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

Washington DC's Tax System

A Visual Guide

2022

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Mayor

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Table of Contents

Acknowledgments

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Introduction

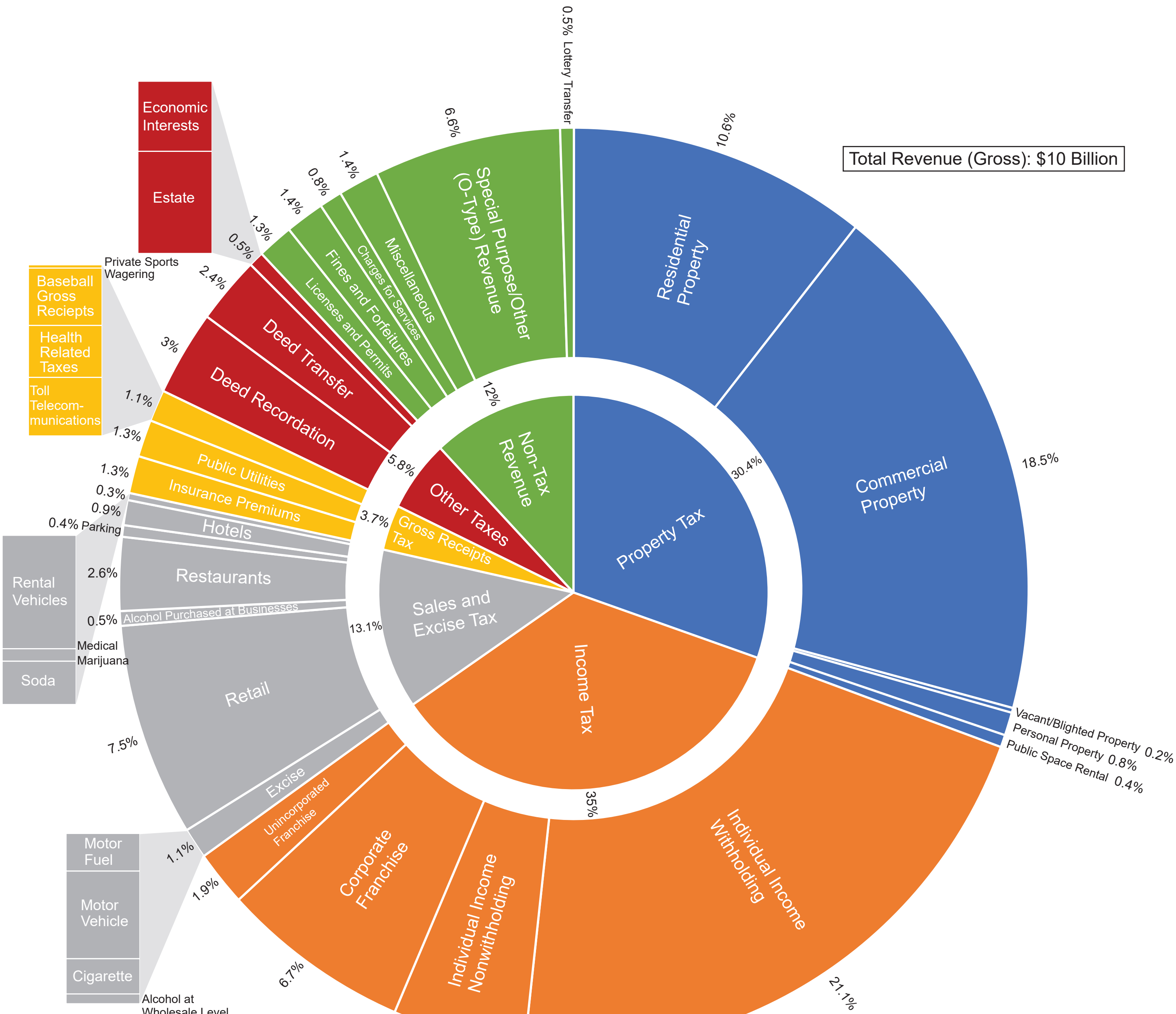
The District of Columbia's government relies on three main taxes. In tax year 2021, the income tax was the District's main revenue source at 35 percent. The property tax, predominantly taxes on commercial properties, was the second largest source with 30.4 percent. And the District's sales, use, and excise tax was the third with 13.1 percent. In addition, there are many smaller taxes that raise revenue for the operation of the District. The District raised a total of $10 billion in taxes and non-tax revenue--equal to 8 percent of the District's economy (measured by real gross domestic product) in 2021. The total real GDP for DC in 2021 was $125.8 billion.

The chart on the next page summarizes this tax system including non-tax revenues. The inner part of the pie chart shows the major types of taxes with their percentages of the total amount collected on the outside. The outer part of the pie chart breaks down each major tax and non-tax by source with percentages of how each source contributes to the total revenue collected on the outside. For example, the biggest source of income tax revenue is individual income withholding, meaning income earned from an employer that holds a portion of your wage or salary to pay your income taxes for you.

In addition to taxes, the District government relies on federal funds, fees, fines, and other sources of non-tax revenue to fund government operations. This publication, however, focuses on taxes levied in the District of Columbia.

Overview of the District of Columbia's Local Revenues

FY 2021



Chapter

1

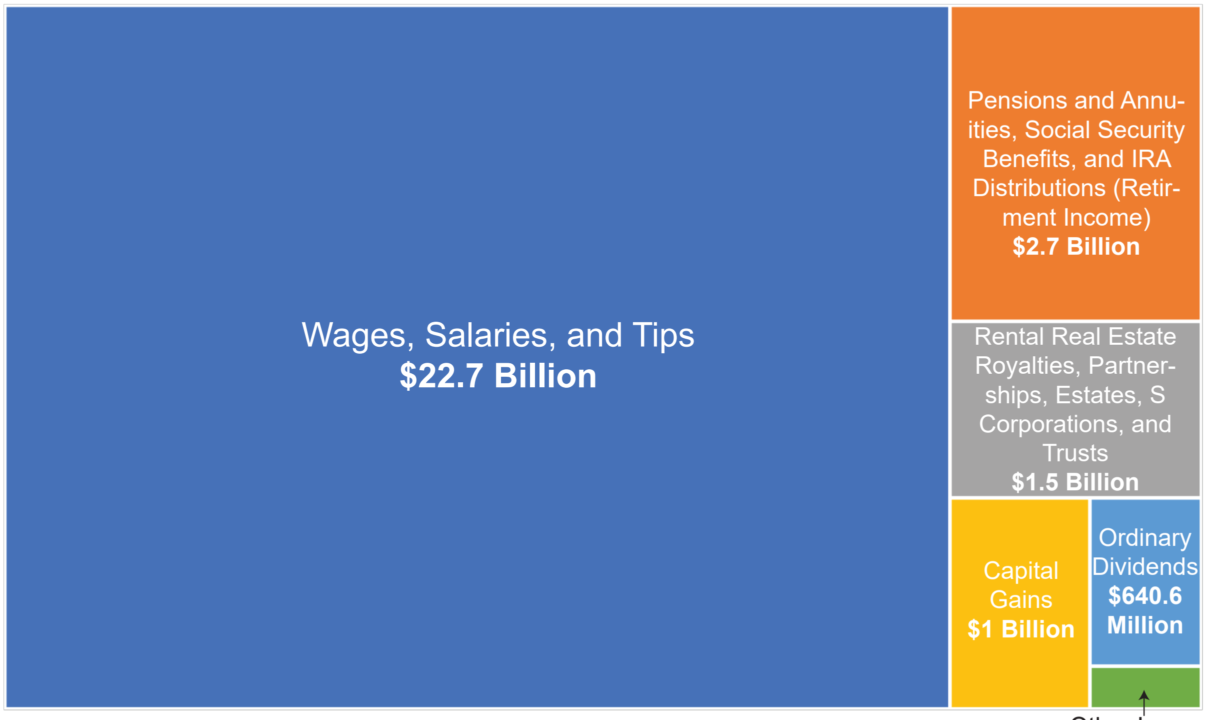
Income Taxes

Income Tax

The income tax is a broad-based tax that the District levies on most types of income, such as wages and capital gains for individuals, or the net profit of corporations. The income tax is an important revenue source for the District government, generating around one-third of the revenue for the local fund, the District's main operating account, every tax year. While TY 2021 income tax revenues exceeded property tax revenues, in recent years the property tax brought in more revenue than the income tax. Like the calendar year, the tax year for income taxes starts on January 1st and ends on December 31st. Tax Year 2019 is used to describe the income tax chapter as it represents our latest data.

Total Income -- About Three-Quarters Of Residents' Income Comes From Wages, Salaries, And Tips

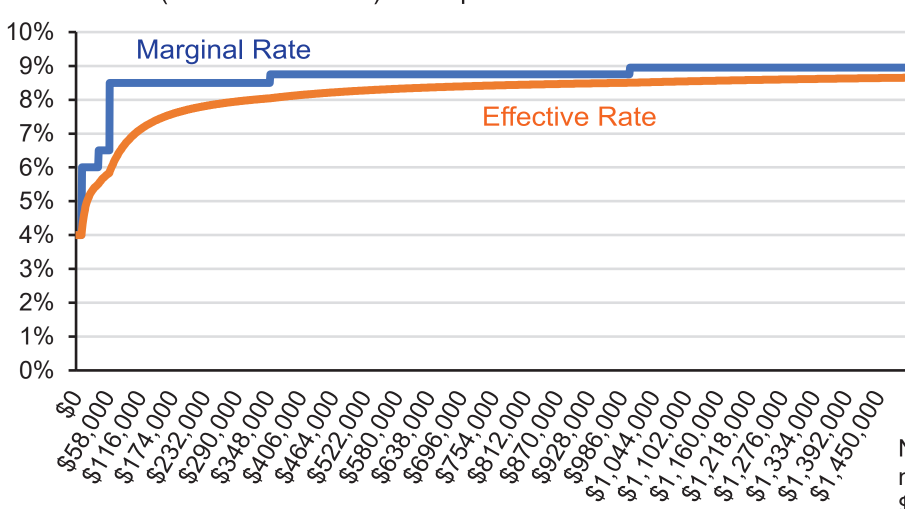
Tax Year (TY) 2019



How Do Individual Income Tax Rates Work?

Marginal and Effective Tax Rates, TY 2019

The individual income tax rates shown in the table below are the marginal rates, meaning the rates are applied to the income increments above the lower limits of the ranges. For example, a single filer with taxable income of $500,000 is taxed at 4 percent on the first $10,000 of their income, but 8.75 percent on the last $150,000 of their income. A taxpayer's highest marginal rate is higher than their effective rate (the average rate at which their income is taxed). For example, a single filer with $200,000 in taxable income is taxed at 8.5 percent on their last dollar of income but their effective tax rate (before tax credits) is 7.7 percent.



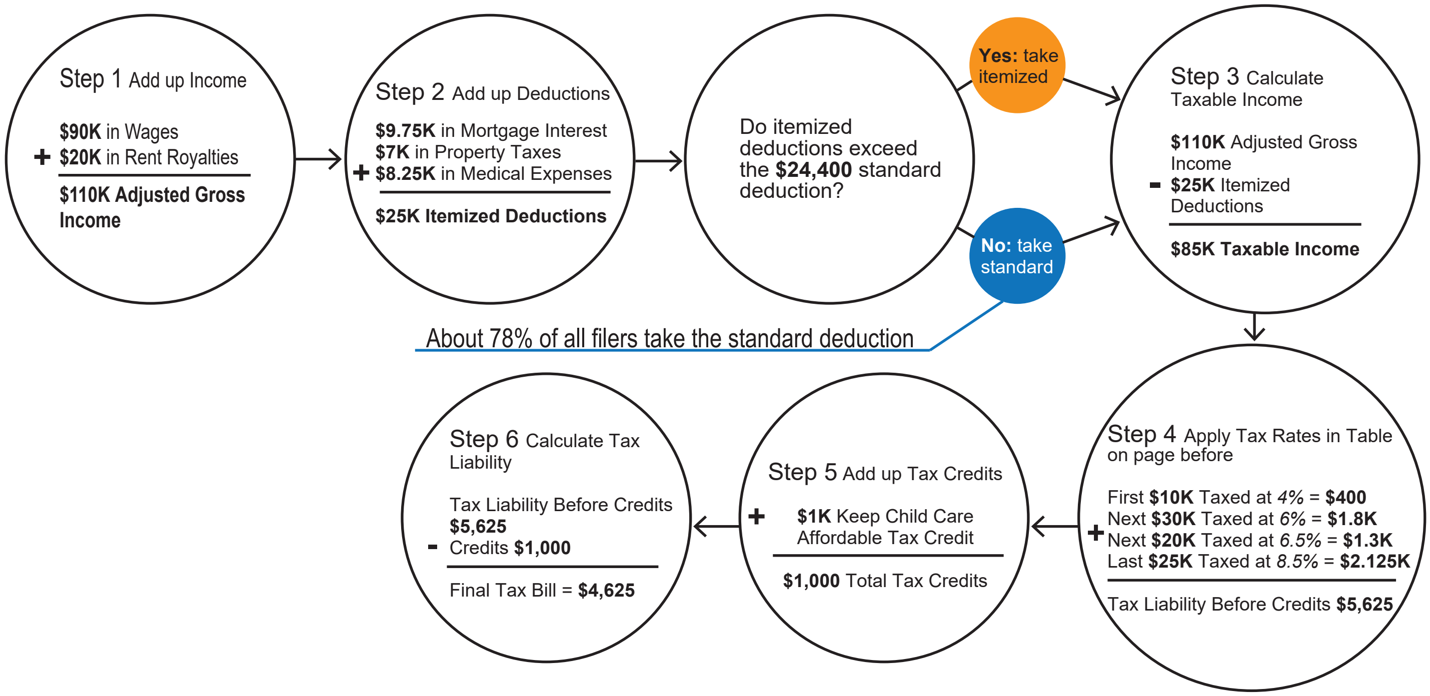
From January 1, 2015 to December 31, 2021:

Marginal Tax Rates	Income Brackets
4%	$0K - $10K
6%	$10K - $40K
6.5%	$40K - $60K
8.5%	$60K - $350K
8.75%	$350K - $1M
8.95%	$1M and Over

Note: In TY 2022, IIT rates changed with new income brackets for the 8.5% rate (now $60K-$250K) as well as new rates for the $250K-$500K (9.25%), $500K-$1M (9.75%), and $1M and over (10.75%) brackets.

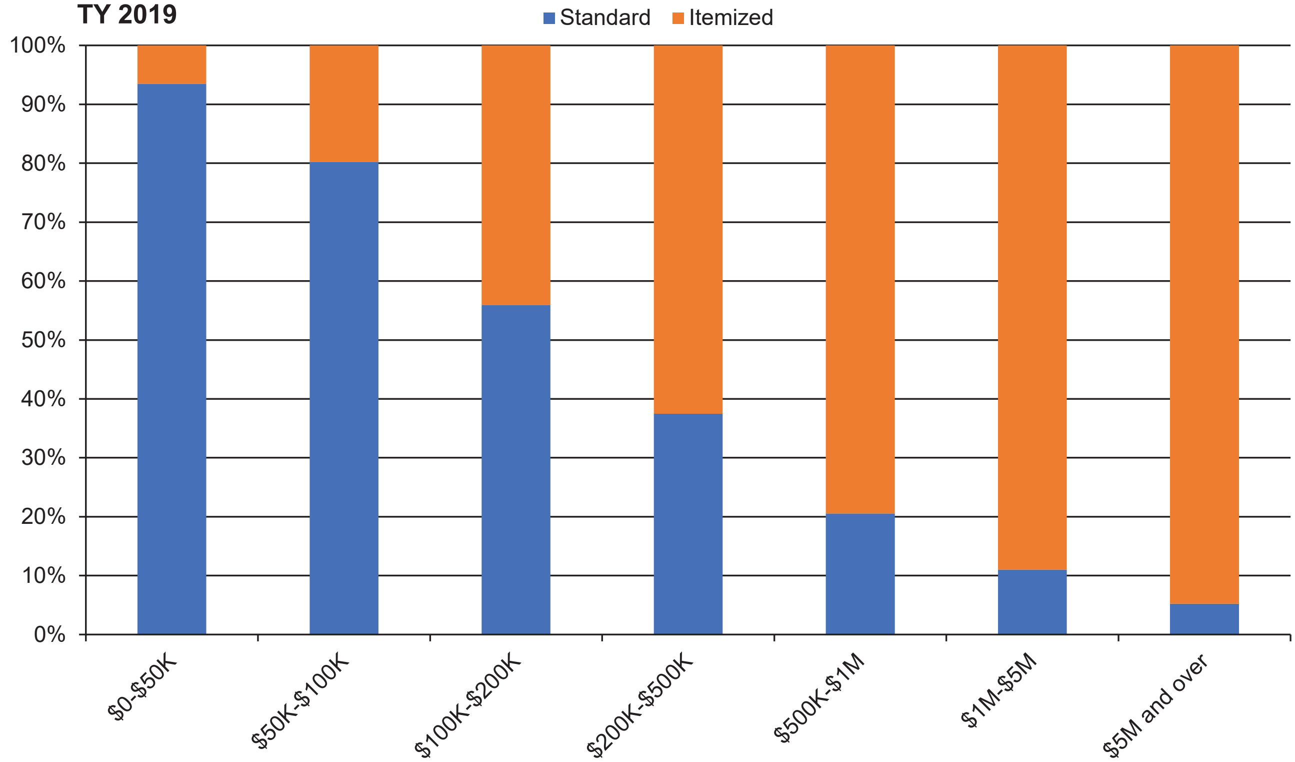
Calculating The Individual Income Tax Bill

Married Couple With One Dependent Filing Jointly, TY 2019



A Breakdown Of Filers By Income Opting For Standardizing vs. Itemizing Their Deductions

TY 2019

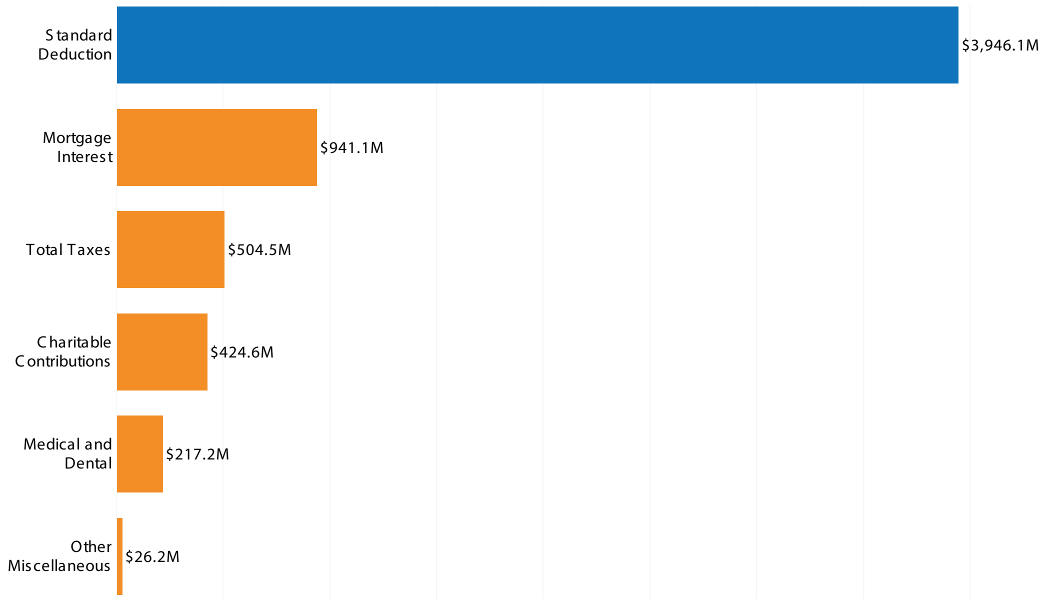


Note: In TY 2018, DC conformed its standard deduction amount to the federal government's standard deduction and as of TY 2019 the amount was $12,200 for single filers and married filing seperatly, $18,350 for head of households, and $24,400 for married filing jointly and surviving spouses with annual cost of living adjustments every year after.

