	14,070
Percent Distribution	5.5%	6.0%	6.2%	5.1%	5.4%
Transportation and warehousing, and utilities	12,148	11,753	10,292	10,155	10,422
Percent Distribution	4.5%	4.3%	3.8%	3.9%	4.0%
Information	19,437	15,580	14,355	12,499	13,549
Percent Distribution	7.2%	5.7%	5.3%	4.8%	5.2%
Finance and insurance, and real estate and rental and leasing	23,757	21,593	17,876	16,404	17,457
Percent Distribution	8.8%	7.9%	6.6%	6.3%	6.7%
Professional, scientific, and management, and administrative and waste management services	51,023	53,299	56,066	54,942	54,196
Percent Distribution	18.9%	19.5%	20.7%	21.1%	20.8%
Educational services, and health care, and social assistance	47,513	47,832	50,920	45,568	49,506
Percent Distribution	17.6%	17.5%	18.8%	17.5%	19.0%
Arts, entertainment, and recreation, and accommodation, and food services	23,487	28,699	20,585	22,654	19,802
Percent Distribution	8.7%	10.5%	7.6%	8.7%	7.6%
Other services, except public administration	24,297	25,146	27,356	23,695	24,753
Percent Distribution	9.0%	9.2%	10.1%	9.1%	9.5%
Public administration	35,365	36,899	41,711	38,537	43,774
Percent Distribution	13.1%	13.5%	15.4%	14.8%	16.8%
<b>Total households</b>	243,992	243,064	242,095	246,669	248,563
Less than \$10,000	29,035	31,355	30,988	35,520	31,319
Percent Distribution	11.9%	12.9%	12.8%	14.4%	12.6%
\$10,000 to \$14,999	15,128	14,827	14,042	15,293	13,422
Percent Distribution	6.2%	6.1%	5.8%	6.2%	5.4%
\$15,000 to \$24,999	26,595	28,438	24,210	26,394	24,856
Percent Distribution	10.9%	11.7%	10.0%	10.7%	10.0%
\$25,000 to \$34,999	26,839	26,251	25,420	25,900	24,856
Percent Distribution	11.0%	10.8%	10.5%	10.5%	10.0%
\$35,000 to \$49,999	36,599	33,057	34,377	33,054	37,284

**Figure C-1 (Continued)** Demographic, Social, Economics and Housing Characteristics for Washington, D.C. (2000-2004)

	2000	2001	2002	2003	2004
Percent Distribution	15.0%	13.6%	14.2%	13.4%	15.0%
\$50,000 to \$74,999	40,503	40,106	37,525	41,440	39,522
Percent Distribution	16.6%	16.5%	15.5%	16.8%	15.9%
\$75,000 to \$99,999	24,155	22,605	23,967	21,707	25,353
Percent Distribution	9.9%	9.3%	9.9%	8.8%	10.2%
\$100,000 to \$149,999	21,227	24,549	25,178	24,174	25,105
Percent Distribution	8.7%	10.1%	10.4%	9.8%	10.1%
\$150,000 to \$199,999	10,492	9,479	12,105	11,100	11,185
Percent Distribution	4.3%	3.9%	5.0%	4.5%	4.5%
\$200,000 or more	13,176	12,639	14,526	12,580	15,659
Percent Distribution	5.4%	5.2%	6.0%	5.1%	6.3%
<b>Median household income (2004 adjusted inflation dollars)</b>	\$44,270	\$43,829	\$45,536	\$43,256	\$46,574
<b>Mean household income (2004 inflation adjusted dollars)</b>	\$69,551	\$67,229	\$72,584	\$67,433	\$72,941
<i>Housing</i>					
Total housing units	274,845	273,565	272,636	272,394	276,600
Occupied housing units	244,062	243,199	242,101	246,789	248,663
Percent Distribution	88.8%	88.9%	88.8%	90.6%	89.9%
Vacant housing units	30,783	30,366	30,535	25,605	27,937
Percent Distribution	11.2%	11.1%	11.2%	9.4%	10.1%
<b>Owner Occupied Housing Units</b>	94,263	96,209	96,632	103,580	108,437
<i>Value</i>					
Less than \$50,000	1,602	2,020	1,160	1,243	759
Percent Distribution	1.7%	2.1%	1.2%	1.2%	0.7%
\$50,000 to \$99,999	15,836	13,854	9,180	8,908	5,422
Percent Distribution	16.8%	14.4%	9.5%	8.6%	5.0%
\$100,000 to \$149,000	26,394	22,224	19,616	15,848	10,410
Percent Distribution	28.0%	23.1%	20.3%	15.3%	9.6%
\$150,000 to \$199,999	14,139	16,837	14,785	14,398	12,579
Percent Distribution	15.0%	17.5%	15.3%	13.9%	11.6%
\$200,000 to \$299,999	12,537	12,988	16,234	18,230	19,736
Percent Distribution	13.3%	13.5%	16.8%	17.6%	18.2%
\$300,000 to \$499,999	13,857	15,393	16,524	21,959	25,700
Percent Distribution	14.7%	16.0%	17.1%	21.2%	23.7%
\$500,000 to \$999,999	8,295	10,487	15,944	19,577	27,868
Percent Distribution	8.8%	10.9%	16.5%	18.9%	25.7%
\$1,000,000 or more	1,602	2,501	3,092	3,418	5,964
Percent Distribution	1.7%	2.6%	3.2%	3.3%	5.5%
<b>Median</b>	\$175,252	\$184,705	\$225,936	\$252,930	\$334,702

Source: U.S. Census Bureau, 2004 American Community Survey

**Figure D-1** Revenue Table by Source, FY 1984–FY 2005\*

	1984	1985	1986	1987	1988	1989
Real Property	359,411	407,289	437,315	480,479	544,247	638,218
Personal Prop.	36,254	43,496	46,766	55,362	58,411	63,404
Public Space	1,784	4,312	4,768	5,370	6,767	9,144
<b>Total Property</b>	<b>\$397,449</b>	<b>\$455,097</b>	<b>\$488,849</b>	<b>\$541,211</b>	<b>\$609,425</b>	<b>\$710,766</b>
<b>General Sales and Use</b>	<b>\$296,956</b>	<b>\$331,735</b>	<b>\$361,031</b>	<b>\$381,707</b>	<b>\$390,646</b>	<b>\$428,763</b>
Alcohol	7,234	7,203	6,762	6,567	5,731	6,215
Cigarette	9,712	9,516	9,294	10,219	11,210	9,383
Motor Vehicle Fuel	25,309	25,254	24,264	25,541	27,534	29,550
Motor Vehicle Excise	21,804	23,086	26,535	28,978	28,599	26,769
Hotel Occupancy	4,572	5,949	5,083	6,406	5,222	6,489
<b>Total Selective Sales</b>	<b>\$68,631</b>	<b>\$71,008</b>	<b>\$71,938</b>	<b>\$77,711</b>	<b>\$78,296</b>	<b>\$78,406</b>
Ind. Income	386,635	417,509	444,824	513,201	592,828	603,469
Corp. Franchise	74,888	82,245	116,223	138,459	123,096	125,144
U.B. Franchise	18,930	24,866	34,917	31,128	28,402	31,270
<b>Total Income</b>	<b>\$480,453</b>	<b>\$524,620</b>	<b>\$595,964</b>	<b>\$682,788</b>	<b>\$744,326</b>	<b>\$759,883</b>
Insurance	18,029	21,055	21,326	26,968	30,212	30,202
Public Utility	76,232	75,739	72,473	72,818	73,073	95,497
Toll Tele. Tax	0	0	0	0	0	10,981
Health Care Prov. Fee	0	0	0	0	0	0
Public Safety Fee	0	0	0	0	0	0
Financial Institutions	4,188	(5,349)	0	0	0	0
Baseball Gross Receipts	0	0	0	0	0	0
<b>Total Gross Receipts</b>	<b>\$98,449</b>	<b>\$91,445</b>	<b>\$93,799</b>	<b>\$99,786</b>	<b>\$103,285</b>	<b>\$136,680</b>
Deed Recordation	21,677	21,219	24,541	33,533	34,250	37,637
Deed Transfer	17,326	16,533	20,158	29,836	28,125	27,785
Economic Interests	0	0	0	0	0	0
<b>Total Other Taxes</b>	<b>\$56,874</b>	<b>\$62,122</b>	<b>\$72,954</b>	<b>\$90,464</b>	<b>\$95,934</b>	<b>\$90,100</b>
<b>TOTAL TAXES</b>	<b>\$1,398,812</b>	<b>\$1,536,027</b>	<b>\$1,684,535</b>	<b>\$1,873,667</b>	<b>\$2,021,912</b>	<b>\$2,204,598</b>
Business Licenses & Permits	12,617	14,298	14,822	14,632	14,264	16,743
Non-Business Licenses & Permits	17,721	17,162	17,028	17,275	17,337	16,326
<b>Total Licenses &amp; Permits</b>	<b>30,338</b>	<b>31,460</b>	<b>31,850</b>	<b>31,907</b>	<b>31,601</b>	<b>33,069</b>
<b>Fines and Forfeitures</b>	<b>23,343</b>	<b>29,214</b>	<b>39,528</b>	<b>38,569</b>	<b>41,594</b>	<b>45,511</b>
Parking Meters	7,958	8,891	9,354	9,744	10,508	10,418
Other Charges	20,512	24,799	27,142	26,784	37,498	36,548
<b>Total Charges for Services</b>	<b>28,470</b>	<b>33,690</b>	<b>36,496</b>	<b>36,528</b>	<b>48,006</b>	<b>46,966</b>
Tobacco Settlement	0	0	0	0	0	0
Interest Income	7,495	14,666	16,603	13,939	16,133	21,423
Unclaimed Property	1,835	1,778	1,808	2,462	12,843	4,670
Other Revenues	7,304	6,220	11,223	5,272	6,702	10,366
Total Misc. Revenues	16,634	22,664	29,634	21,673	35,678	36,459
Intergovernmental	0	0	0	0	0	0
Lottery Transfer	0	0	0	0	0	0
<b>TOTAL NON-TAX REVENUES</b>	<b>98,785</b>	<b>117,028</b>	<b>137,508</b>	<b>128,677</b>	<b>156,879</b>	<b>162,005</b>
<b>TOTAL TAX &amp; NON-TAX REVENUES</b>	<b>1,497,597</b>	<b>1,653,055</b>	<b>1,822,043</b>	<b>2,002,344</b>	<b>2,178,791</b>	<b>2,366,603</b>
<b>O-Type Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUE</b>	<b>1,497,597</b>	<b>1,653,055</b>	<b>1,822,043</b>	<b>2,002,344</b>	<b>2,178,791</b>	<b>2,366,603</b>