Breakdown of Deductions

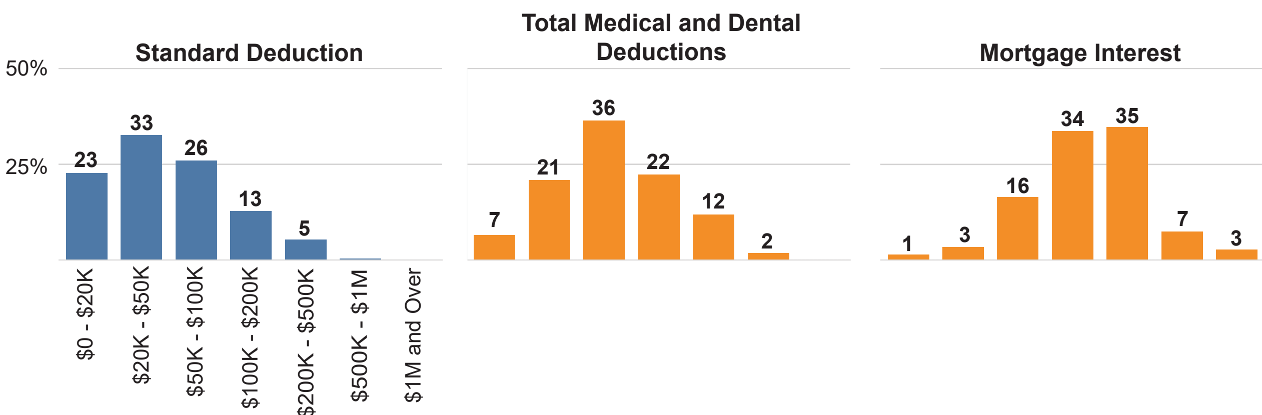
In Millions, TY 2019

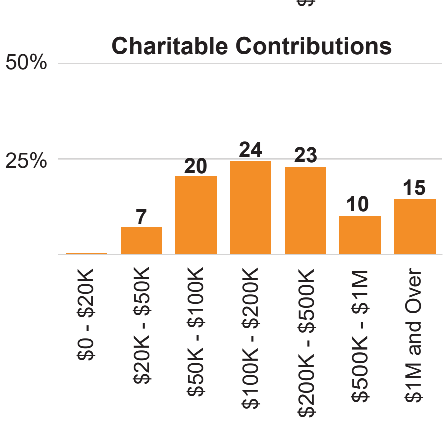
Individual income tax (IIT) deductions reduce taxpayers' incomes. In total, deductions reduced taxable income by about $6.1 billion in Tax Year 2019, up $215 million from TY 2018 propably due to increases in cost of living. The 22 percent of filers who took the itemized deductions made up about 53 percent of the total federal adjusted gross income made in the District, about 0.4 percent below TY 2018 level. The chart below shows how much filers deducted from their tax liability in 2019.

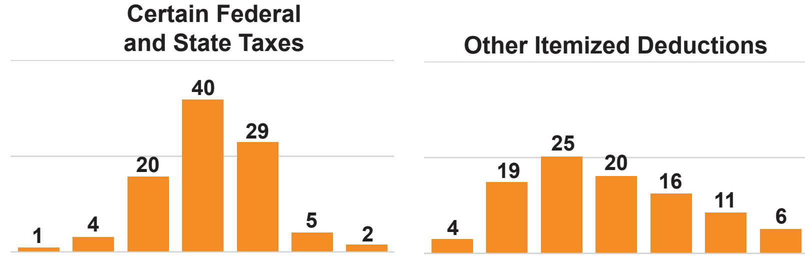


Who Uses Deductions?

Share of Deduction Value by Income Group, TY 2019







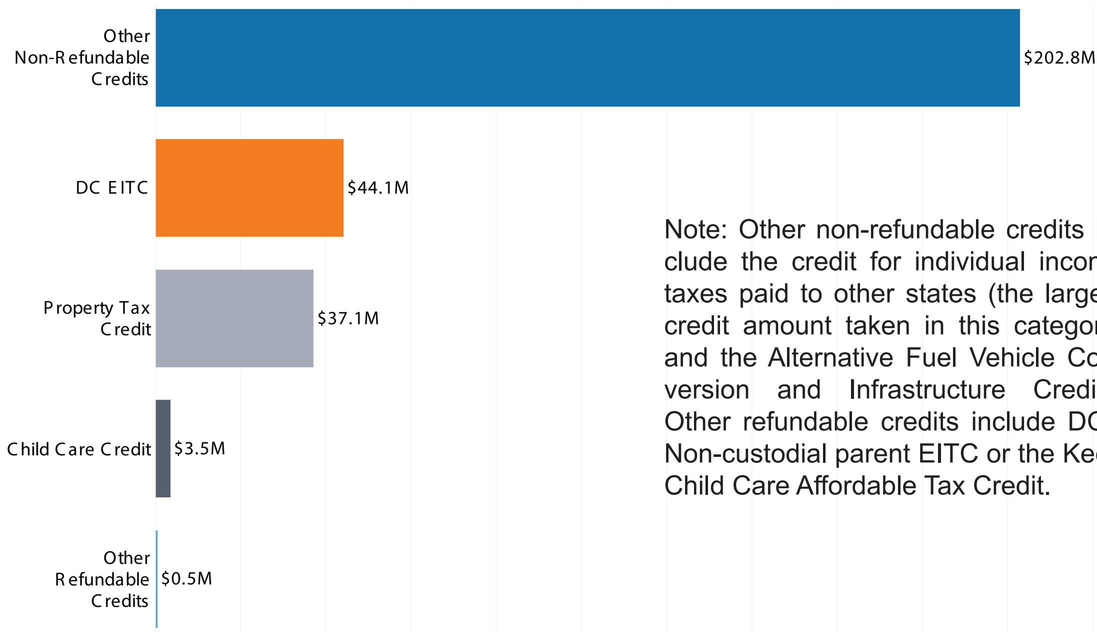
Note: Unreimbursed job expenses and other miscellaneous deductions category was removed from federal income tax code via the Tax Cuts and Jobs Act of 2017.

Examples of other itemized deductions include gambling losses, casualty and theft of income-producing property, federal estate tax on income in respect of a descendant, impairment-related work expenses of a disabled person, etc.

Breakdown of Refundable Credits

In Millions, TY 2019

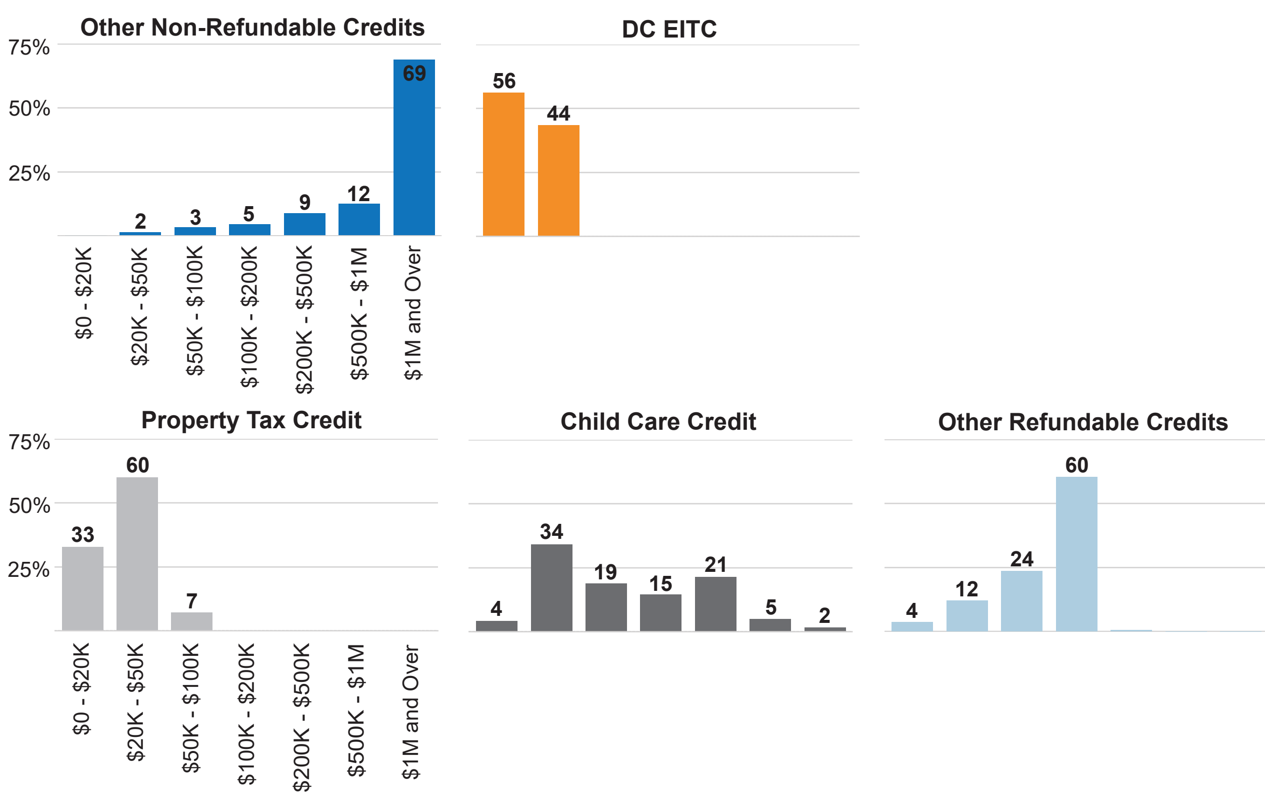
IIT credits reduce tax liabilities dollar for dollar, resulting in a dollar-for-dollar reduction in District revenue. With the exception of the Earned Income Tax Credit (EITC), Property Tax Credit, or Child Care Credit, credits cannot reduce a taxpayer's liability below zero.



Note: Other non-refundable credits include the credit for individual income taxes paid to other states (the largest credit amount taken in this category) and the Alternative Fuel Vehicle Conversion and Infrastructure Credits. Other refundable credits include DC's Non-custodial parent EITC or the Keep Child Care Affordable Tax Credit.

Who Uses These Credits?

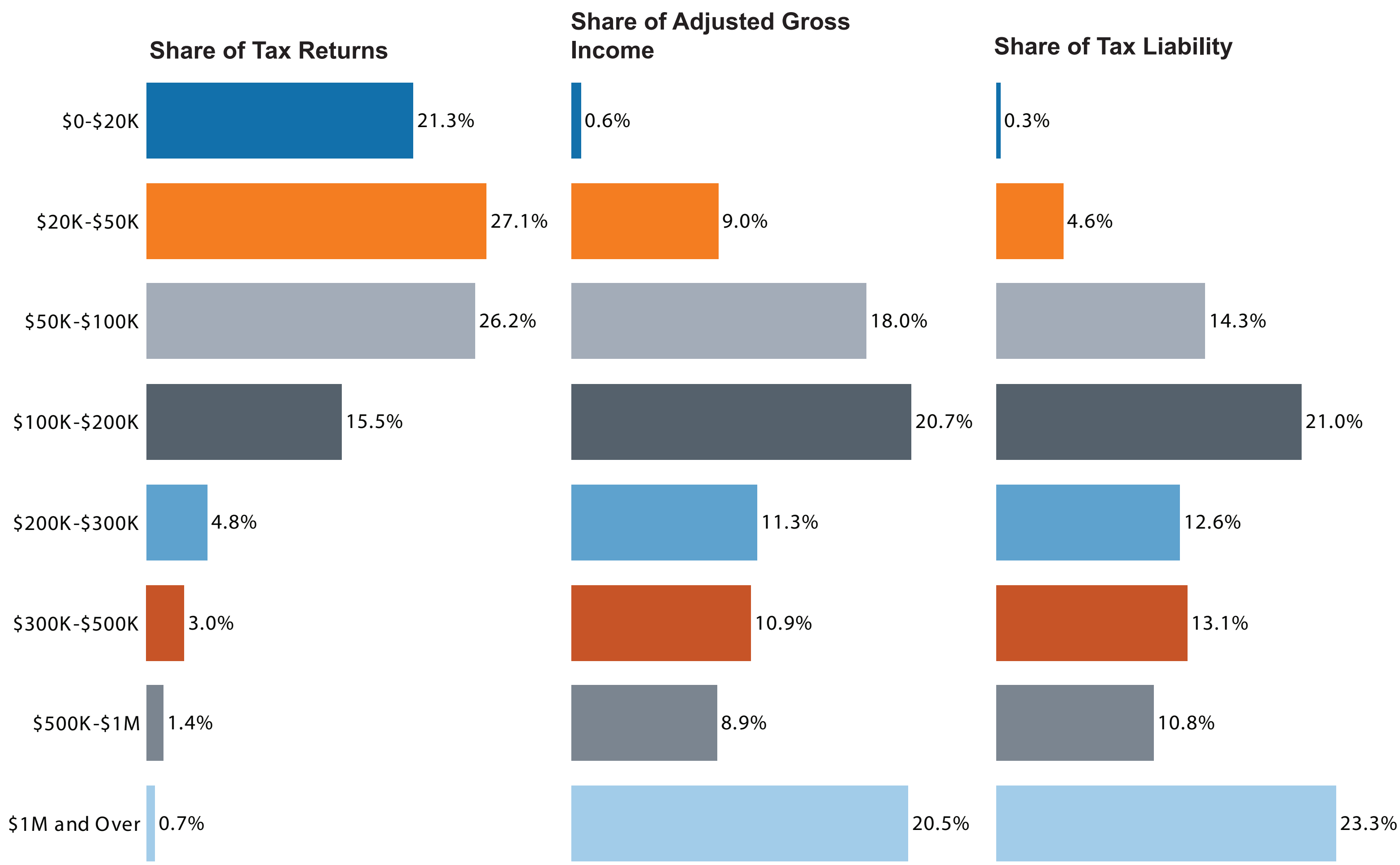
Share of Credit Value by Income Group, TY 2019



IIT Liability Concentrated Among Earners Over $100K

Tax Statistics by Income Group, TY 2019

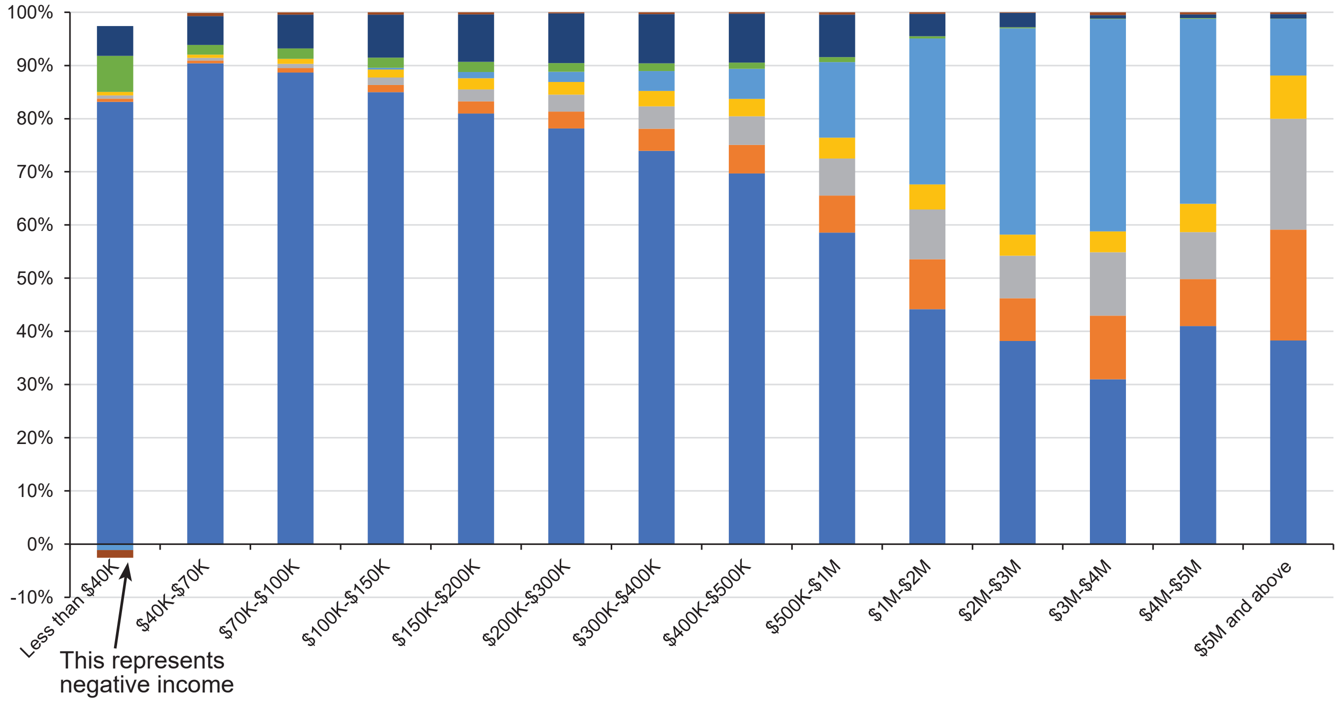
The District's individual income tax is progressive meaning the more income you earn the higher your tax rate. Income also determines eligibility for credits which reduce tax liability, sometimes resulting in a refund.



Income Composition Different For Low- And High-Income Taxpayers

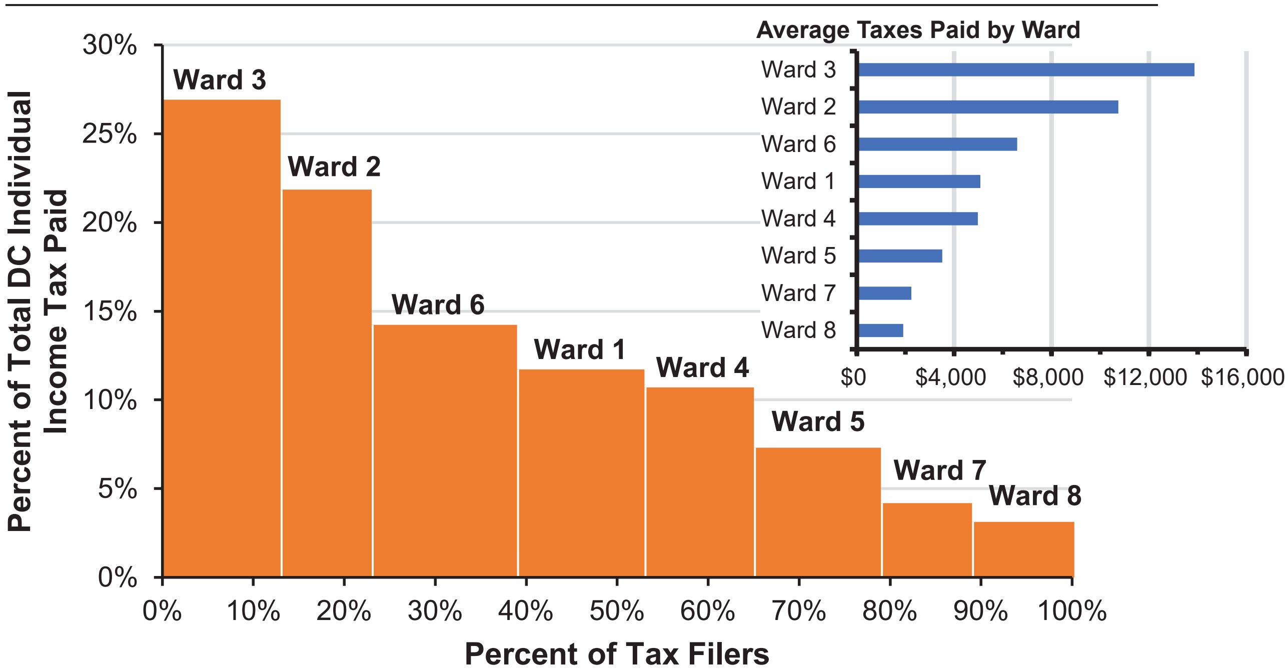
TY 2019

The graphic below shows how taxpayers in different income groups derive their income. Some types of income, including **wages and salaries**, **social security**, and **retirement income** (pensions, annuities, and IRA distributions) make up a majority of low- and middle-income taxpayers' incomes. These sources, however, account for a minority of the total incomes of the highest-income taxpayers, whose incomes are derived mostly from **capital gains**, **dividends**, **rents and royalties**, and **business income**. (Other income is shown in brown which includes alimony and workers compensation.)



Distribution of IIT Paid by Ward

TY 2019



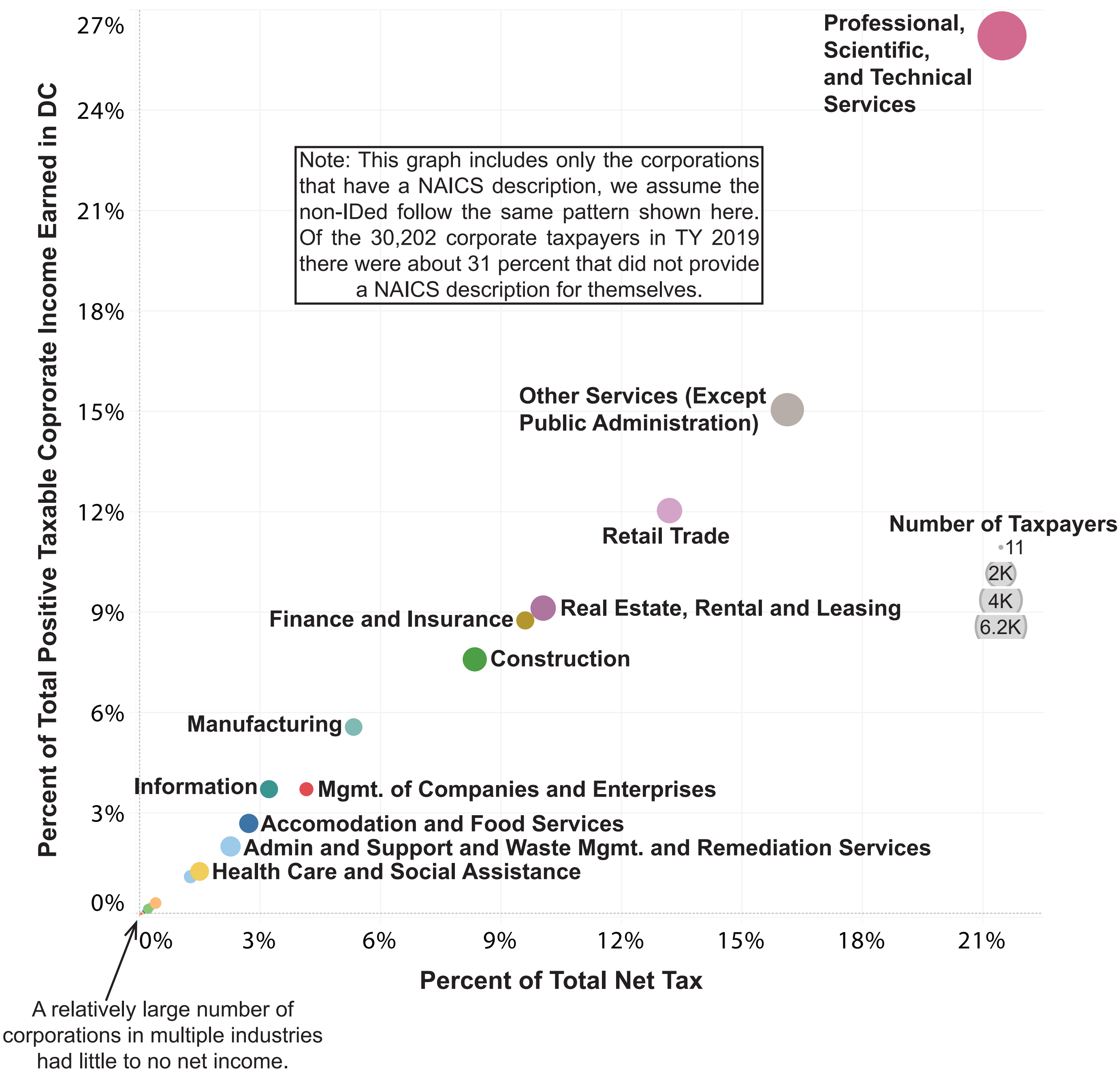
Corporate and Unincorporated Franchise Taxes

DC law specifies which types of income are subject to the income tax. The District has chosen to tax a business' or corporation's profit, which is its revenue minus expenses, from income earned in the District. In order to engage in or conduct a trade, business or profession in the District, one must register with the Department of Consumer and Regulatory Affairs (soon to be the Department of Licensing and Consumer Protection) or face recurring fines. Like most other states, the District has chosen to tax corporate income, which is relatively volatile based on yearly fluctuations in companies' profits. Another reason for the volatility of this tax are the deductions available to taxpayers like salaries and wages of employees, interest payments on business debt, other deductions such as advertising connected with the business of income production, etc. The wide range of deductions available to companies allow them to engage in tax planning to minimize their tax liabilities to the District.

Which Industry Pays More Corporate Franchise Tax?

TY 2019

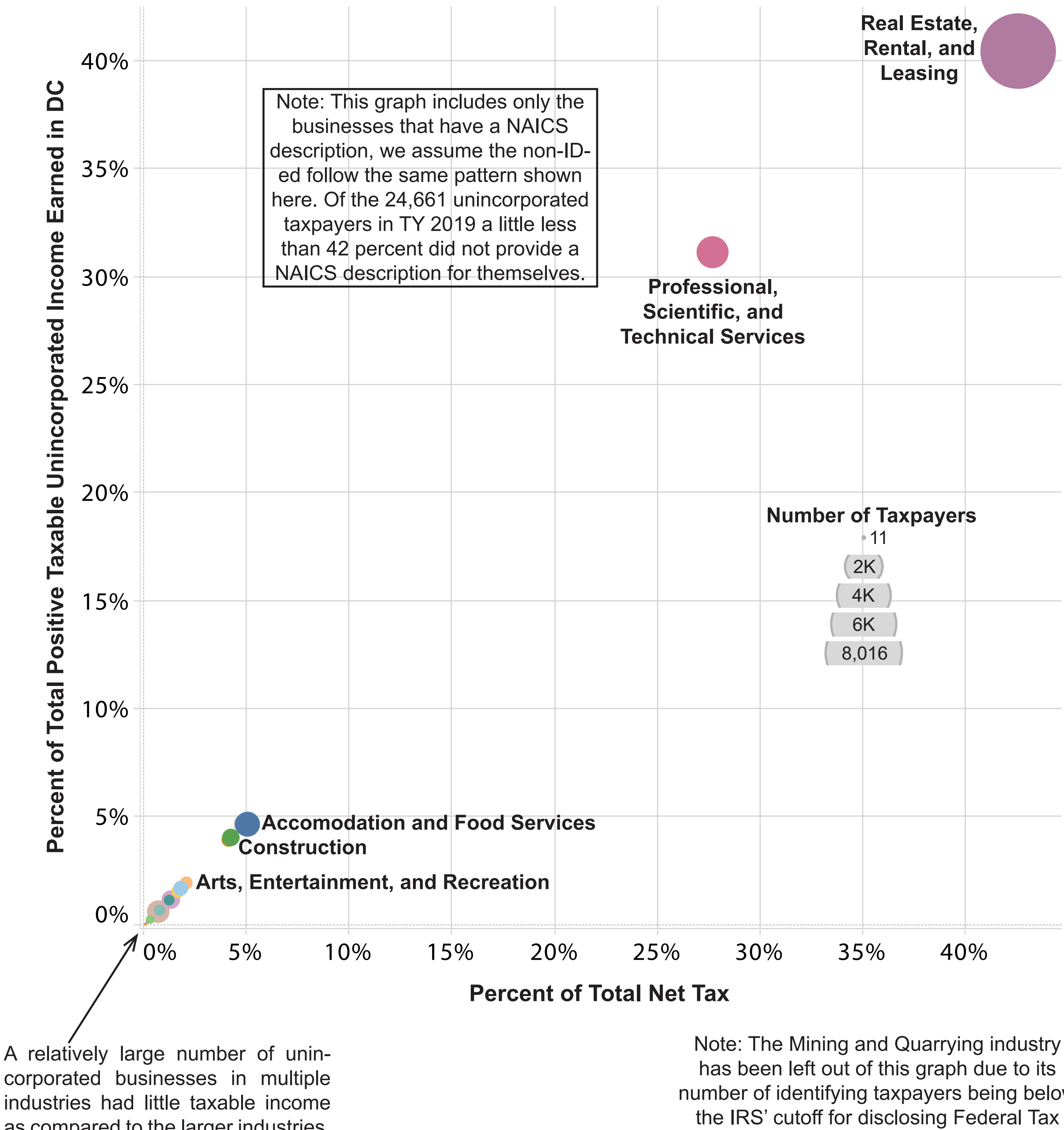
The District levies a tax on the net corporate income earned in the District. For most corporations, the tax rate was 8.25 percent in Tax Year 2019 except for new Qualified High Technology Companies (QHTC) which were fully exempt for the first five years (up to a total of $15 million). However, in TY 2020 the QHTC's 5 year exemption was repealed and these companies are now treated with the same tax rate as other fanchise tax payers.



Which Industry Pays More Unincorporated Franchise Tax?

TY 2019

The tax on unincorporated businesses is imposed on businesses with gross income over $12,000. Similar to the tax on corporations, the District levies a tax on the net corporate income those unincorporated businesses earned in the District. For most unincorporated businesses in Tax Year 2019, the tax rate was 8.25 percent.

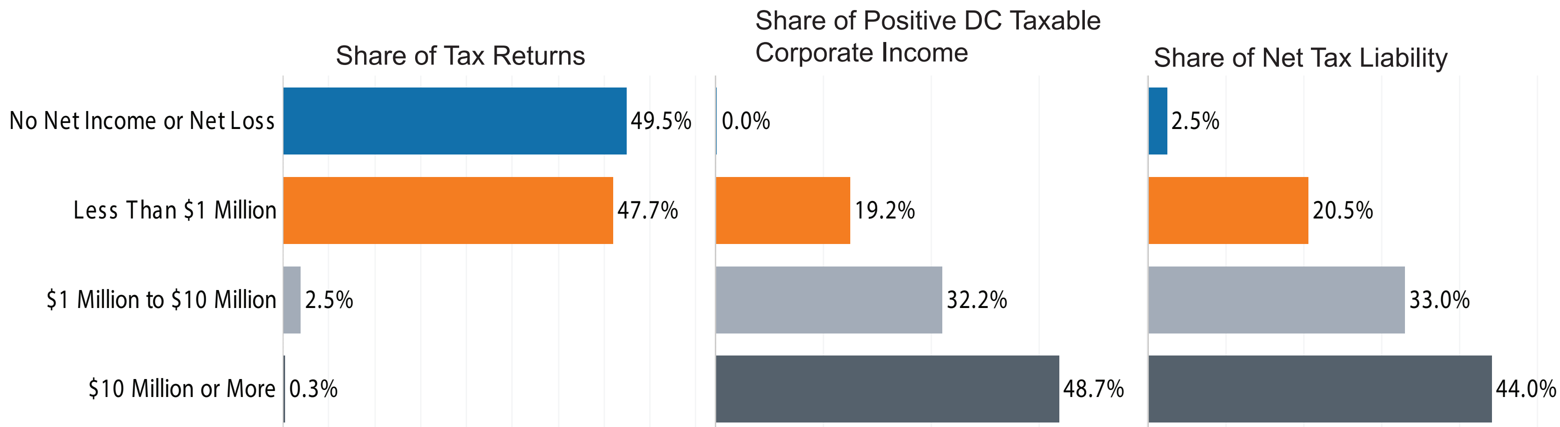


Note: The Mining and Quarrying industry has been left out of this graph due to its number of identifying taxpayers being below the IRS' cutoff for disclosing Federal Tax Information.

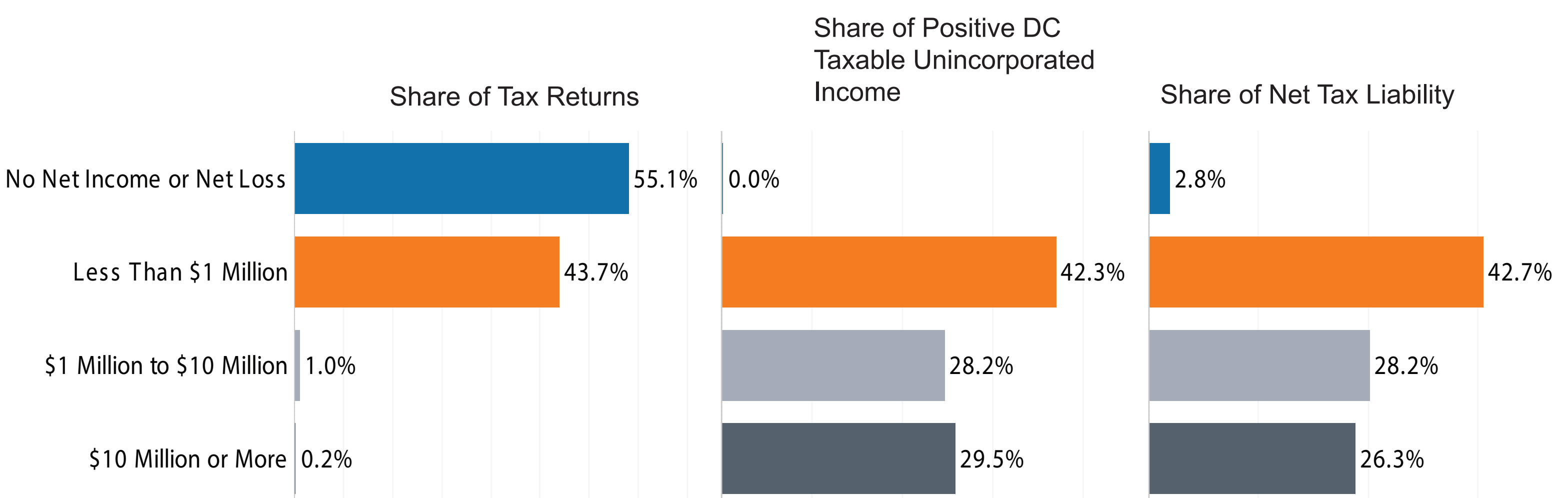
0.3 Percent of Returns Account for 44 Percent of Tax Liability for All Corporations in the District

Tax Statistics by Income Group, TY 2019

Net corporate income is all revenue less deductions for most of the costs of doing business. These deductions may include the cost of renting an office space, interest payments, bad debts, and employee compensation. Most corporations have more deductions than their gross revenue, resulting in a net loss.



1.2 Percent of Returns Account for 54.5 Percent of Tax Liability for All Unincorporated Businesses



Chapter 2

Property Taxes

Property Tax

For many Washingtonian homeowners, the property tax bill is the largest lump sum tax bill they receive twice a year. The District of Columbia's Office of Tax and Revenue collects the property tax. A portion of the tax revenue is dedicated toward repayment of Tax Increment Finance (TIF) and Payment In Lieu of Taxes (PILOT) bonds. The non-dedicated property tax revenue that is transfered to the local fund are for District-wide government services such as the education system, health and social services, and criminal justice programs.

Property taxes are levied on real property (land and buildings), as well as some types of personal property and public space rental. The residential real property or Class 1 tax rate is $0.85 per $100 of assessed value and the lowest commercial or Class 2 tax rate is $1.65 per $100 of assessed value. In the FY 2019 Budget Support Act of 2018, DC legislators raised the top commercial tax rate to $1.89 from $1.85 per $100 and added a middle rate of $1.77 per $100. In Fiscal Year 2021, property tax revenue for the District was about $2.9 billion. The Tax Year for property tax differs from income as it follows the District's Fiscal Year, which starts on October 1st and ends on September 30th.

The DC Government has enacted multiple tax relief programs such as the homestead deduction, annual homestead assessment cap credit, interest free property tax deferral, and historic building tax credits to assist elderly and disabled District residents age in place and homeowners curb rising taxes. The DC Council and Mayor have also passed other tax relief programs for low income residents such as the Long-term Homeowners tax credit, First-time Homebuyer income tax credit (now expired), Lower Income Home Ownership tax abatement, or the "circuit-breaker" tax credit to help them manage rising assessments and taxes.

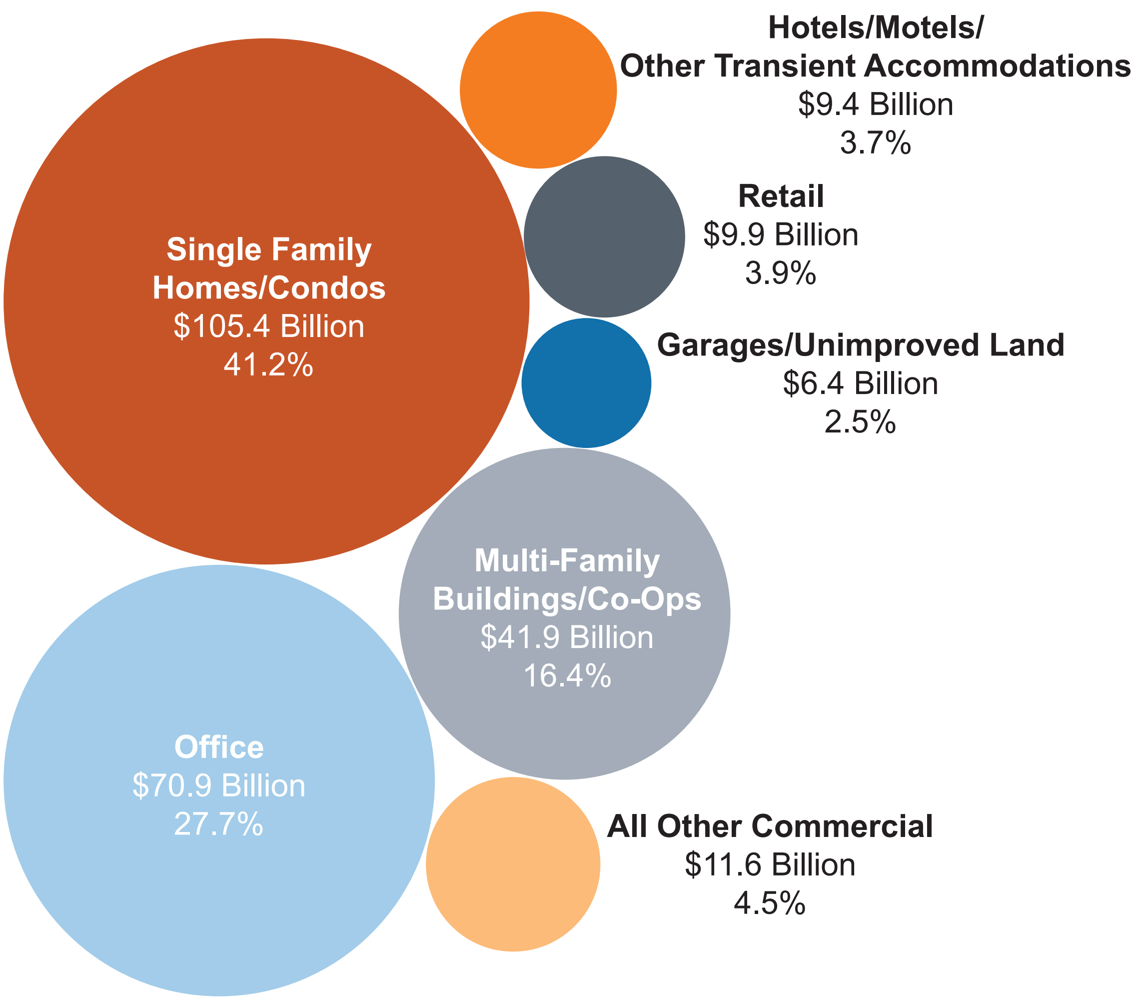
Fiscal Years 2019, 2020, and 2022 are used to describe the property tax chapter as it represents our latest data for the personal property, public space rental, and deed recordation and real property taxes, respectively.

Which Types of Properties are Taxable?

January 2022

The figure below shows the assessed value of each type of property subject to the property tax. The District of Columbia's Office of Tax and Revenue determines the value of each property. District-wide, the assessed value of taxable property is over $255.7 billion as of January 2022.

Real Property Classifications	Nominal Tax Per $100 Value	Description
Class 1 (residential)	$ 0.85	
Class 2 (commercial)	$ 1.65	If assessed value is not greater than $5 million
Class 2 (commercial)	$ 1.77	If assessed value is greater than $5 million but not greater than $10 million
Class 2 (commercial)	$ 1.89	If assessed value is greater than $10 million
Class 3 (vacant or unimproved land)	$ 5.00	
Class 4 (blighted)	$ 10.00	



Sample Annual Real Property Tax Bill

Tax Year 2022 is October 1, 2021 thru September 30, 2022 Class 001

Square	Suffix	Lot	Property Address	Mrtg. No.	Assessment	Tax Rate/$100	Annual Tax
0449		0049	1116 6th St NW		$788,220	0.85	$6,699.86

Description	Tax	Penalty	Interest	Payment	Total
2022 First Half	$3349.93				$3349.93
2022 Second Half	$3349.93				$3349.93
Total					**$6,699.86**

Additional Information	Taxpayer's Record
● 15% of your Tax Year 2022 Real Property Tax is used to pay the General Obligation Bonds debt service requirement.	
● This property is not receiving the Homestead Deduction or Senior/Disabled Tax Relief.	

Deductions and Exemptions
These deductions can reduce the assessed value of a Class 1 owner-occupied residence (including condominiums) by $78,700. Senior citizens and persons with disabilities get additional relief on their Class 1 owner-occupied residence as their annual assessment increase is capped at 5% instead of 10%, if they meet the income requirement.

Total Payment
The Office of Tax and Revenue (OTR) divides property owners' total tax bill into two payments. The first payment is due by March 31st and the second payment is due by September 15th. Many homeowners pay their property taxes as part of their monthly mortgage and their mortgage servicer pays OTR on the homeowners' behalf.

Ad Valorem Tax
Taxes that are based on the value of property are called ad valorem taxes. This rate is usually changed during the budget process by majority vote from the DC Council.

Assessment Market Value
Each year, OTR's assessors determine each property's value, which includes the value of both land and buildings. Two types of values are assessed: market value and taxable value. The choice of assessment method depends on the type of property. For income-generating properties, such as office buildings or apartment buildings, the method is the net income approach: assessment is determined by dividing net operating income by a cap rate. For single-family properties, assessment is made using computer assisted mass appraisal or CAMA. Across the District, the market value for single-family homes increased by an average of 3.9 percent annually over the past five years (FY 2017-2022). For multi-family residential properties, the average annual increase is 4.6 percent, and for commercial properties it is 0.2 percent. The reason for the low assessment growth in commercial is the slowdown in growth in FY 2021 and negative growth in FY 2022 for office and hotel properties due to the COVID-19 Pandemic. Commercial properties and non-homestead residential properties (not occupied by the owner) are taxed at market value. Owner-occupied residential properties are sometimes taxed at a lower value, as the annual increase in taxable assessment is capped for these properties. When such a property is sold, however, it will be taxed at market value the year of the purchase.