	1990	1991	1992	1993	1994	1995
Real Property	664,591	801,876	820,892	928,322	730,641	654,284
Personal Prop.	62,584	69,899	65,609	67,085	62,437	61,305
Public Space	9,963	10,103	16,818	16,256	17,931	14,754
<b>Total Property</b>	<b>\$737,138</b>	<b>\$881,878</b>	<b>\$903,319</b>	<b>\$1,011,663</b>	<b>\$811,009</b>	<b>\$730,343</b>
<b>General Sales and Use</b>	<b>\$466,557</b>	<b>\$451,582</b>	<b>\$442,496</b>	<b>\$410,068</b>	<b>\$458,555</b>	<b>\$485,651</b>
Alcohol	6,136	6,541	5,835	5,289	4,878	4,930
Cigarette	9,178	10,426	17,065	20,845	21,721	20,117
Motor Vehicle Fuel	30,207	30,114	28,586	34,780	36,107	34,617
Motor Vehicle Excise	26,043	23,555	22,108	24,268	27,456	30,440
Hotel Occupancy	8,702	8,786	8,660	9,485	8,757	8,352
<b>Total Selective Sales</b>	<b>\$80,266</b>	<b>\$79,422</b>	<b>\$82,254</b>	<b>\$94,667</b>	<b>\$98,919</b>	<b>\$98,456</b>
Ind. Income	637,910	615,746	620,208	589,521	650,660	643,676
Corp. Franchise	112,273	102,767	62,751	105,038	113,981	121,407
U.B. Franchise	27,468	30,512	25,126	35,960	36,227	39,272
<b>Total Income</b>	<b>\$777,651</b>	<b>\$749,025</b>	<b>\$708,085</b>	<b>\$730,519</b>	<b>\$800,868</b>	<b>\$804,355</b>
Insurance	33,816	33,338	31,785	32,187	31,208	34,703
Public Utility	74,601	86,239	115,297	127,245	134,228	131,012
Toll Tele. Tax	19,156	22,985	33,110	37,807	39,958	44,554
Health Care Prov. Fee	0	0	0	32,354	27,708	175
Public Safety Fee	0	0	0	0	10,097	468
Financial Institutions	0	0	0	0	0	0
Baseball Gross Receipts	0	0	0	0	0	0
<b>Total Gross Receipts</b>	<b>\$127,573</b>	<b>\$142,562</b>	<b>\$180,192</b>	<b>\$229,593</b>	<b>\$243,199</b>	<b>\$210,912</b>
Estate	23,497	26,970	29,922	38,680	11,714	16,807
Deed Recordation	35,477	19,953	17,831	20,245	23,547	22,691
Deed Transfer	30,968	18,815	19,944	21,506	21,980	21,826
Economic Interests	0	1,525	257	911	262	0
<b>Total Other Taxes</b>	<b>\$89,942</b>	<b>\$67,263</b>	<b>\$67,954</b>	<b>\$81,342</b>	<b>\$57,503</b>	<b>\$61,324</b>
<b>TOTAL TAXES</b>	<b>\$2,279,127</b>	<b>\$2,371,732</b>	<b>\$2,384,300</b>	<b>\$2,557,852</b>	<b>\$2,470,053</b>	<b>\$2,391,041</b>
Business Licenses & Permits	15,711	15,799	21,123	25,868	29,202	29,943
Non-Business Licenses & Permits	16,574	17,198	20,733	18,696	19,896	17,640
<b>Total Licenses &amp; Permits</b>	<b>32,285</b>	<b>32,997</b>	<b>41,856</b>	<b>44,564</b>	<b>49,098</b>	<b>47,583</b>
<b>Fines and Forfeitures</b>	<b>48,542</b>	<b>53,026</b>	<b>51,860</b>	<b>51,845</b>	<b>48,107</b>	<b>42,447</b>
Parking Meters	10,947	12,558	13,468	13,229	12,954	12,889
Other Charges	38,789	39,113	43,952	39,674	39,150	39,798
<b>Total Charges for Services</b>	<b>49,736</b>	<b>51,671</b>	<b>57,420</b>	<b>52,903</b>	<b>52,104</b>	<b>52,687</b>
Tobacco Settlement	0	0	0	0	0	0
Interest Income	24,989	26,645	23,255	7,171	7,995	17,994
Unclaimed Property	1,960	6,573	15,303	12,614	13,904	13,856
Other Revenues	14,041	15,216	13,693	12,975	25,353	21,984
Total Misc. Revenues	40,990	48,434	52,251	32,760	47,252	53,834
Intergovernmental	0	0	0	0	0	0
Lottery Transfer	48,875	45,700	48,500	66,875	69,050	85,100
<b>TOTAL NON-TAX REVENUES</b>	<b>220,428</b>	<b>231,828</b>	<b>251,887</b>	<b>248,947</b>	<b>265,611</b>	<b>281,651</b>
<b>TOTAL TAX &amp; NON-TAX REVENUES</b>	<b>2,499,555</b>	<b>2,603,560</b>	<b>2,636,187</b>	<b>2,806,799</b>	<b>2,735,664</b>	<b>2,672,692</b>
<b>O-Type Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUE</b>	<b>2,499,555</b>	<b>2,603,560</b>	<b>2,636,187</b>	<b>2,806,799</b>	<b>2,735,664</b>	<b>2,672,692</b>