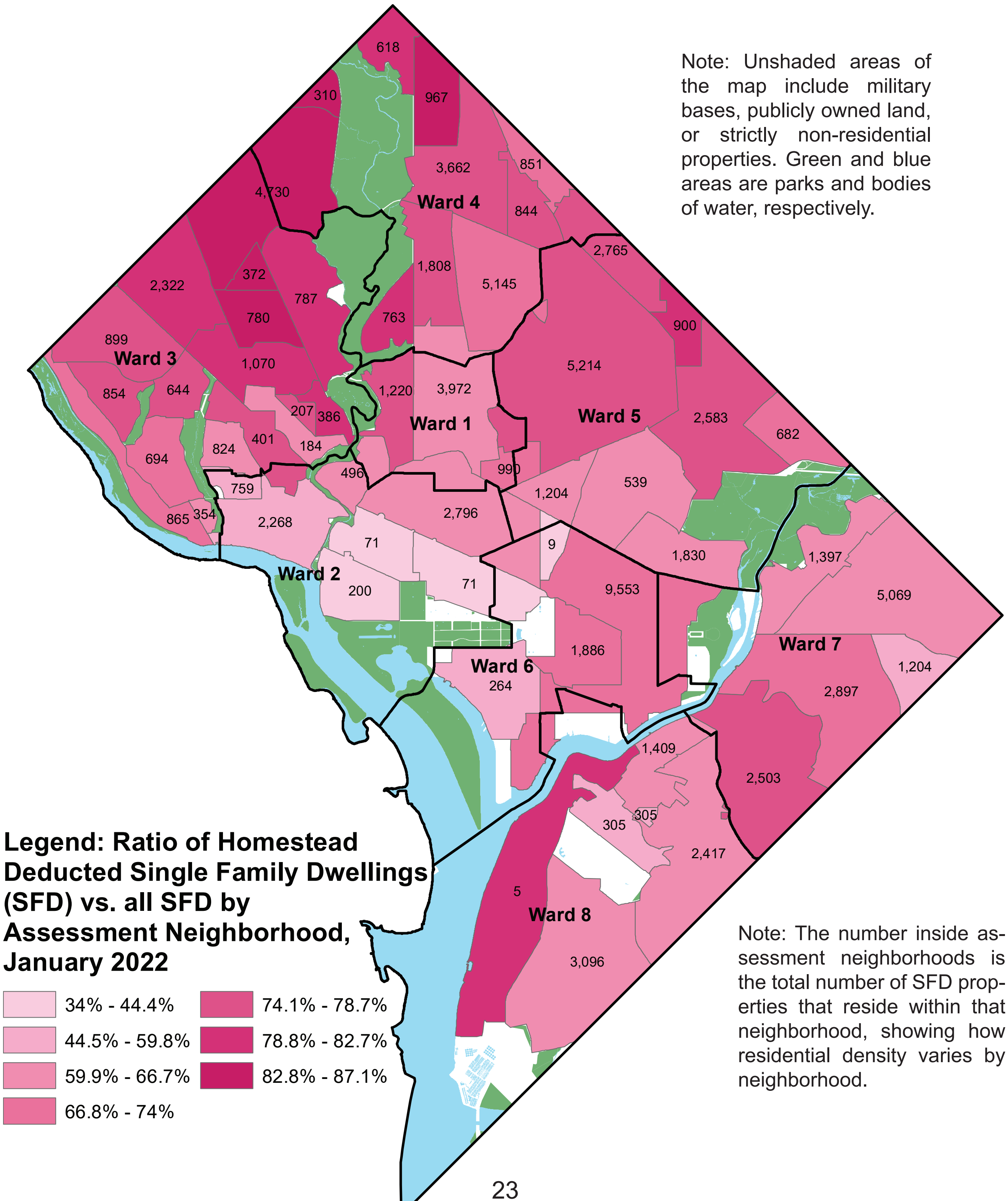
What is the Homestead Deduction?

Since 1977, shortly after the District received limited control over its own local government and tax systems, hundreds of thousands of DC homeowners have utilized the popular homestead deduction to reduce their real property taxes. The Homestead Deduction, which subtracts a set dollar amount (i.e. $78,700 in TY 2022) from a home's assessed value, acts like a discount to the total annual amount owed to the District for its services. Although legislative intent and context behind the original law is not available, it is assumed the purpose of this law is to encourage individuals to own and occupy homes in DC and provide property tax relief to resident homeowners, regardless of income. To qualify for the program, property owners are required to apply once to OTR and establish said property as their principal place of residence. Eligible properties must contain no more than five dwelling units. The amount of relief each year has increased significantly over the past twenty years in part to keep up with rising home values and the area's cost of living. Among users, homes with lower values garner greater benefits but not all eligible homes take advantage of this program.

How many Single Family Dwellings (row homes, detached houses, etc.) took the Homestead Deduction?

The next two maps show how many homes take advantage of the homestead deduction, which subtracts a fixed dollar amount from an owner-occupied property's assessed values. Each map separately presents the two main types of homestead properties compared to the total number of that type of property in the same assessment neighborhood. For example, Wakefield in Ward 3 (the triangle shaped neighborhood in the Northwest quadrant), had the highest ratio of single family dwelling (SFD) homestead deduction users to the total number of SFDs at 87.1 percent.

Note: Unshaded areas of the map include military bases, publicly owned land, or strictly non-residential properties. Green and blue areas are parks and bodies of water, respectively.

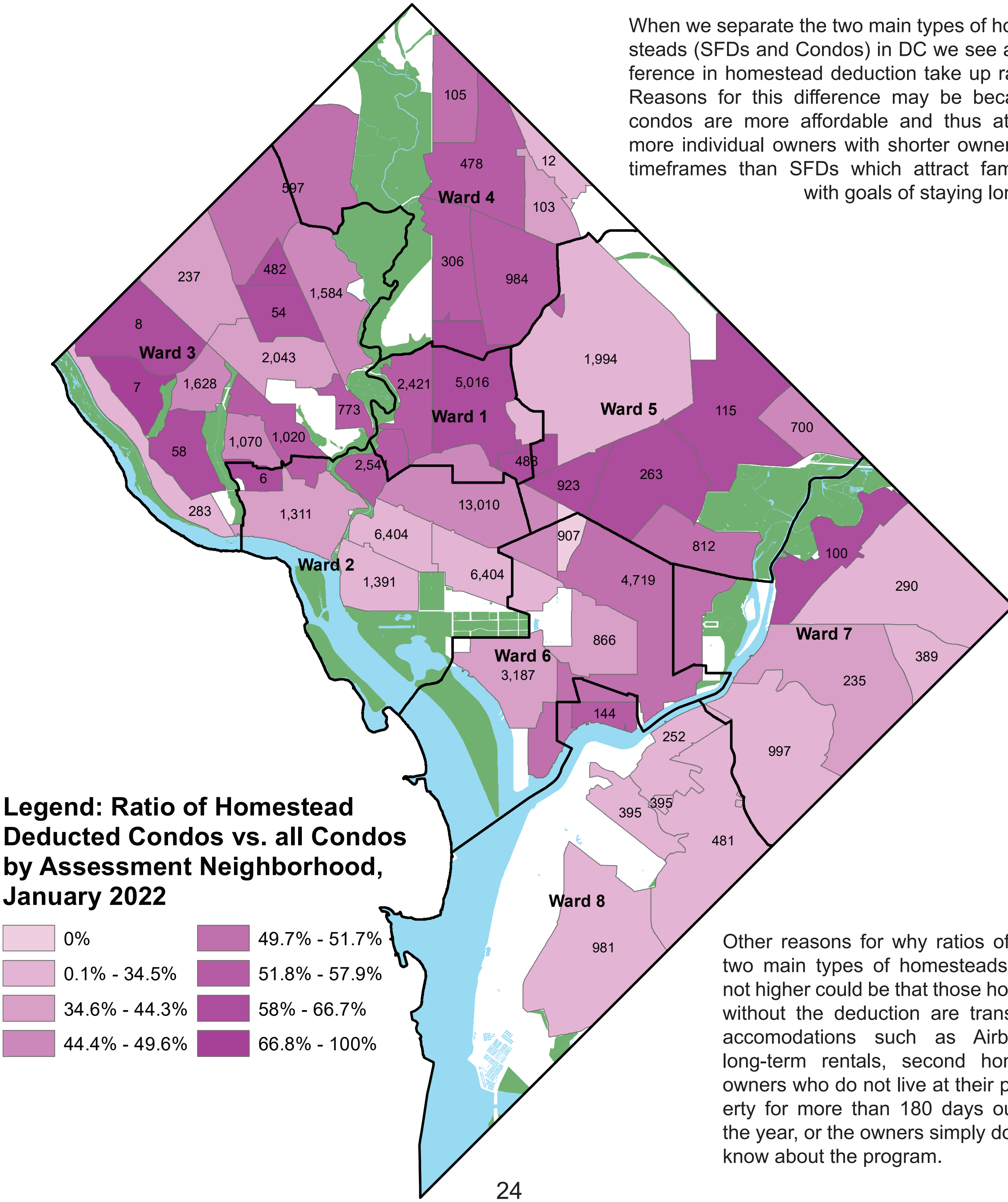


Note: The number inside assessment neighborhoods is the total number of SFD properties that reside within that neighborhood, showing how residential density varies by neighborhood.

How many Condos took the Homestead Deduction? And what differs from Single Family Dwellings?

The number of condos with homestead deductions to all condos in DC is relatively small compared to SFDs with homestead deductions. Overall, in January 2022, 45.9 percent of all condos took the homestead deduction compared to 71.6 percent of all SFDs. There are a number of reasons for this disparity.

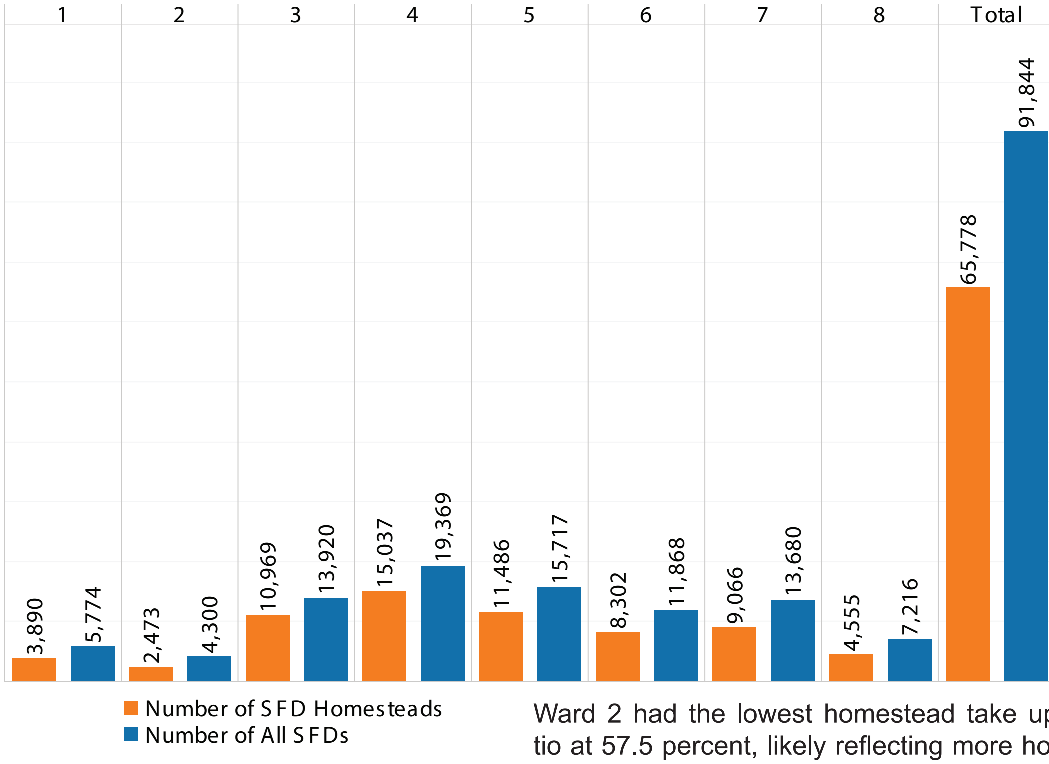
When we separate the two main types of homesteads (SFDs and Condos) in DC we see a difference in homestead deduction take up rates. Reasons for this difference may be because condos are more affordable and thus attract more individual owners with shorter ownership timeframes than SFDs which attract families with goals of staying longer.



Other reasons for why ratios of the two main types of homesteads are not higher could be that those homes without the deduction are transient accomodations such as Airbnbs, long-term rentals, second homes, owners who do not live at their property for more than 180 days out of the year, or the owners simply do not know about the program.

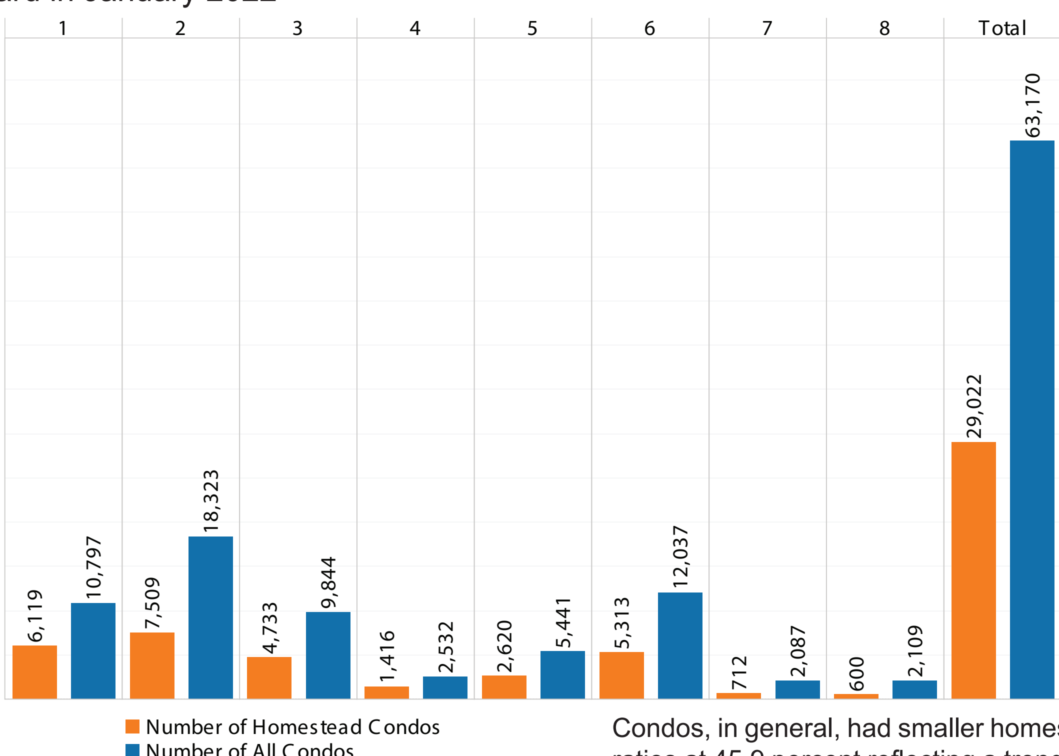
How many Single Family Dwellings (SFDs) & Condos take the homestead deduction, by Ward?

Number of SFDs taking the homestead deduction as a share of total SFDs, by Ward in January 2022



Ward 2 had the lowest homestead take up ratio at 57.5 percent, likely reflecting more homes there being rentals.

Number of Condos taking the homestead deduction as a share of all Condos, by Ward in January 2022

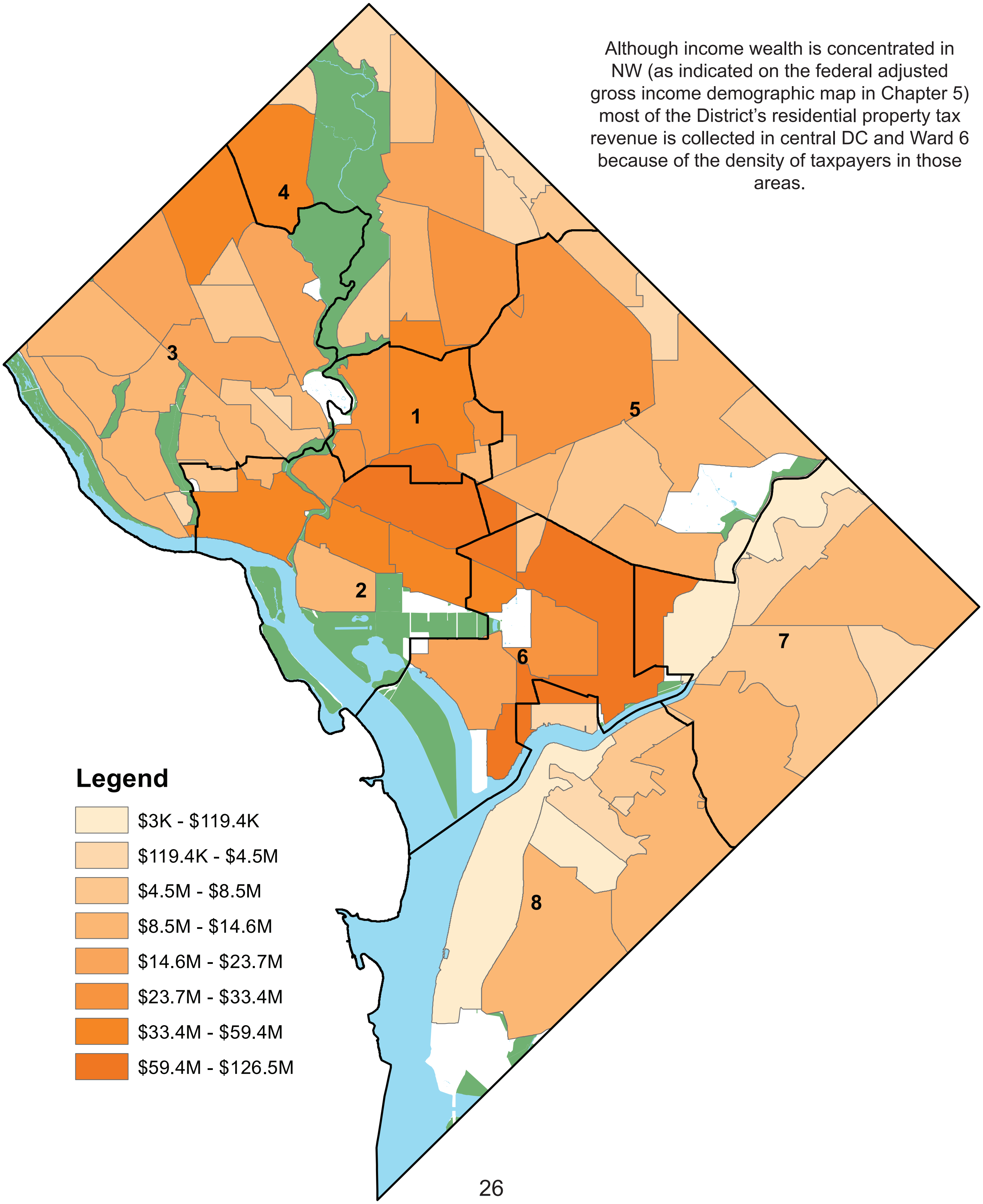


Condos, in general, had smaller homestead take up ratios at 45.9 percent reflecting a trend that Condos have more uses than just primary residences or that Condo owners are unaware of the program.

Tax Revenue Collected from Residential Properties is Concentrated in Central DC

Total Dollar Amounts by Assessment Neighborhood, FY 2022

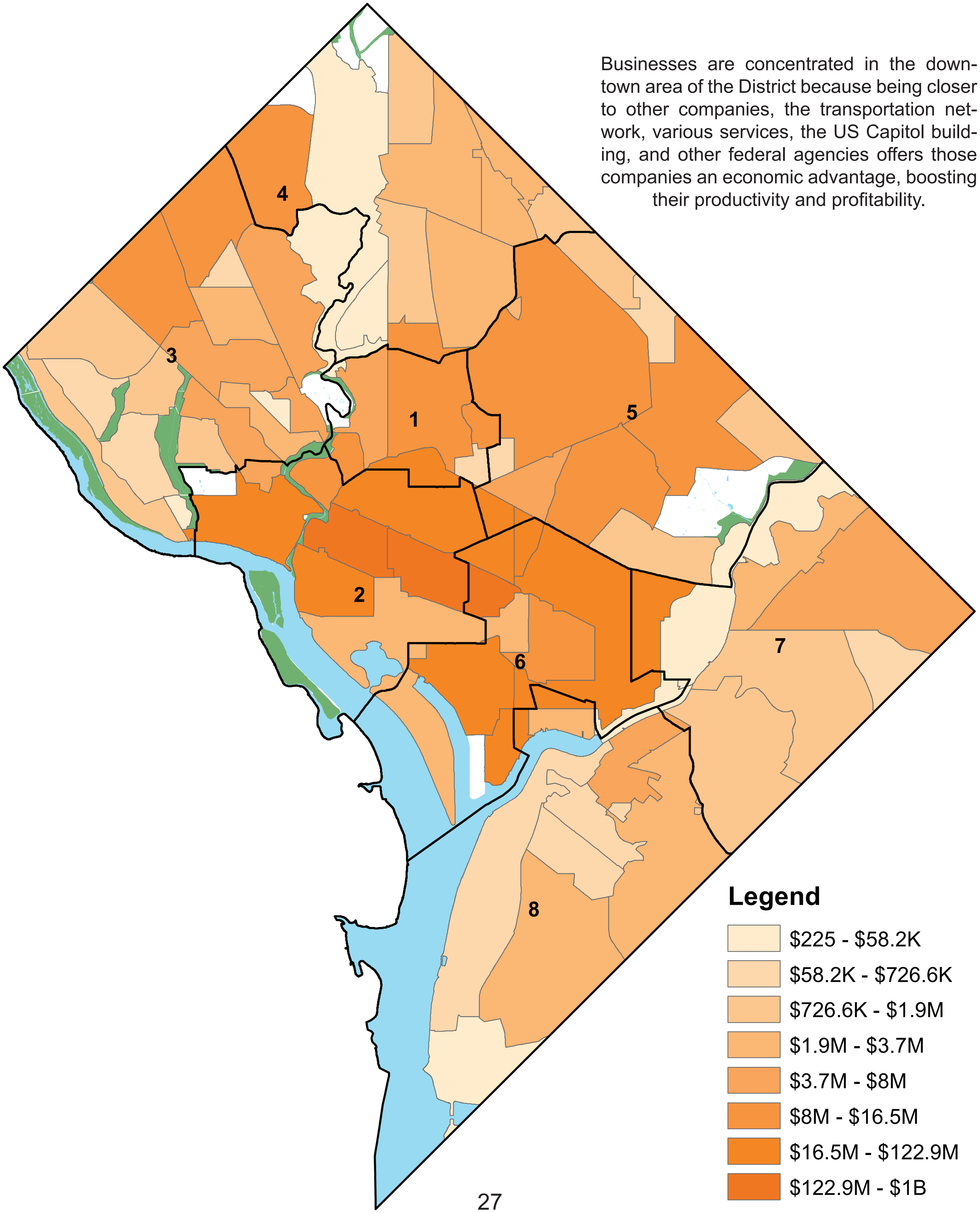
Although income wealth is concentrated in NW (as indicated on the federal adjusted gross income demographic map in Chapter 5) most of the District's residential property tax revenue is collected in central DC and Ward 6 because of the density of taxpayers in those areas.