**Figure D-1** Revenue Table by Source, FY 1984–FY 2005\* (Continued)

	1996	1997	1998	1999	2000	2001
Real Property	624,382	617,694	616,935	597,566	610,896	633,172
Personal Prop.	65,201	60,392	68,475	73,928	70,133	64,144
Public Space	12,052	9,513	10,030	8,056	11,752	10,107
<b>Total Property</b>	<b>\$701,635</b>	<b>\$687,599</b>	<b>\$695,440</b>	<b>\$679,550</b>	<b>\$692,781</b>	<b>\$707,423</b>
<b>General Sales and Use</b>	<b>\$467,527</b>	<b>\$482,354</b>	<b>\$557,081</b>	<b>\$592,718</b>	<b>\$640,212</b>	<b>\$673,068</b>
Alcohol	5,100	5,460	4,702	4,821	4,779	4,743
Cigarette	18,676	18,946	17,592	17,107	17,177	16,329
Motor Vehicle Fuel	31,675	32,268	34,098	29,892	32,650	28,484
Motor Vehicle Excise	31,668	30,271	29,838	31,329	36,693	38,825
Hotel Occupancy	7,420	3,806	9,287	(26)	0	25
<b>Total Selective Sales</b>	<b>\$94,539</b>	<b>\$90,751</b>	<b>\$95,517</b>	<b>\$83,123</b>	<b>\$91,299</b>	<b>\$88,406</b>
Ind. Income	689,408	753,475	861,505	952,156	1,077,346	1,098,188
Corp. Franchise	123,114	144,563	174,729	163,699	190,594	233,237
U.B. Franchise	31,031	38,942	46,868	53,896	70,624	68,812
<b>Total Income</b>	<b>\$843,553</b>	<b>\$936,980</b>	<b>\$1,083,102</b>	<b>\$1,169,751</b>	<b>\$1,338,564</b>	<b>\$1,400,237</b>
Insurance	33,121	42,625	37,096	26,944	30,882	33,356
Public Utility	144,842	141,901	141,069	128,472	132,849	149,125
Toll Tele. Tax	45,464	52,994	56,732	51,874	48,280	51,259
Health Care Prov. Fee	11,530	(8,278)	1,740	0	0	0
Public Safety Fee	0	0	0	0	0	0
Financial Institutions	0	0	0	0	0	0
Baseball Gross Receipts	0	0	0	0	0	0
<b>Total Gross Receipts</b>	<b>\$234,957</b>	<b>\$229,242</b>	<b>\$236,637</b>	<b>\$207,290</b>	<b>\$212,011</b>	<b>\$233,740</b>
Estate	32,175	27,314	32,256	26,247	35,992	51,072
Deed Recordation	33,099	30,821	53,863	70,398	60,418	75,936
Deed Transfer	26,701	27,162	42,597	47,001	44,660	62,086
Economic Interests	10	10,081	11,166	3,687	540	1,640
<b>Total Other Taxes</b>	<b>\$91,985</b>	<b>\$95,378</b>	<b>\$139,882</b>	<b>\$147,333</b>	<b>\$141,610</b>	<b>\$190,734</b>
<b>TOTAL TAXES</b>	<b>\$2,434,196</b>	<b>\$2,522,304</b>	<b>\$2,807,659</b>	<b>\$2,879,765</b>	<b>\$3,116,477</b>	<b>\$3,293,608</b>
Business Licenses & Permits	29,663	28,268	31,050	28,607	24,969	0
Non-Business Licenses & Permits	19,737	17,221	17,073	17,927	18,785	0
<b>Total Licenses &amp; Permits</b>	<b>49,400</b>	<b>45,489</b>	<b>48,123</b>	<b>46,534</b>	<b>43,754</b>	<b>41,394</b>
<b>Fines and Forfeitures</b>	<b>40,792</b>	<b>51,664</b>	<b>53,177</b>	<b>47,688</b>	<b>53,216</b>	<b>57,052</b>
Parking Meters	9,681	5,766	7,082	12,784	11,721	0
Other Charges	36,353	38,044	27,670	18,271	25,536	0
<b>Total Charges for Services</b>	<b>46,134</b>	<b>43,810</b>	<b>34,752</b>	<b>31,055</b>	<b>37,257</b>	<b>63,938</b>
Tobacco Settlement	0	0	0	0	16,049	0
Interest Income	13,917	18,599	32,478	41,289	12,779	0
Unclaimed Property	16,230	17,688	25,908	31,511	28,042	0
Other Revenues	11,870	34,642	40,750	13,940	61,337	0
Total Misc. Revenues	42,017	70,919	99,136	86,740	118,207	153,589
Intergovernmental	0	0	0	0	0	0
Lottery Transfer	75,250	69,200	81,300	64,225	69,450	84,000
<b>TOTAL NON-TAX REVENUES</b>	<b>253,593</b>	<b>281,082</b>	<b>316,488</b>	<b>276,242</b>	<b>321,884</b>	<b>\$399,973</b>
<b>TOTAL TAX &amp; NON-TAX REVENUES</b>	<b>2,687,789</b>	<b>2,803,386</b>	<b>3,124,147</b>	<b>3,156,007</b>	<b>3,438,361</b>	<b>\$3,693,581</b>
<b>O-Type Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>282,732</b>	<b>308,607</b>	<b>288,169</b>
<b>TOTAL REVENUE</b>	<b>2,687,789</b>	<b>2,803,386</b>	<b>3,124,147</b>	<b>3,438,739</b>	<b>3,746,968</b>	<b>3,981,750</b>