Commercial Property Tax Collections Are Concentrated in Central DC As Well

Total Dollar Amounts by Assessment Neighborhood, FY 2022

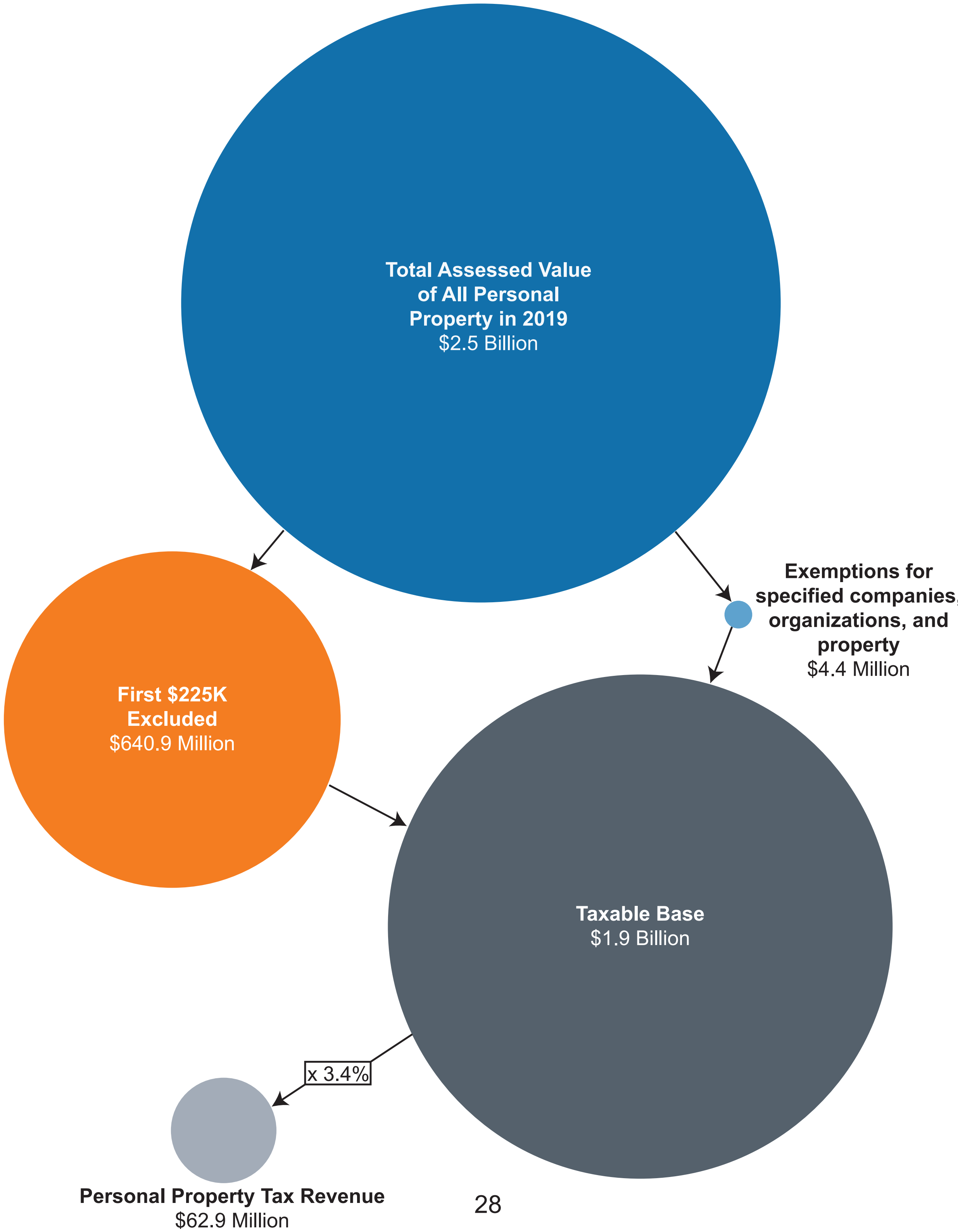
Businesses are concentrated in the downtown area of the District because being closer to other companies, the transportation network, various services, the US Capitol building, and other federal agencies offers those companies an economic advantage, boosting their productivity and profitability.



Personal Property Tax

TY 2019

The District levies a tax of $3.40 for every $100 of assessed value after the exemption of the first $225K of taxable value of personal property owned by businesses. Personal property includes machinery, equipment, furniture, fixtures, unregistered motor vehicles and trailers, or reference materials like books and DVDs. Certain types of companies, organizations, and properties are exempted from this tax such as qualified supermarkets, qualified high tech companies (prior to FY 2020), non-profits, registered motor vehicles and trailers, or public utility providers.

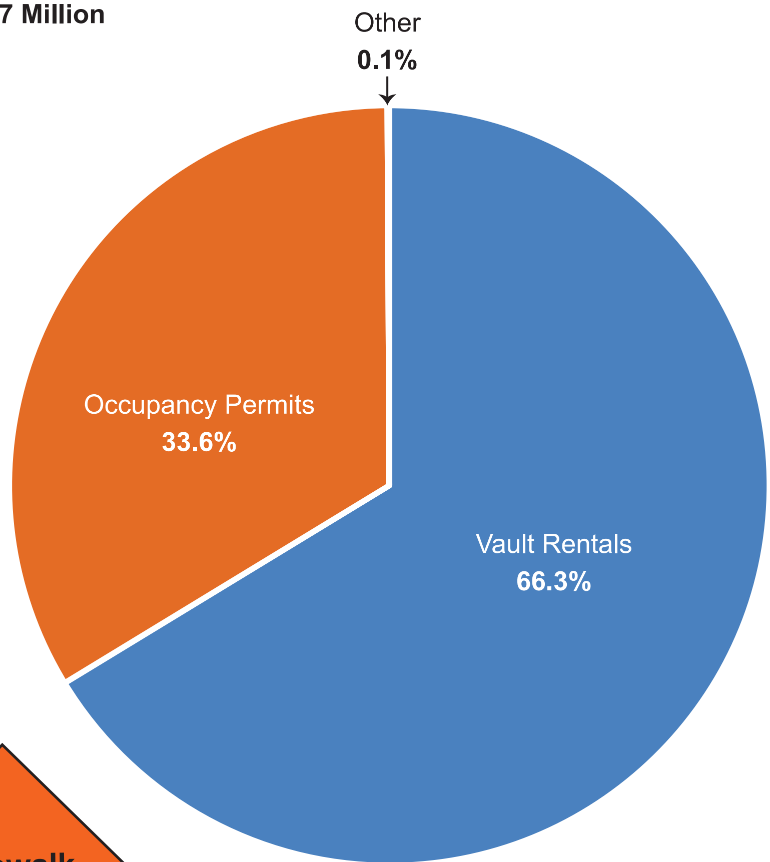


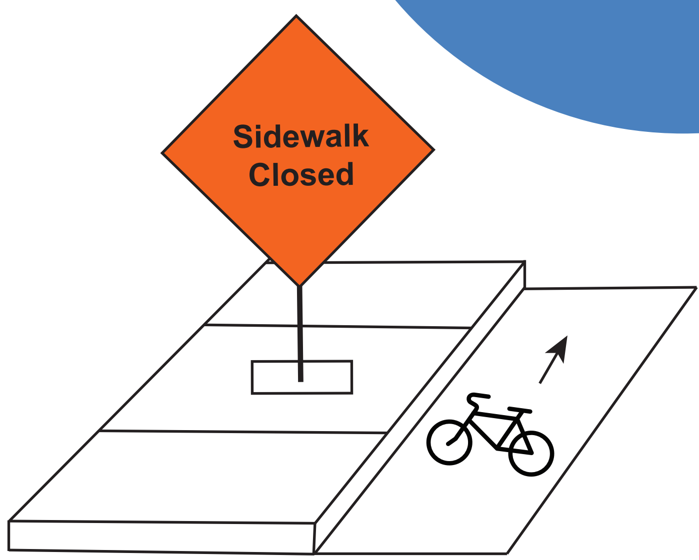
Public Space Rental Tax

The District allows businesses to rent and occupy publicly-owned property for their commercial use between their property line and the street. Uses include enclosed or unenclosed sidewalk cafes, flower and fruit stands, construction work, or even the space beneath the surface (also known as a "vault") for facilities like fuel tanks. Farmer's markets are exempted from the fee if they participate in the Supplemental Nutritional Assistance Program and the Women, Infants and Children Farmers Market Nutrition Program.

Public Space Rental Tax Collected, FY 2020

Total = **$39.7 Million**





Example Calculation (rate charges differ by type of public space):
$3.60 (total due annually) **= $5 or $10/sq. ft.** (assessed value of the land) **x 30 sq. ft.** (amount of space used) **x 1.2%** (utilization rate)

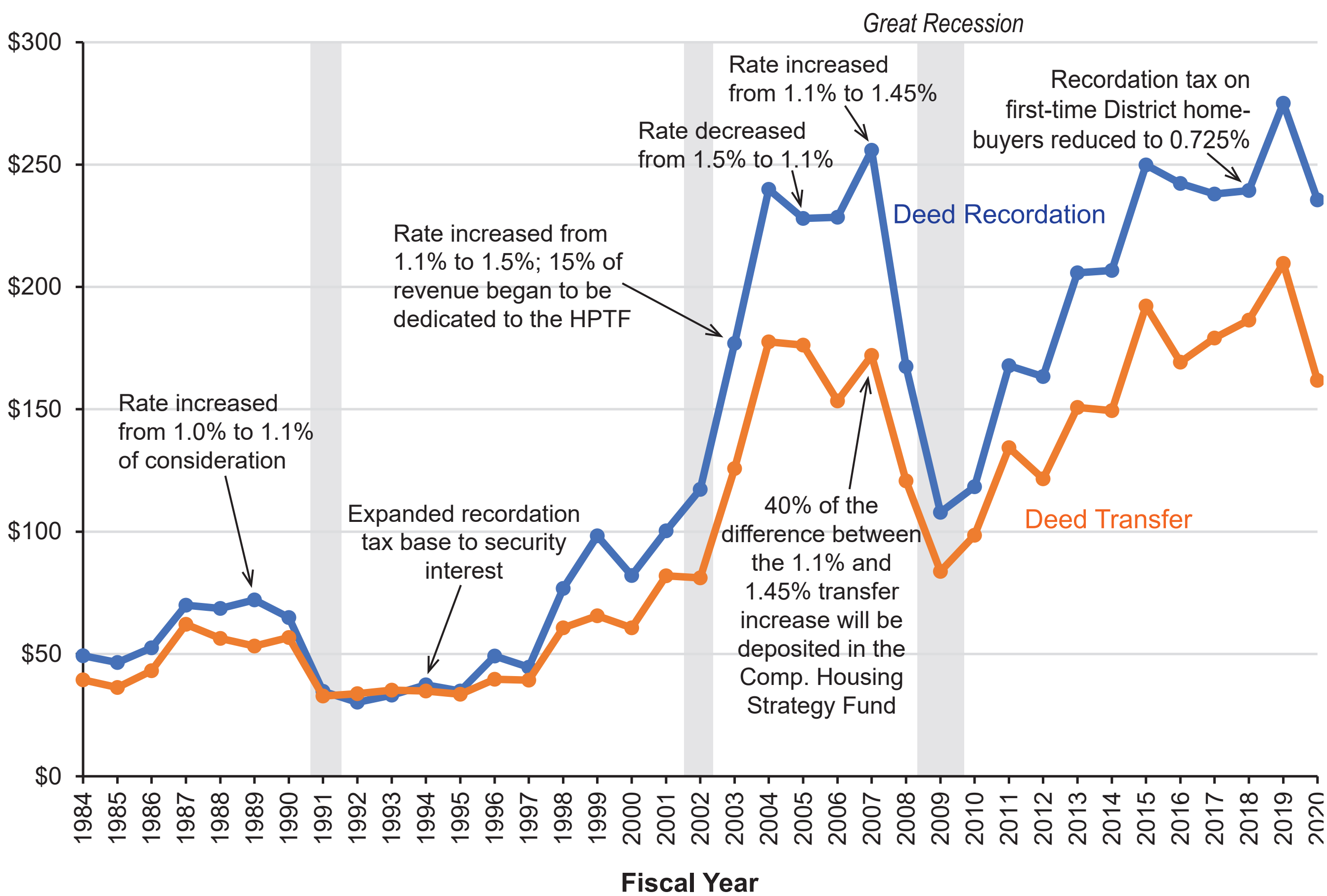
Deed Recordation and Transfer Taxes

When a person or entity buys real property in the District they are not rightful owners until they are given an official written document or deed. To acquire a deed one must submit the proper forms to the OTR to be officially recorded as owner and pay a percentage on the value of consideration given for the property or the fair market value of the property as the recordation tax. In addition, the transfer tax is imposed on the seller or transferrer of real property at the time the deed is submitted for recordation and is paid as a percentage of the consideration or fair market value. Fifteen percent of the District's real estate transfer and recordation taxes are dedicated to the Housing Production Trust Fund and the rest goes to the District's Local Fund.

The deed recordation tax is not only required when someone buys property, it is also required when commercial property owners refinance their property's mortgage which partially explains the higher revenue trend.

History of Deed Taxes in DC

Taxes Collected Annually in 2012 Dollars, In Millions



Chapter 3

Sales & Excise Taxes

Sales and Excise Taxes

The District government levies a tax on retail sales of tangible personal property. This tax -- called sales and use tax (hereafter, sales tax) -- is a significant source of tax revenue. In this chapter, we draw distinctions between the products and services that are subject to this tax and those that are not. We also provide information on all sales tax rates, the excise tax, and the historic distribution of sales tax revenue to the District's dedicated funds. Although sales taxes are collected monthly from sellers, the tax year for sales taxes reflects the fiscal year which starts on October 1st and ends on September 30th. FY 2019, 2020, and 2021 are used to describe the sales and excise tax chapter as they represent the latest available data for the various taxes.

What is the Sales Tax?

FY 2021

The sales tax is imposed on all tangible personal property sold or rented at retail in the District and on certain selected services. (Tangible refers to physical materials and personal property is movable from one place to another.) The graphic below compares the amount of tax collected in Fiscal Year 2021 with the amount of taxes that are forgone due to exemptions. The icons show major categories of taxable sales and exemptions.

Sales Tax Collected: $1.2 Billion Taxable Sales: $16.5 Billion

- Transient accomodations at a 14.95% rate
- Restaurants at a 10% per purchase rate
- Alcohol bought at stores at a 10.25% rate
- Medical marijuana at a 6% rate
- Retail and certain selected services at a 6% rate
- Parking in commercial lots at a 18% rate
- Rental Vehicles at a 10.25% rate
- Soft drinks at a 8% rate

Exempted Goods or Items: $532.9 Million in Revenue Forgone (estimate)

- Medicines, pharmaceuticals, and medical devices
- Groceries, feminine hygiene products, and diapers/incontinence pads
- Sales to the Federal and D.C. Governments, Semi-Public Institutions, and Non-Profits
- Energy Products Used in Manufacturing
- Electric Motor Vehicle Excise Tax

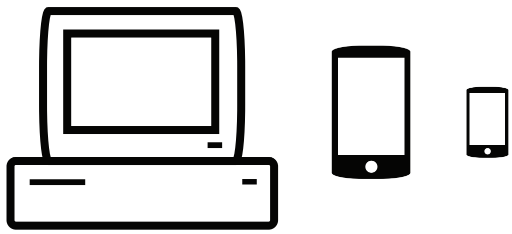
Exempted Services: $443.6 Million in Revenue Forgone (estimate)

- Internet Access Services
- Transportation and Communications Services
- Valet Parking Services
- Professional, Insurance, or certain Personal Services

What is the Use Tax?

FY 2021

The use tax is imposed at the same rate as the retail tax (6 percent) on personal property sold or purchased outside the District and then brought into the District to be used, stored, or consumed. Vendors with nexus (that is, having a physical presence or substantial sales) in the District are required to collect and pay the use tax. The total amount of use tax collected in Fiscal Year 2021 is captured in the sales tax amount. Below is a graphic of the most common medium subject to the use tax.

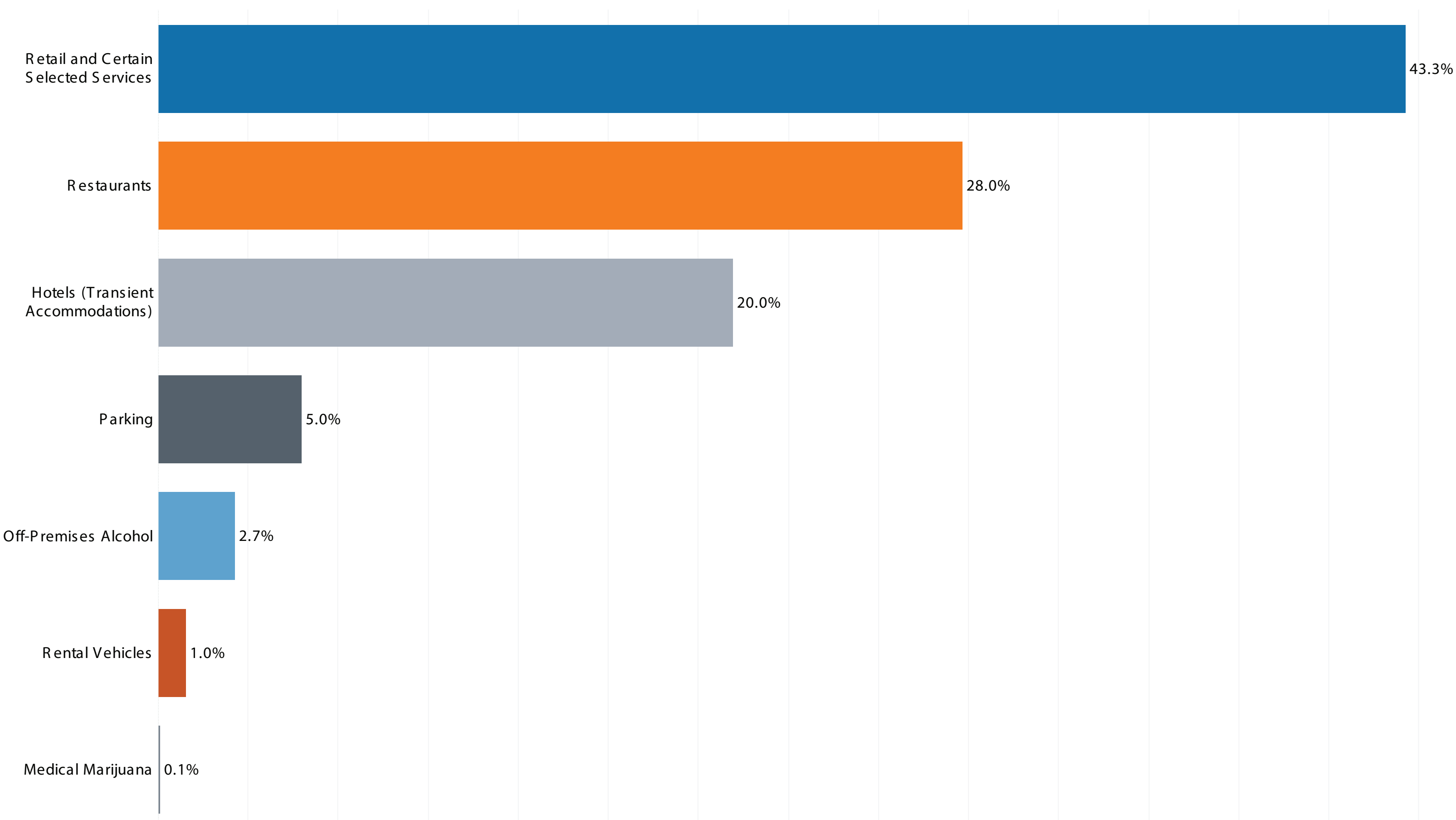


e-commerce or purchases made over the internet are taxed at a 6% rate

Note: Remote sellers (e.g. businesses with no physical presence in the District) are now taxed as of June 2018. Fewer sales transactions evade taxation due to the South Dakota v. Wayfair, Inc. U.S. Supreme Court decision.

Where Is Sales and Use Tax Collected?

Share of Sales Tax Collected by Business Type, FY 2019



Totals for Dedicated Transfers of Sales Tax Revenue

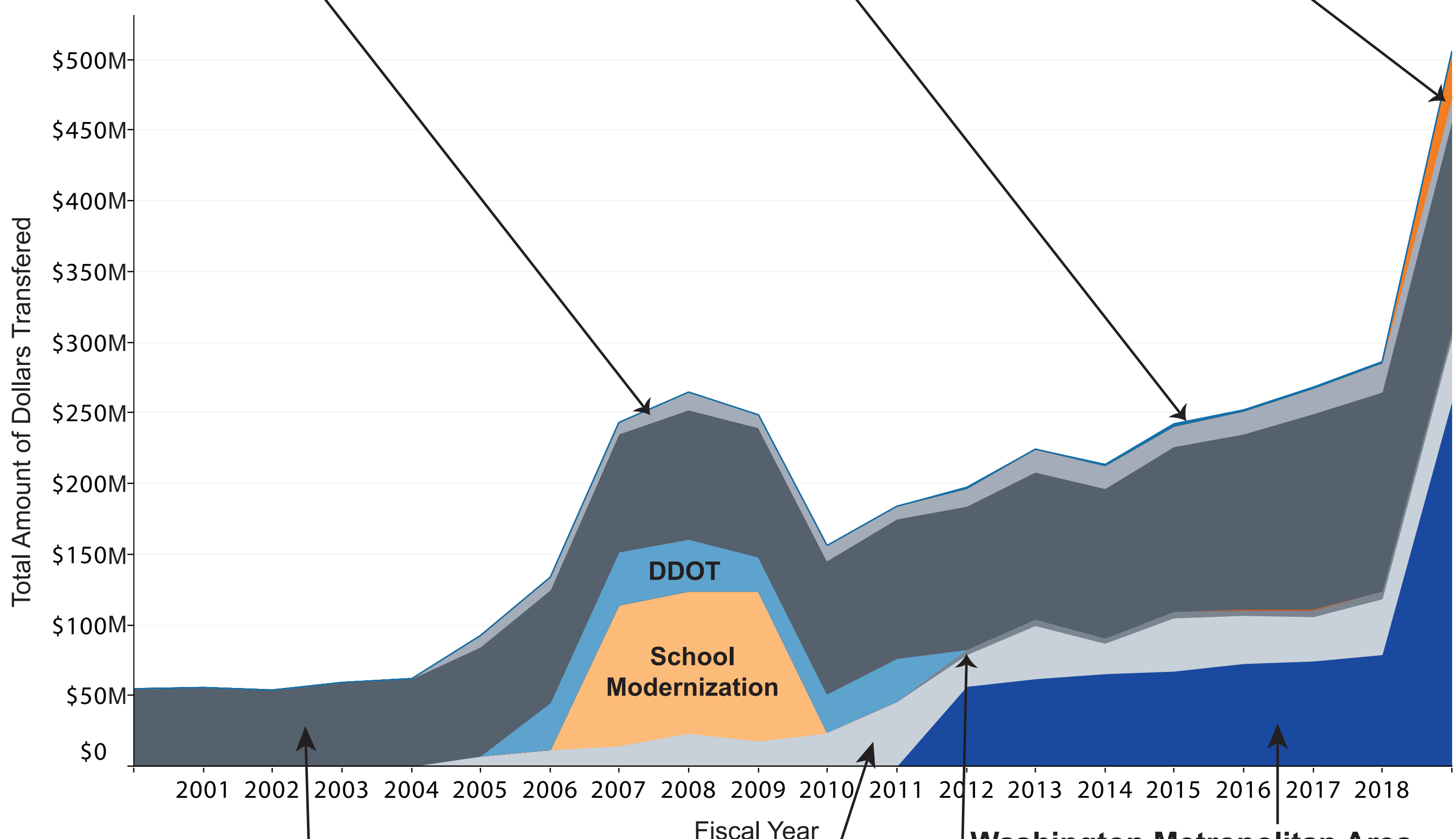
The flow chart below shows the trends of where and how much sales tax revenue were distributed to the District's dedicated funds such as the Convention Center, Washington Metropolitan Area Transit Authority, and a variety of other legislatively mandated funds from Fiscal Year 2000 to 2019. The District's Local Fund is not included in the flow chart below, however, $1.09 billion was transfered to the Local Fund in FY 2019.

Revenue Transfered from FY 2000-2019, in Millions

Ballpark Fund: *$16.1 Million in FY19* - From sales taxes related to the baseball stadium to help pay the debt service on the stadium's revenue bonds.

Alcoholic Beverage Regulation Administration: *$1.2 Million* in FY19 - From the total sales tax to fund the Reimbursable Detail Subsidy Program in ABRA.

Commission on the Arts and Humanities: *$32 Million in FY19* - From the general retail sales tax to provide funding for the commission to develop and promote the arts and humanities in the District.



Convention Center: *$147.6 Million in FY19* - From the hotel, restaurant, and rental vehicle sales taxes for payments towards debt service, reserve funds, repairs, marketing, etc. incurred by Events DC (operator of the Convention Center).

Washington Metropolitan Area Transit Authority: *$258.3 Million in FY19* - From the parking tax and total sales tax to support DC's WMATA funding responsibility including DC's contribution to WMATA's Capital fund.

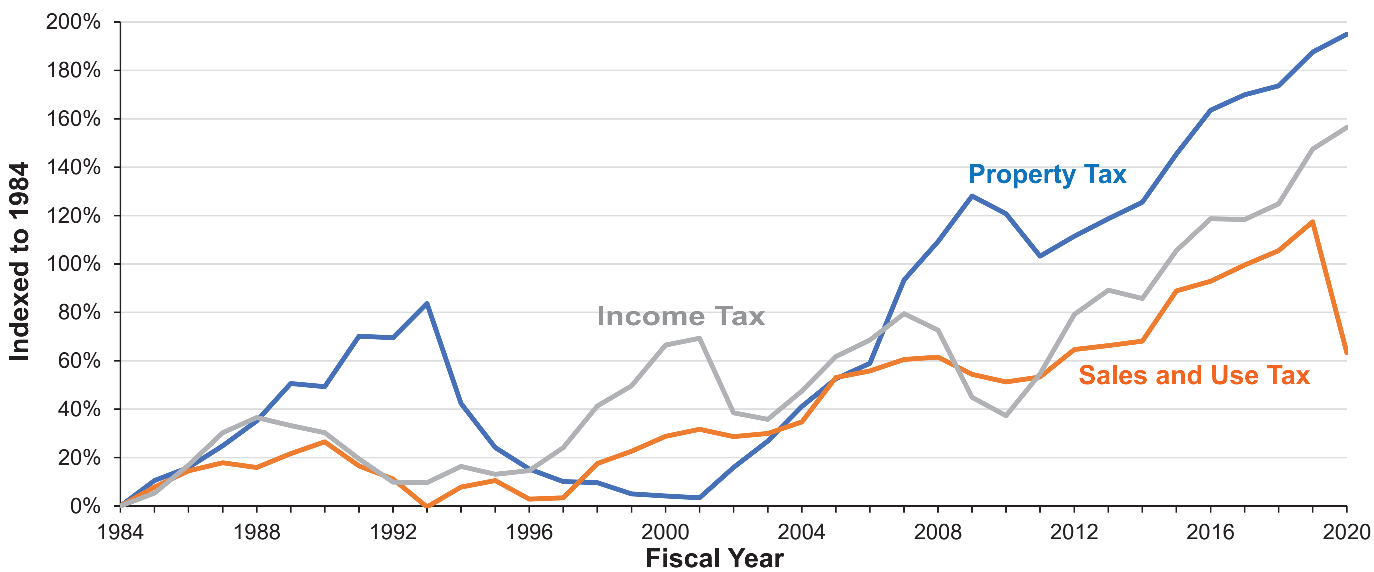
Healthy DC & Health Care Expansion Fund (Orange Brown): *$1.2 Million in FY19* - From the medical marijuana sales tax to provide affordable health benefits to eligible individuals.

Tax Increment Financing/ Payment in Lieu of Taxes: *$45 Million in FY19* - To pay back bonds issued to help finance certain economic development projects.

Healthy Schools: *$4.3 Million in FY19* - From the general sales tax to provide additional funding for healthier school meals, etc.

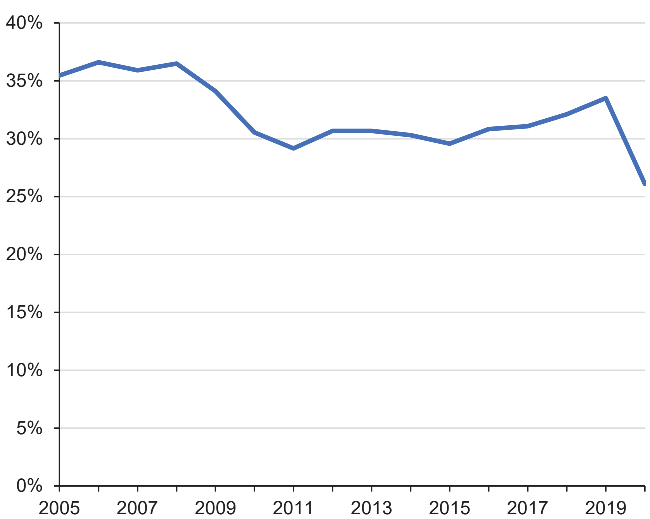
Post FY 2019 Sales Tax Revenue Growth Dipped Due to Reduced Consumption of Services During the COVID-19 Pandemic, While the Income Tax Continued to Grow and Commercial Property Tax Losses Were Not Realized Until Later

Total Percent Change Since FY 1984, FY 2012 Dollars



Taxable sales were slowly increasing as a share of the economy prior to the first year of the Covid-19 Pandemic, a trend not seen since before the Great Recession...

Taxable Sales as a Share of Personal Income

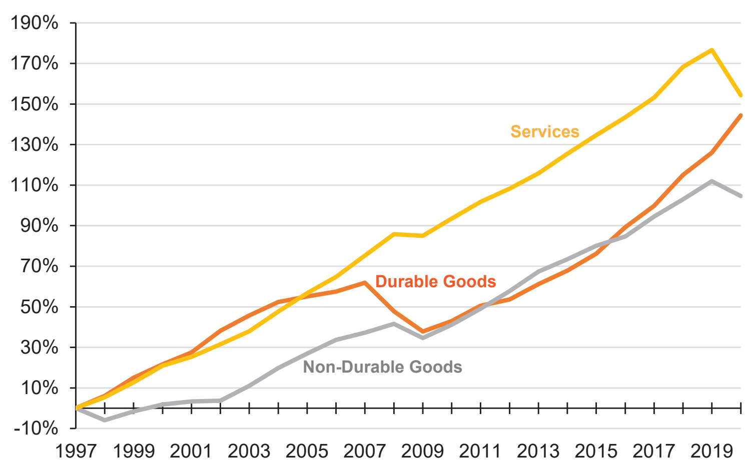


Note: Taxable sales include items under retail, alcohol, restaurant, tobacco products, parking, hotel, and medical marijuana categories.

Personal Income Data Source: U.S. Department Of Commerce, Bureau of Economic Analysis (www.bea.gov/data).

...Because spending on services dropped sharply after the Covid-19 Pandemic shifted consumption habits in 2020

Total Percent Change in Personal Spending



Personal Consumption Expenditure Data Source: U.S. Dept. Of Commerce, Bureau of Economic Analysis (www.bea.gov/data).

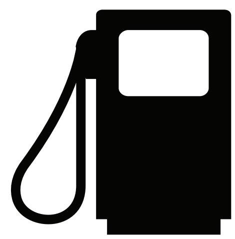
What are the Excise Taxes?

FY 2021

Excise taxes are narrowly based taxes on consumption, levied on specific goods or activities such as gasoline. Excise taxes are often levied at a per unit of a product basis and are frequently included in the price of the product, and are usually less visible to consumers. The graphic below shows the total amount of excise tax collected in Fiscal Year 2021 with icons depicting the major categories of goods subject to the excise tax in the District.

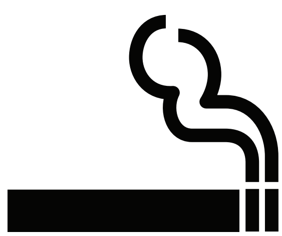
Excise Tax Collected: $107.1 Million

Motor Vehicle excise tax is based on a vehicle's weight class and its fuel efficency (see page 40). Tax rates range from 1-10.1% for motor vehicles or trailers but electric vehicles and motor vehicles or trailers in certain circumstanses are exempt from this tax.



Motor Vehicle Fuel is taxed at rate of 23.5¢ per gallon of regular unleaded gasoline with an additional surcharge of 5.3¢ per gallon.

Wholesale of Alcoholic Beverages in the District vary in tax rate:
Beer -- $2.79 per 31 gallon barrel
Light wine (>14% alcohol) -- 30¢ per gal
Heavy wine (<14% alcohol) -- 40¢ per gal
Champagne/sparkling wine -- 45¢ per gal
Spirits -- $1.50 per gal

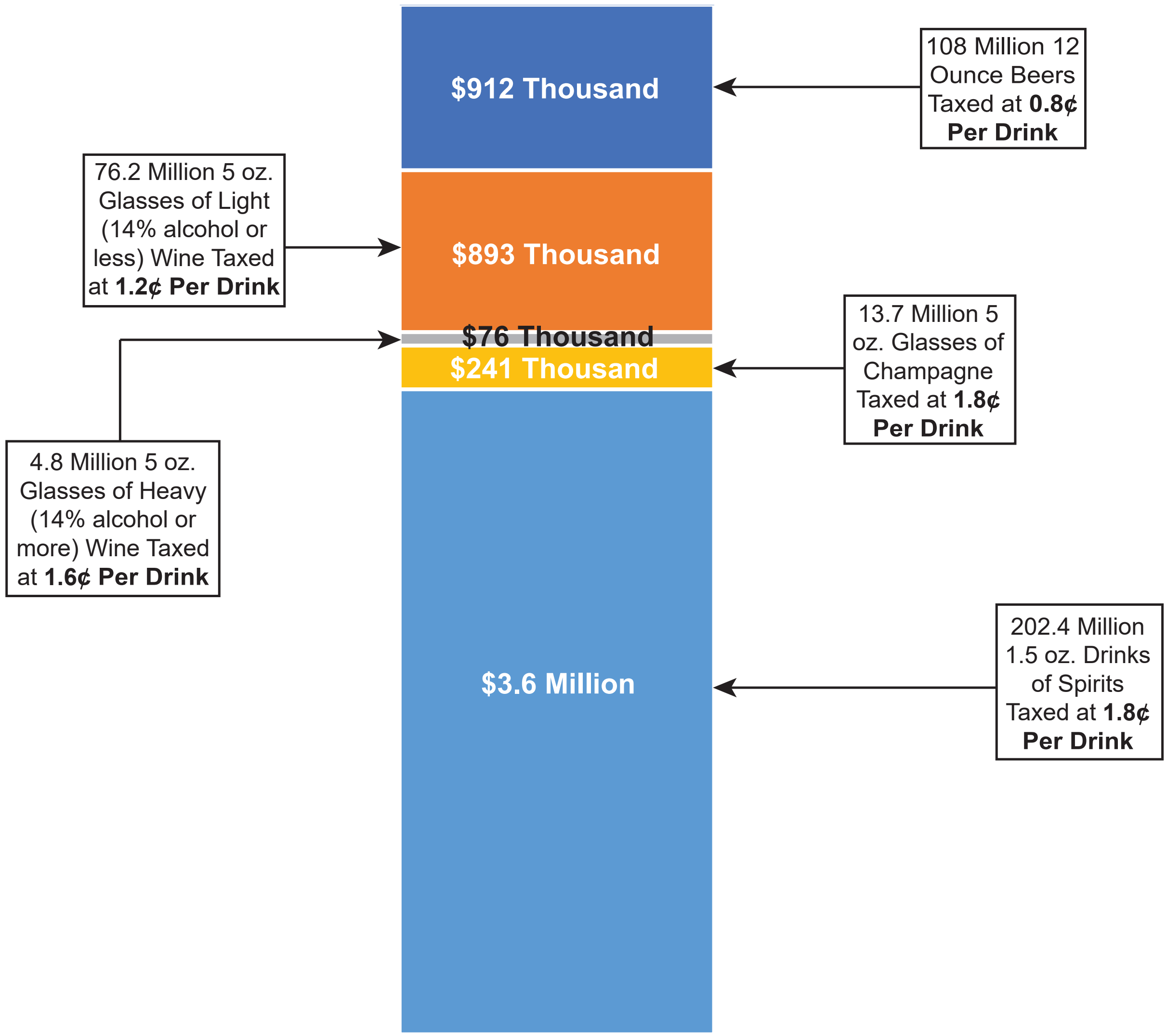


Cigarettes purchased in a pack of 20 or fewer and Little Cigars weighing less than 4.5 lbs per thousand are taxed at $4.50/pack plus a 50¢/pack surtax in lieu of a retail sales tax equaling $5.00 per pack.

Other Tobacco Products including Vapor products like e-Cigarettes, etc. are taxed at 91% of the average wholesale price of a pack of 20 cigarettes.

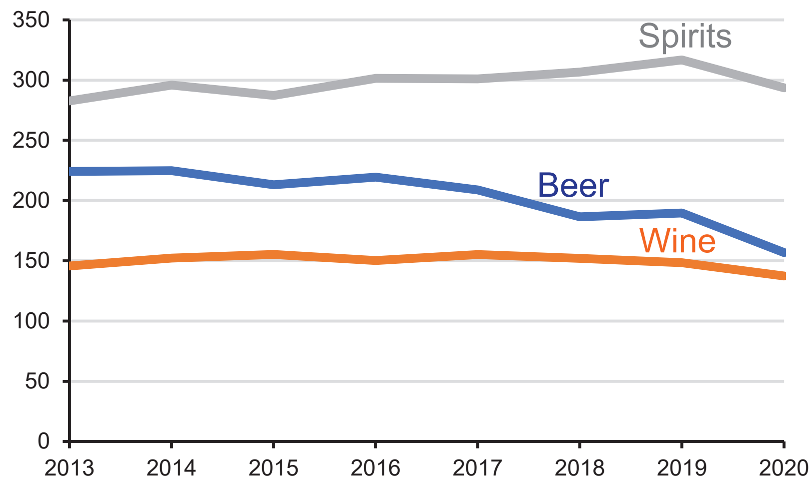
Alcoholic Beverage Tax

The District levies an excise tax on alcoholic beverages. The tax is levied on distributors (such as wholesalers) based on the volume and type of beverage sold. Revenue from this tax is deposited into the District's Local Fund, which funds services such as education, health and social services, and criminal justice programs. Revenue from the tax totaled $5.7 million in FY 2020.



Alcohol Consumption Trend

Annual Drinks Per Capita



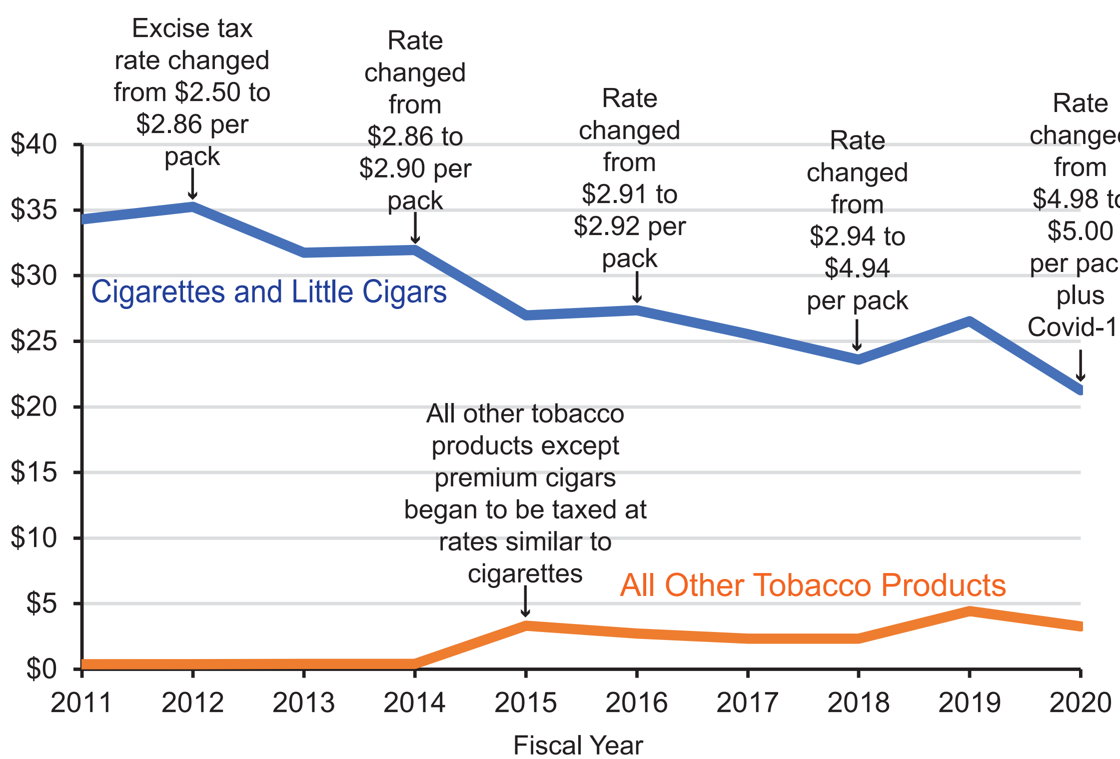
Note: Alcohol consumption decreased in 2020, likely due in partly to the decline in the number of residents visiting bars and restaurants during the Covid-19 Pandemic.