	2002	2003	2004	2005
Real Property	726,014	822,845	947,690	1,060,637
Personal Prop.	65,208	67,294	63,558	82,068
Public Space	12,167	11,749	16,728	15,628
<b>Total Property</b>	<b>\$803,389</b>	<b>\$901,888</b>	<b>\$1,027,976</b>	<b>\$1,158,333</b>
<b>General Sales and Use</b>	<b>\$666,228</b>	<b>\$690,370</b>	<b>\$733,217</b>	<b>\$861,078</b>
Alcohol	4,721	4,619	5,090	5,051
Cigarette	17,189	21,344	20,765	22,336
Motor Vehicle Fuel	27,348	26,808	26,660	25,922
Motor Vehicle Excise	34,573	37,066	40,437	42,380
Hotel Occupancy	0	0	0	0
<b>Total Selective Sales</b>	<b>\$83,831</b>	<b>\$89,837</b>	<b>\$92,952</b>	<b>\$95,689</b>
Ind. Income	949,175	928,968	1,042,309	1,160,074
Corp. Franchise	142,647	156,777	168,353	195,492
U.B. Franchise	68,602	81,707	88,347	116,866
<b>Total Income</b>	<b>\$1,160,424</b>	<b>\$1,167,452</b>	<b>\$1,299,009</b>	<b>\$1,472,432</b>
Insurance	35,502	41,281	47,452	48,888
Public Utility	140,931	166,743	169,494	174,085
Toll Tele. Tax	55,353	53,324	54,951	55,485
Health Care Prov. Fee	0	0	0	0
Public Safety Fee	0	0	0	0
Financial Institutions	0	0	0	0
Baseball Gross Receipts	0	0	0	6,207
<b>Total Gross Receipts</b>	<b>\$231,786</b>	<b>\$261,348</b>	<b>\$271,897</b>	<b>\$294,665</b>
Estate	125,889	29,944	26,466	29,257
Deed Recordation	89,951	139,262	193,554	190,048
Deed Transfer	62,228	99,052	143,232	146,929
Economic Interests	5,078	4,934	16,269	10,593
<b>Total Other Taxes</b>	<b>\$283,146</b>	<b>\$273,192</b>	<b>\$379,521</b>	<b>\$376,827</b>
<b>TOTAL TAXES</b>	<b>3,228,804</b>	<b>3,384,087</b>	<b>3,804,572</b>	<b>4,259,024</b>
Business Licenses & Permits	0	0	0	0
Non-Business Licenses & Permits	0	0	0	0
<b>Total Licenses &amp; Permits</b>	<b>50,195</b>	<b>59,761</b>	<b>61,505</b>	<b>74,010</b>
<b>Fines and Forfeitures</b>	<b>86,539</b>	<b>88,455</b>	<b>99,478</b>	<b>108,012</b>
Parking Meters	0	0	0	0
Other Charges	0	0	0	0
<b>Total Charges for Services</b>	<b>55,472</b>	<b>65,736</b>	<b>53,705</b>	<b>51,344</b>
Tobacco Settlement	0	0	0	0
Interest Income	0	0	0	0
Unclaimed Property	0	0	0	0
Other Revenues	0	0	0	0
Total Misc. Revenues	80,553	89,905	109,011	119,092
Intergovernmental	0	0	0	0
Lottery Transfer	63,000	72,050	73,500	71,450
<b>TOTAL NON-TAX REVENUES</b>	<b>\$335,759</b>	<b>\$375,907</b>	<b>\$397,199</b>	<b>\$423,877</b>
<b>TOTAL TAX &amp; NON-TAX REVENUES</b>	<b>\$3,564,563</b>	<b>\$3,759,994</b>	<b>\$4,201,771</b>	<b>\$4,682,901</b>
<b>O-Type Revenue</b>	<b>156,236</b>	<b>164,125</b>	<b>240,253</b>	<b>311,789</b>
<b>TOTAL REVENUE</b>	<b>3,720,799</b>	<b>3,924,119</b>	<b>4,442,024</b>	<b>4,994,690</b>

\* The data in this table includes earmarked revenue and therefore does not agree with the data in the D.C. Comprehensive Annual Financial Report (CAFR).





# SUMMARY OF MAJOR TAXES IN THE DISTRICT OF COLUMBIA (2007)

**Figure E-1** Income Taxes

Tax	Description	Rate(s)
Individual Income Tax	<p>The taxable income of an individual who is domiciled in the District at any time during the tax year, or who maintains an abode in the District for 183 or more days during the year. D.C. Code Citation: Title 47, Chapter 18</p> <p><i>D.C. Code Citation: Title 47, Chapter 18.</i></p>	<p>First \$10,000 = 4.0 percent</p> <p>\$10,000 &lt; \$40,000 = \$400 + 6.0 percent of excess over \$10,000</p> <p><i>Note: Excludes Social Security Income and maximum \$3,000 exclusion on military retired pay, pension income, or annuity income from D.C. or federal government.</i></p>
Corporate Franchise Tax	<p>Net income of corporations having nexus in the District. All corporations engaging in a trade, business or profession in the District of Columbia must register.</p> <p><i>D.C. Code Citation: Title 47, Chapter 18.</i></p>	<p>The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surtax equal to 5 percent of the base rate.</p> <p>\$100 Minimum tax</p>
Unincorporated Business Franchise Tax	<p>Net income of unincorporated businesses with gross receipts over \$12,000. A 30% salary allowance for owners and a \$5,000 exemption are deductible from net income to arrive at taxable income. A business is exempt if more than 80% of gross income is derived from personal services rendered by the members of the entity and capital is not a material income-producing factor. A trade, business or professional organization that by law, customs or ethics cannot be incorporated is exempt.</p> <p><i>D.C. Code Citation: Title 47, Chapter 18.</i></p>	<p>The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surtax equal to 5 percent of the base rate.</p> <p>\$100 Minimum tax</p>



**Figure E-2** Property Taxes

Tax	Description	Rate(s)
Real Property Tax	<p>All real property, unless expressly exempted, is subject to the real property tax and is assessed at 100% of market value.</p> <p>1) Class 1—improved residential real property that is occupied and is used exclusively for nontransient residential dwelling purchases</p> <p>2) Class 2—commercial property</p> <p>3) Class 3—unimproved or abandoned property.</p> <p><i>D.C. Code Citation: Title 47, Chapter 7-14.</i></p>	<p>Class 1 = \$0.88 per \$100 of assessed value</p> <p>Class 2 = \$1.85 per \$100 of assessed value</p> <p>Class 3 = \$5.00 per \$100 of assessed value</p> <p><i>Note: For Class 1 residential real property that is owner occupied, the first \$60,000 of assessed value is exempt from tax.</i></p>
Deed Recordation Tax	<p>The recording of all deeds to real estate in the District. The basis of the tax is the value of consideration given for the property. Where there is no consideration or where the consideration is nominal, the tax is imposed on the basis of the fair market value of the property.</p> <p><i>D.C. Code Citation: Title 42, Chapter 9</i></p>	<p>1.45 percent of consideration or fair market value</p> <p><i>Note: For residential properties under \$400,000 the rate is 1.1% of consideration or fair market value.</i></p>