Tobacco Taxes

The District levies excise taxes on tobacco products except if sold to the military or Congress. The taxes are levied on distributors (such as wholesalers). Cigarettes are taxed on a per-cigarette basis and little cigars by weight. Currently, the tax rate is equivalent to $5.00 per pack of 20 cigarettes which includes a $4.50 excise tax and a 50 cent surtax in lieu of a retail sales tax. Tax levies for all other tobacco products, such as snuff and e-cigarettes but not including premium cigars, are set as a percent (91%) of the average wholesale price. Their current rate is also equivalent to $5.00 per pack of cigarettes as of Fiscal Year 2021. All revenue from this tax is deposited into the District's Local Fund.

Tobacco Tax Revenues Have Decreased Due in Part by the Rate Changes and Preference

FY 2012 Dollars, In Millions

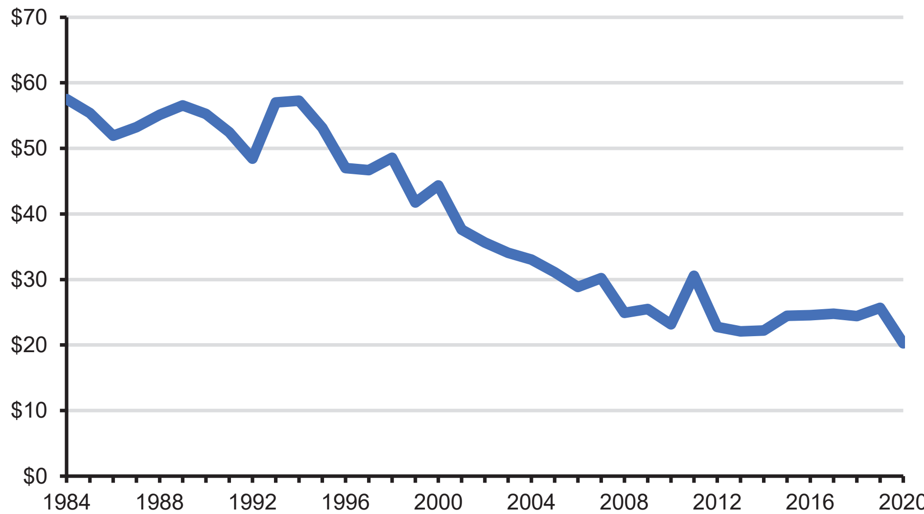


Motor Vehicle Fuel Tax

The District levies one excise tax on all transportation fuels, i.e. gasoline, diesel, benzene, etc. The tax is levied at the wholesale level, equal to 8 percent of the average price of a gallon of regular unleaded gasoline. The average wholesale price is determined by the District and is published twice a year. The floor on the wholesale price for the calculation is $2.94, or 23.5 cents per gallon in FY 2021 and has a semi annual price growth cap of 10 percent. This tax is collected from distributors when they move the fuel into the District. All the revenue from this tax is deposited into the Highway Trust Fund. In FY 2021, an annual surcharge of $0.53/gallon of gasoline and other motor vehicle fuels will be added to the tax. Revenues from this surcharge will be dedicated to the Capital Improvements Program for local transportation infrastructure repairs.

Motor Vehicle Fuel Tax Revenue Collected from FY 1984 to 2020

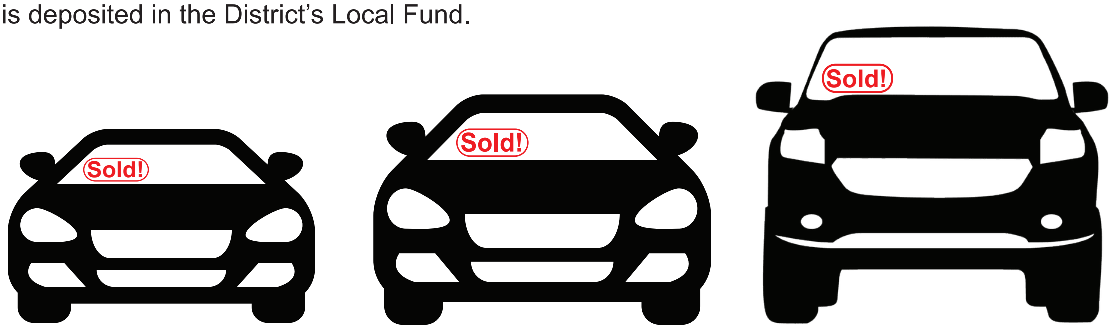
FY 2012 Dollars, In Millions



Over 95.6 million gallons of taxed fuel was imported into DC in FY 2020 (excluding Federal agencies which are exempt from this tax).

Motor Vehicle Taxes

The District levies an excise tax on the issuance of original and subsequent certificate of title on every motor vehicle and trailer sold in the District. Vehicles brought into the District by new residents, which have been titled elsewhere, are exempt from the tax. The tax is applied based on the vehicle's unladen weight and city miles per gallon (MPG). Electric cars are exempt. Revenue collected from this tax is deposited in the District's Local Fund.



Unladen Weight	3,499 lbs or Less	3,500 - 4,999 lbs	5,000 or More lbs
20MPG or Less	8.1%	9.1%	10.1%
21MPG - 25MPG	4.4%	5.4%	6.4%
26MPG - 30MPG	3.1%	4.1%	5.1%
31MPG - 39MPG	2.2%	3.2%	4.2%
40MPG or More	1.0%	2.0%	3.0%

Chapter

4

Gross Receipts Tax & Other Taxes

Gross Receipts Tax & Other Taxes

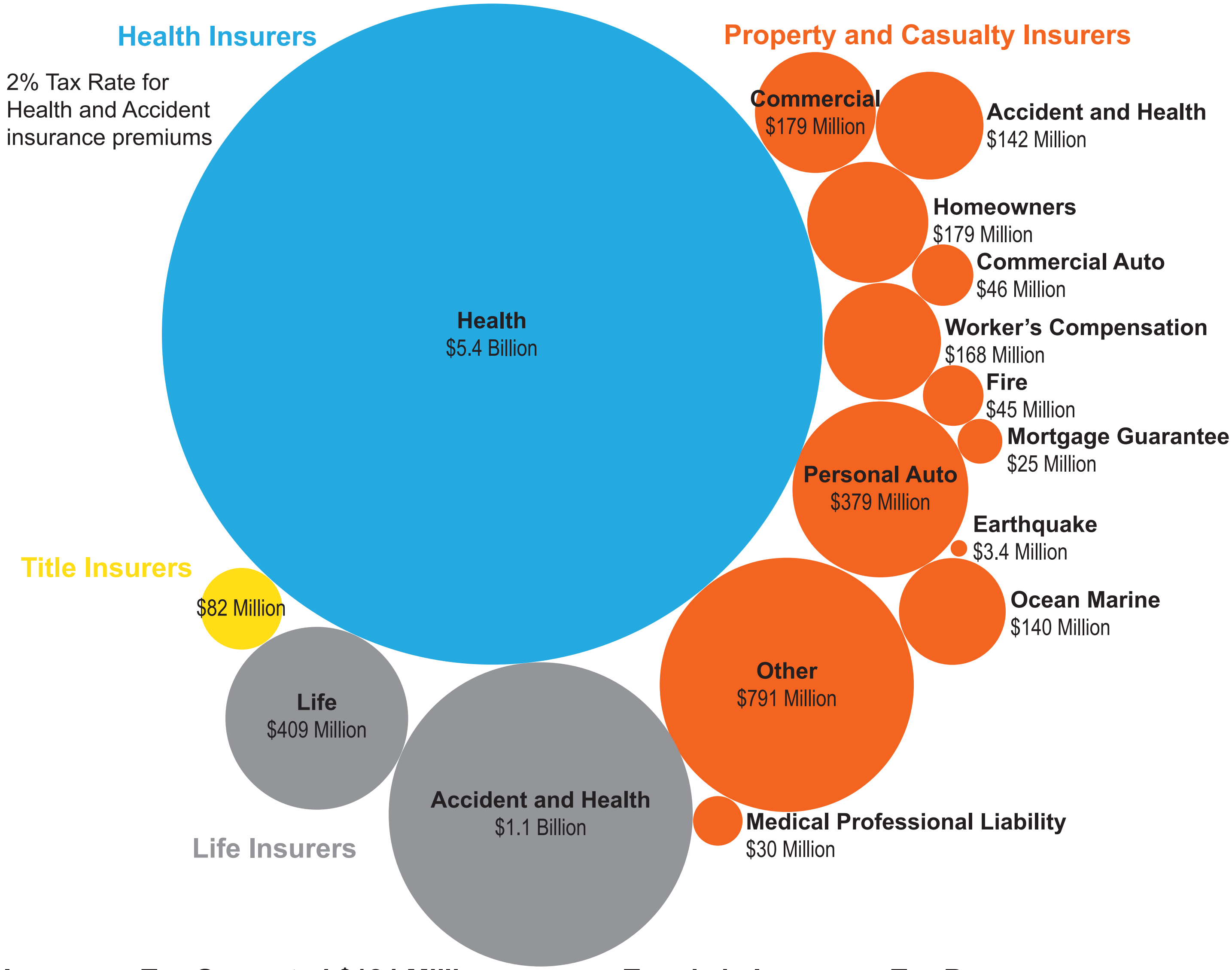
Beyond the three main taxes covered earlier in this report, the District government levies a variety of smaller taxes that collectively sum to just 9.2 percent of all local revenue collected in Fiscal Year 2020. Taxes included in this category are the Economic Interest, Estate, and Cooperative Recordation taxes. Gross Receipts tax is a tax on the total gross revenues of a company, regardless of their source. In the District, this tax is imposed on industries with certain services. These include health care providers, public utility providers, telecommunication providers, hospitals, insurance providers, sports wagering operators, game of skill machines, and all businesses with incomes of $5 million or more.

For information on other minor taxes in this section such as toll telecommunications or healthcare related taxes go to the main Tax Facts Reports published on the OCFO's website at www.cfo.dc.gov.

Insurance Premiums Tax

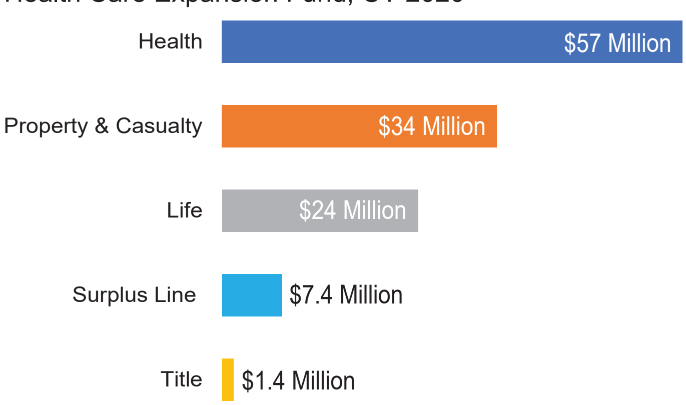
The District levies a 1.7 percent tax on gross insurance premiums received for insuring residents and businesses against risks in the District. Insurance companies pay the insurance tax instead of the corporate income tax.

Calendar Year 2020



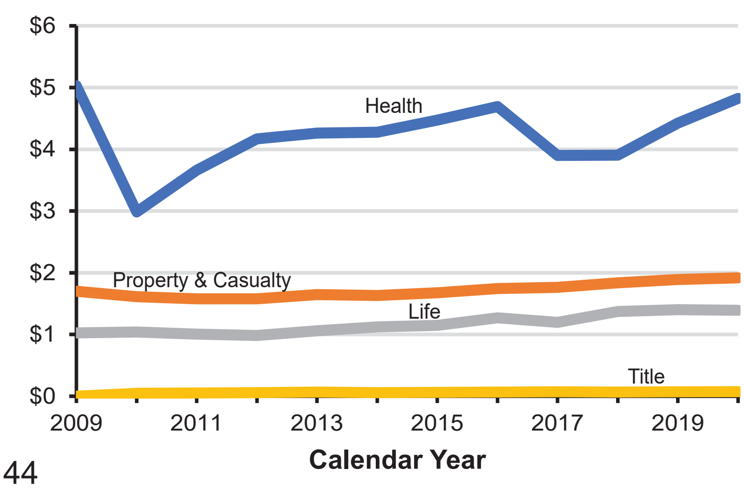
Insurance Tax Generated $124 Million

District's Local Fund with Transfers to Healthy DC and Health Care Expansion Fund, CY 2020



Trends in Insurance Tax Base

Annual Premiums in FY 2012 Dollars, in Billions

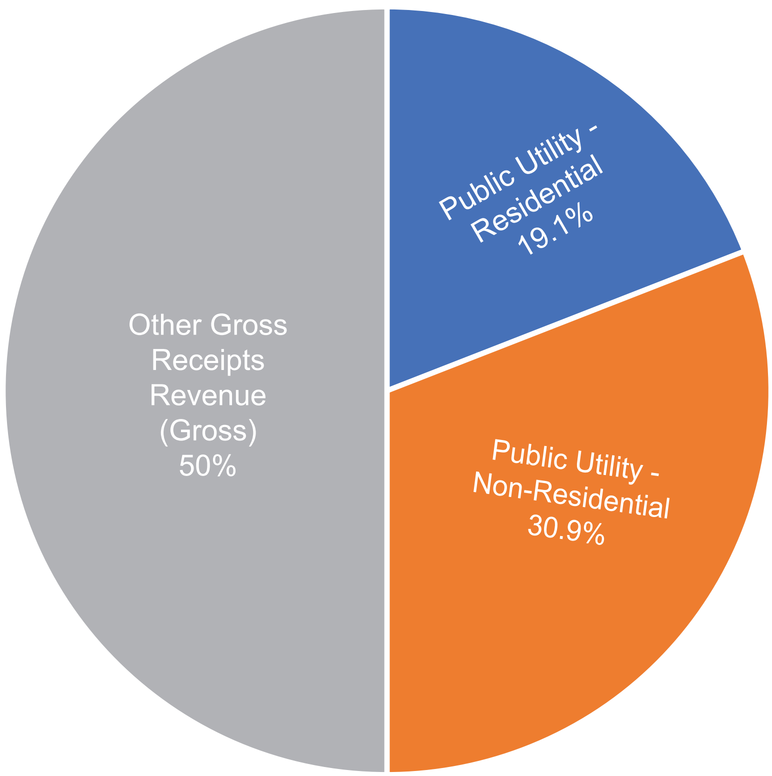


Insurance Premium Data Source: D.C. Department of Insurance, Securities, and Banking (www.disb.dc.gov).

Public Utilities Tax

The public utility tax is levied on privately owned companies that provide and maintain services that District consumers use in everyday life such as heating oil, electricity, natural gas, television, radio, and telephone networks. The tax on TV, radio, and telephone services is a gross receipts tax meaning those companies are taxed on their annual gross sales. The tax on energy services is based on customer consumption levels using each utility's units of delivery as a basis of taxation which explains why revenue spikes are closely linked to weather events and fuel costs. A portion of this tax, specifically the 1 percent surcharge on non-residential energy services customers, is dedicated to the Ballpark Revenue Fund and the rest is transfered to the District's Local Fund.

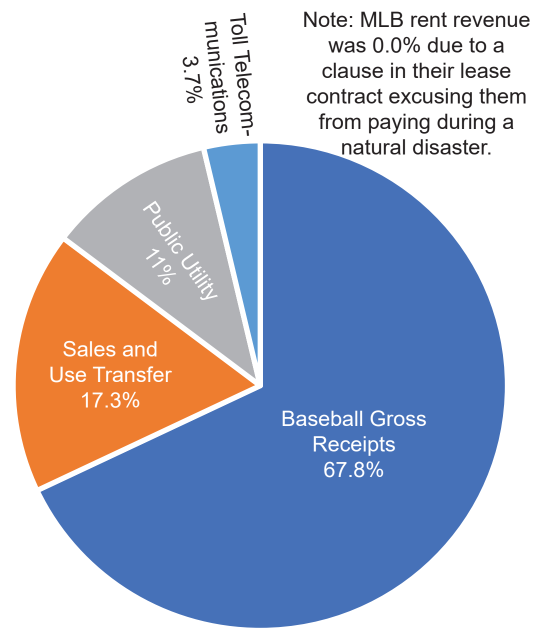
Annual Gross Receipts of Public Utility Companies, FY 2020



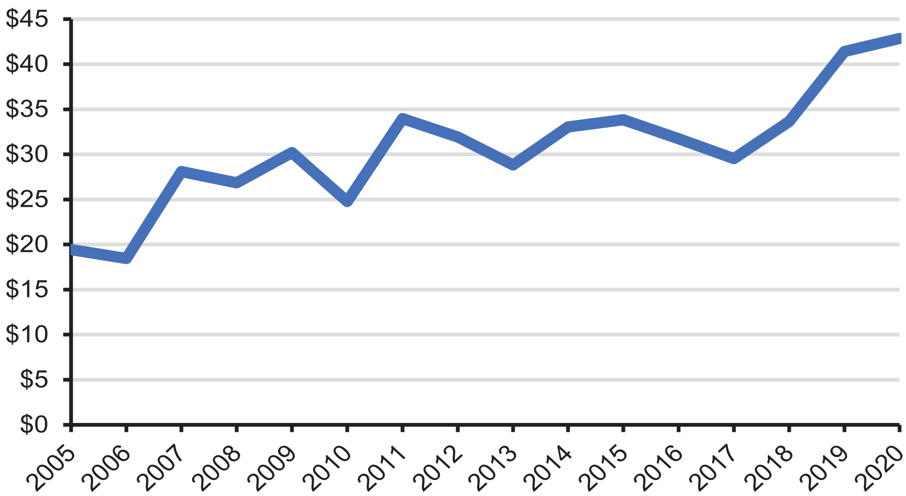
Baseball Gross Receipts Tax

The Ballpark Omnibus Financing and Revenue Act of 2004 established the ballpark fund which was created to repay the revenue bonds taken out to construct Nationals Park, DC's baseball stadium. The act, among other things, establishes the gross receipts tax which taxes companies doing business within the District that have annual gross receipts of $5 million or more annually until the bonds are re-paid. The revenue generated by this tax goes entirely to the Ballpark Revenue Fund. The District also dedicates other revenues to the Ballpark Fund, as shown in the pie chart below.