Deed Transfer Tax	<p>Each transfer of real property at the time the deed is submitted for recordation. The tax is based upon the consideration paid for the transfer. Where there is no consideration or where the amount is nominal, the basis of the transfer tax is the fair market value of the property conveyed.</p> <p><i>D.C. Code Citation: Title 47, Chapter 9</i></p>	<p>1.45 percent of consideration or fair market value</p> <p><i>Note: For residential properties under \$400,000 the rate is 1.1% of consideration or fair market value.</i></p>
Personal Property Tax	<p>All tangible property, except inventories, used or available for use in a trade or business. Such property includes machinery, equipment,</p> <p><i>D.C. Code Citation: Title 47, Chapter 15-17.</i></p>	<p>\$3.40 per \$100 of assessed value</p> <p><i>Note: The first \$50,000 taxable value is excluded from tax. 15 percent of the tax, not to exceed \$10 million, will be deposited in The Neighborhood Investment Fund furniture and fixtures.</i></p>

**Figure E-3** Sales and Use Taxes

Tax	Description	Rate(s)
General Rate	<p>All tangible personal property and certain selected services sold or rented to businesses or individual at retail in the District.</p> <p>Groceries, prescription and non-prescription Groceries, prescription and non-prescription drugs, and residential utility services are among those items exempt from the sales tax.</p> <p>The use tax is imposed at the same rate as the sales tax on purchases made outside the District and then brought into the District to be used, stored or consumed, providing that the purchaser has not paid the sales tax on the purchases to another jurisdiction.</p> <p><i>D.C. Code Citation: Title 47, Chapters 20 and 22.</i></p>	<p>A five-tier rate structure is presently in effect:</p> <p>5.75 percent—General rate for tangible personal property and selected services</p> <p>9 percent—Liquor sold for off-the-premises consumption</p> <p>10 percent—Restaurant meals, liquor for consumption on the premises, and rental vehicles</p> <p>12 percent—Parking motor vehicles in commercial lots</p> <p>14.5 percent—Hotels (transient accommodations)</p> <p><i>Note: The following portions of the sales tax go to the Convention Center Fund: 1% from restaurant meals and 4.45% from transient accommodations. Sales tax on internet access is eliminated. Parking in commercial lots tax will be dedicated to DDOT as Special Purpose Revenue.</i></p>
Alcoholic Beverage Tax	<p>Alcoholic beverages manufactured by a holder of a manufacturer's license and beverages brought into DC by the holder of a wholesaler's license.</p> <p><i>D.C. Code Citation: Title 25, Chapter 1.</i></p>	<p>Beer = \$2.79 per gallon barrel</p> <p>Champagne/sparkling wine = 45¢ per gallon</p> <p>Distilled Spirits = \$1.50 per gallon</p> <p>Light wine (alcohol content 14 percent or less) = 30¢ per gallon</p> <p>Heavy wine (alcohol content above 14 percent) = 40¢ per gallon</p>
Cigarettes	<p>The sale or possession of cigarettes in the District. Cigarettes sold to the military and to federal government are exempt.</p> <p><i>D.C. Code Citation: Title 47, Chapter 24.</i></p>	<p>\$1.00 per package of twenty cigarettes</p>

**Figure E-4** Other Taxes

Tax	Description	Rate(s)
Economic Interest Tax	<p>This tax is triggered by either one of the following two (2) elements:</p> <p>1) 80% of the assets of a corporation consist of real property located in the District of Columbia; or</p> <p>2) More than 50% of the controlling interest of the corporation is being transferred.</p> <p>The consideration is not always equal to the assessed value of the property. The consideration is what is paid for the interest being transferred. If there is no tangible consideration, then the tax basis will be the assessed value of the property owned by the corporation.</p> <p><i>D.C. Code Citation: Title 42, Chapter 11.</i></p>	2.2% of consideration or fair market value
Estate Tax	<p>Levied on the estate of every decedent dying while a resident of the District, and on the estate of every nonresident decedent owning property having a taxable situs in the District at the time of his or her death.</p> <p><i>D.C. Code Citation: Title 47, Chapter 19.</i></p>	Tax due is determined by using the D.C. estate tax computation worksheet after computing the exempted amounts.
Insurance Premiums Tax	<p>Gross insurance premiums received on risks in the District, less premiums received for reinsurance assumed, returned premiums and dividends paid to policyholders. The tax is in lieu of all other taxes except real estate taxes and fees provided for by the District's insurance law.</p> <p><i>D.C. Code Citation: Title 35, Title 47, Chapter 26.</i></p>	1.7 percent on policy and membership fees and net premium receipts.
Motor Vehicle Excise Tax	<p>Issuance of every original and subsequent certificate of title on motor vehicles and trailers.</p> <p><i>D.C. Code Citation: Title 50, Chapter 22.</i></p>	<p>Based on manufacturer's shipping weight.</p> <p>6% of fair market value—3,499 lbs or less</p> <p>7% of fair market value—3,500 lbs to 4,999 lbs</p> <p>8% of fair market value—over 5,000 lbs</p>

**Figure E-4** Other Taxes (Continued)

Tax	Description	Rate(s)
Motor Vehicle Fuel Tax	<p>Every importer of motor fuels including gasoline, diesel fuel, benzol, benzene, naphtha, kerosene, heating oils, all liquefied petroleum gases and all combustible gases and liquids suitable for generation of power for the motor vehicles.</p> <p><i>D.C. Code Citation: Title 47, Chapter 23.</i></p>	<p>\$0.20 per gallon</p> <p><i>Note: Entire tax dedicated to Highway Trust Fund</i></p>
Public Space Rental	<p>Commercial use of publicly owned property property line and the street.</p>	<p>Various rates for the following: Vault, Sidewalk (enclosed and unenclosed), Sidewalk Surface, and Fuel Oil Tank</p> <p><i>Note: Entire tax dedicated to DDOT as Special Purpose Revenue.</i></p>
Public Utility Tax	<p>Gross receipts of gas, electric and local telephone companies.</p> <p><i>D.C. Code Citation: Title 47, Chapter 25.</i></p>	<p>10% of gross charges—residential 11% of gross charges—non-residential telephone companies.</p> <p><i>Note: 1% of non-residential is dedicated to financing construction of new baseball stadium.</i></p>
Toll Telecommunications Tax	<p>Gross receipts of companies providing toll telecommunication service in the District.</p> <p><i>D.C. Code Citation: Title 47, Chapter 38.</i></p>	<p>10% of gross charges—residential 11% of gross charges—non-residential</p> <p><i>Note: 1% of non-residential is dedicated to financing construction of new baseball stadium.</i></p>





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