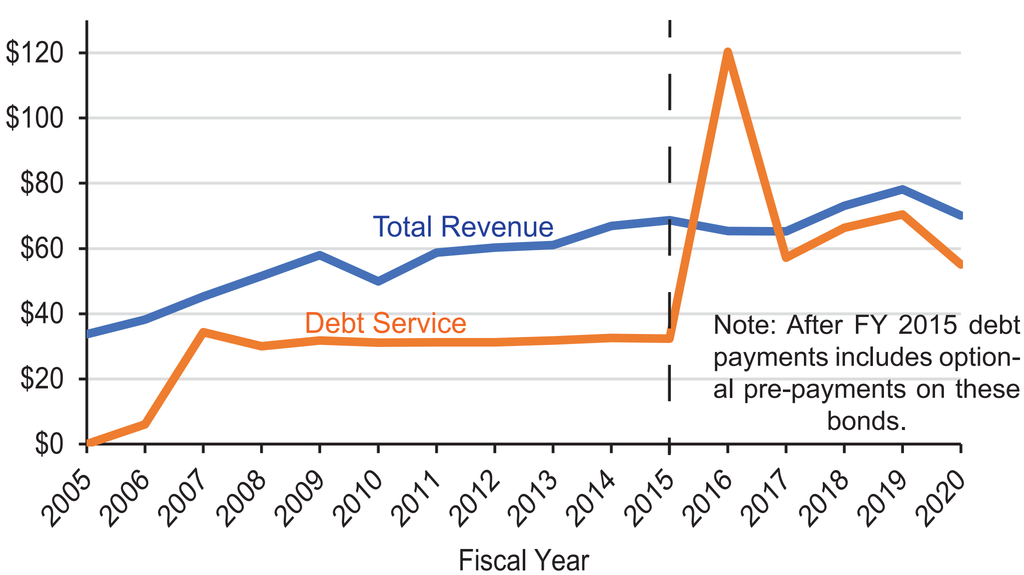
FY 2020 Dedicated Ballpark Revenue Fund Breakdown



Baseball Gross Receipts Revenue from FY2005 to FY2020, In Millions and FY 2012 Dollars



Debt Service vs. Total Revenues Collected for the Ballpark Revenue Fund, In Millions



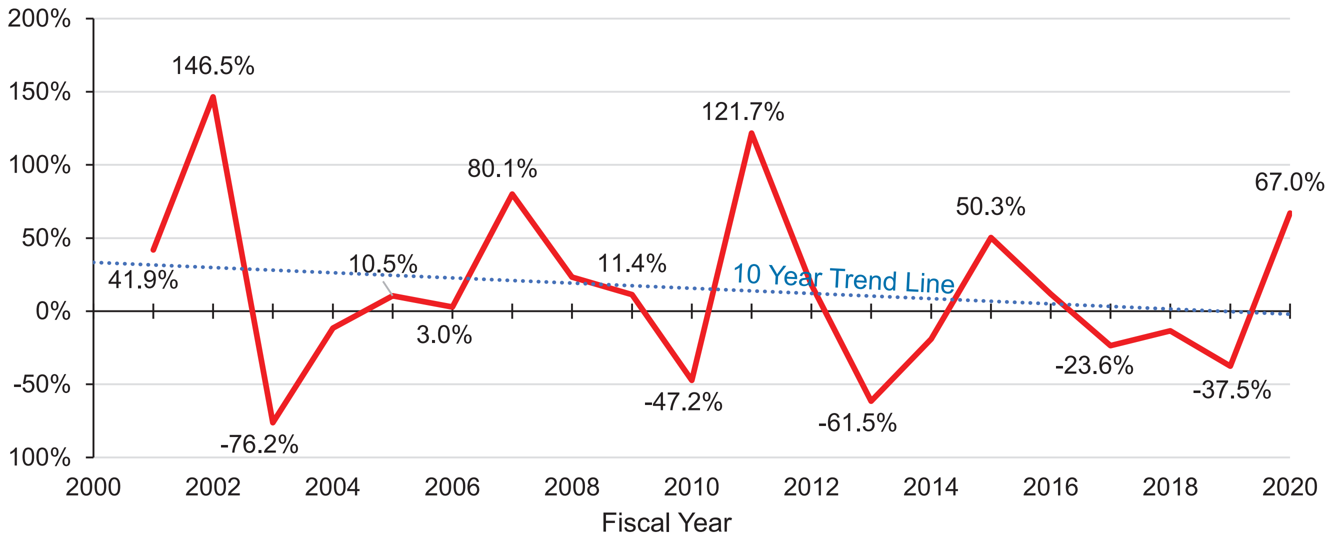
Since the FY 2011 Supplemental Budget Support Act, surpluses in this Fund are restricted to paying off baseball revenue bonds only, putting the District on track to pay off those revenue bonds before their maturity date of 2035.

Update: Subtitle (VII)(C) of the FY 2021 Budget Support Act of 2020 amended the previous law's restriction of this Fund's revenue dedication to allow its surpluses to transfer to the General Fund for fiscal years 2020, 2021, and 2022.

Estate Tax

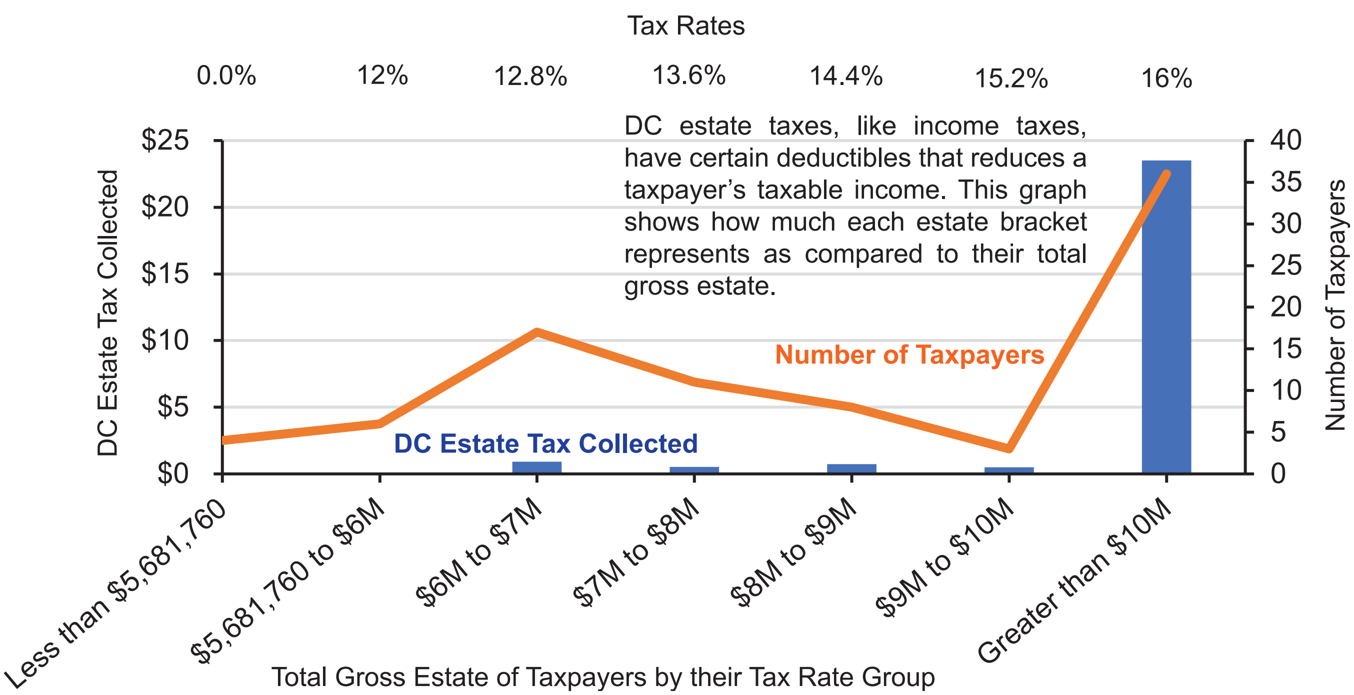
The District levies a tax on the estate, e.g. bank accounts, certificates of deposit, notes, securities and bonds, tangible personal property, and real property, of every resident shortly after the time of their death. The District also imposes an estate tax on every nonresident who owned taxable property in the District at the time of their death. Rates for the estate tax range from 12 to 16 percent in FY 2019 on gross taxable estates over the initial $5,681,760 exclusion. Because deaths of high wealth residents vary year to year the estate tax is one of the most volatile taxes the District levies.

Year-Over-Year Percent Change in Estate Tax Revenue



How Much Estate Tax Revenue is Collected By Amount and Rate?

In Millions, FY 2019



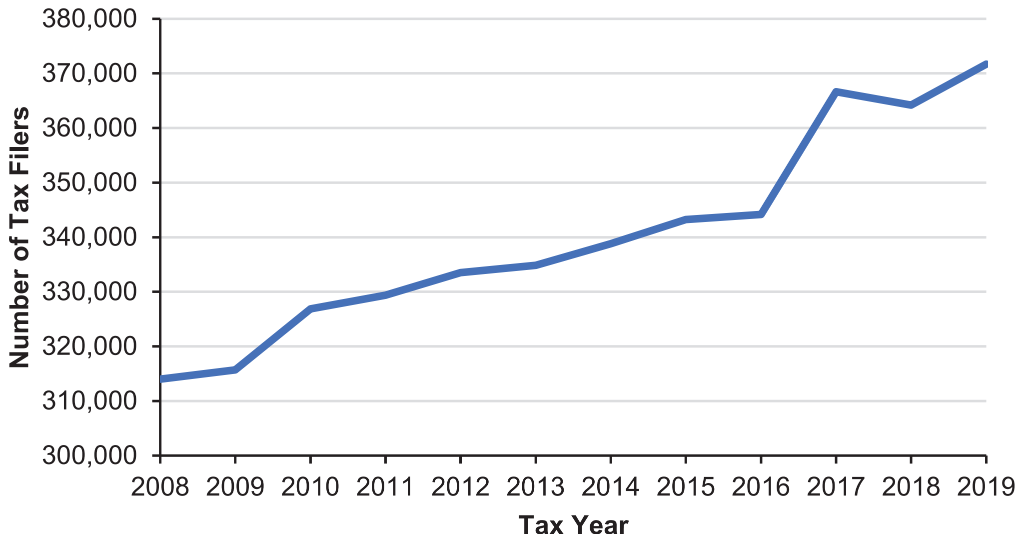
Chapter

5

Demographic Information

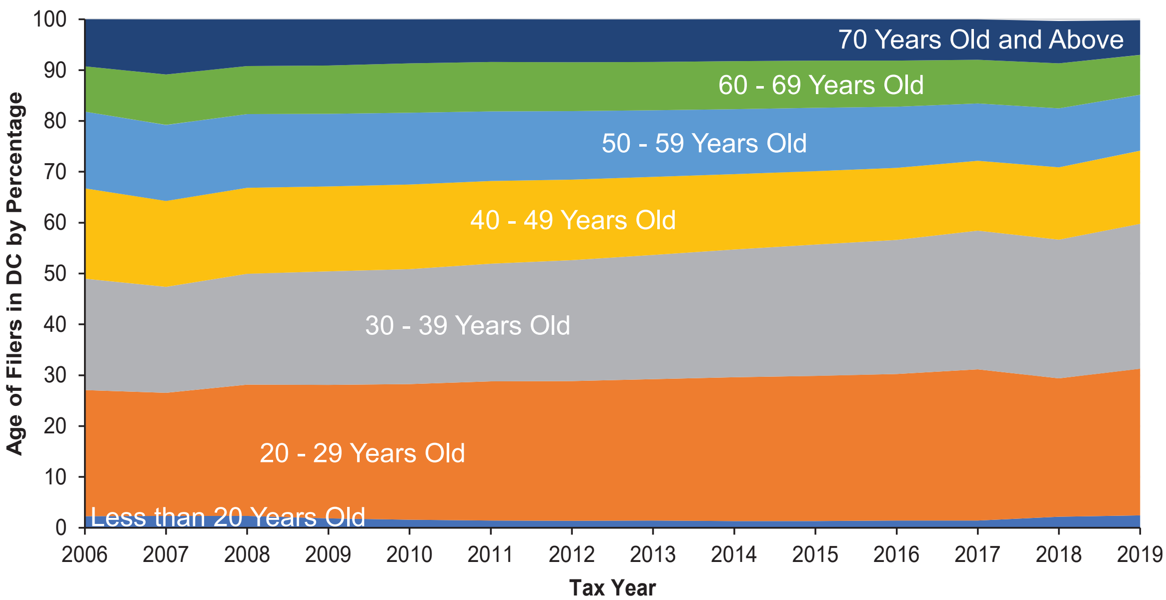
Demographic Information from Individual Income Tax Data

Population of Tax Filers in DC from 2008 to 2019



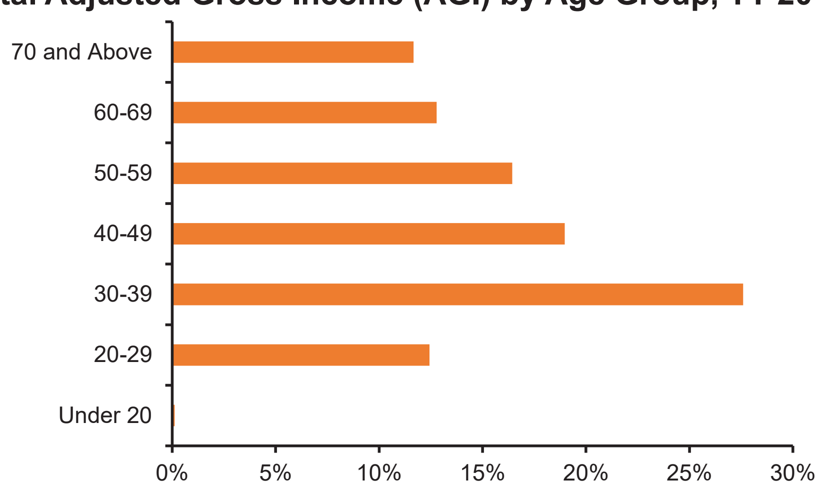
The population of tax paying residents increased steadily from 2008 to 2017.

Age of Tax Filers in DC from 2006 to 2019



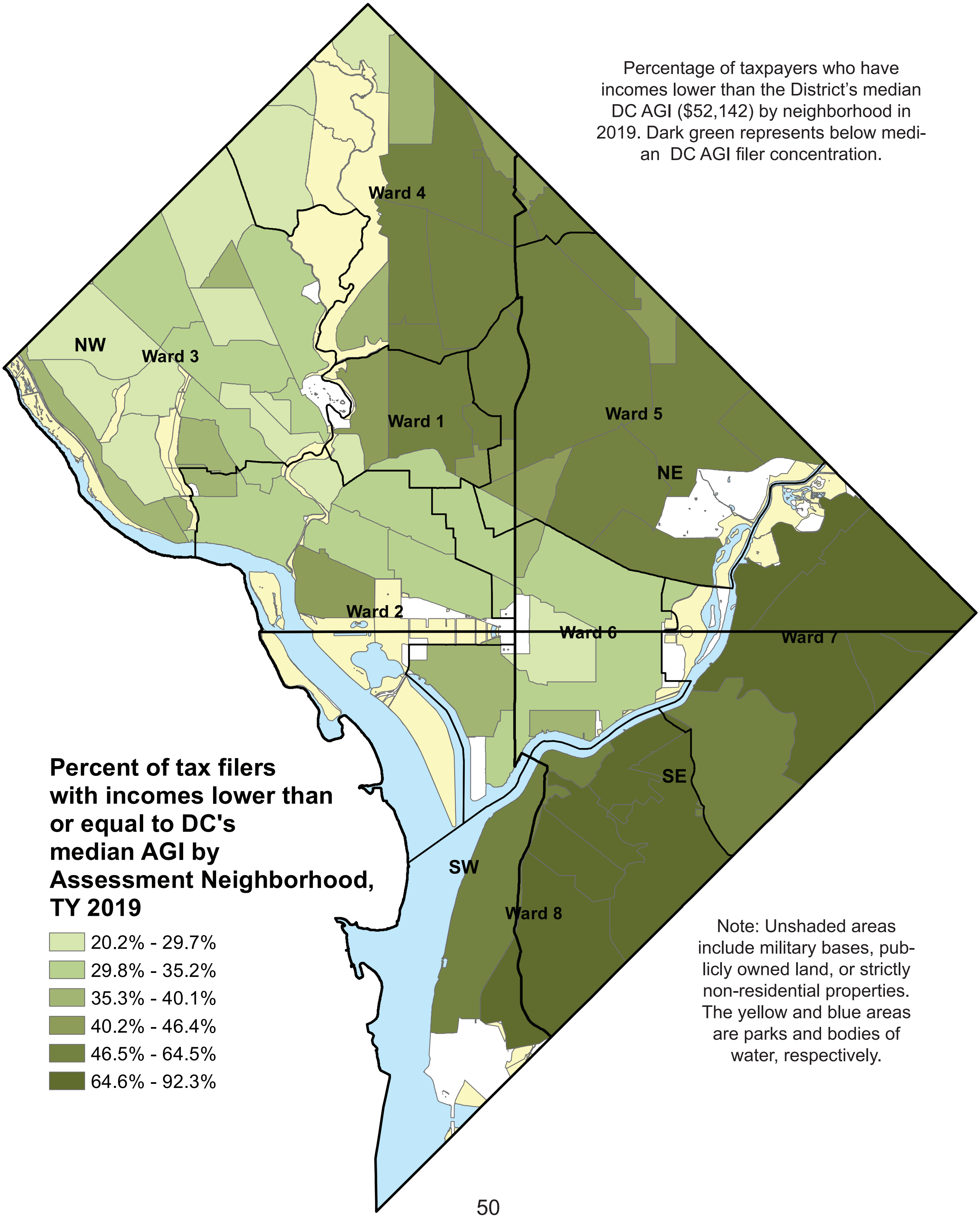
20 to 39 year olds make up more than 50% of tax paying residents since 2011.

Total Adjusted Gross Income (AGI) by Age Group, TY 2019



District residents between the ages of 30 and 49 years old earn 46.6% of the total AGI in the District.

Lower Incomes Concentrated in the SE and NE Quadrants



Percentage of taxpayers who have incomes lower than the District's median DC AGI ($52,142) by neighborhood in 2019. Dark green represents below median DC AGI filer concentration.

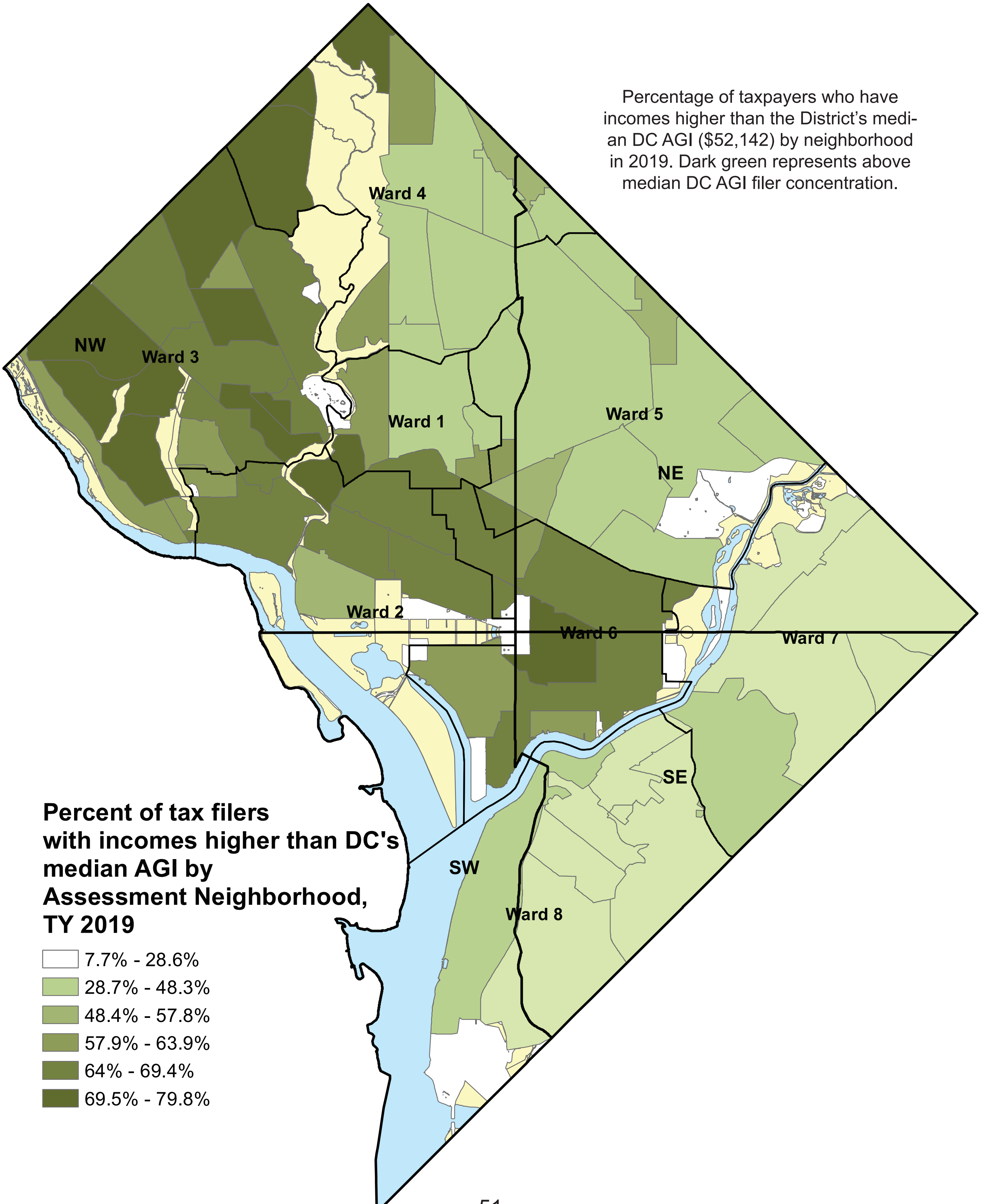
Percent of tax filers with incomes lower than or equal to DC's median AGI by Assessment Neighborhood, TY 2019

- 20.2% - 29.7%
- 29.8% - 35.2%
- 35.3% - 40.1%
- 40.2% - 46.4%
- 46.5% - 64.5%
- 64.6% - 92.3%

Note: Unshaded areas include military bases, publicly owned land, or strictly non-residential properties. The yellow and blue areas are parks and bodies of water, respectively.

Higher Incomes Concentrated in the NW Quadrant

Percentage of taxpayers who have incomes higher than the District's median DC AGI ($52,142) by neighborhood in 2019. Dark green represents above median DC AGI filer concentration.



Data Sources

Overview of DC Local Revenues:

Office of Revenue Analysis (ORA) analysis of data from the FY 2021 Annual Comprehensive Financial Report (ACFR). Real GDP data comes from the U.S. Bureau of Economic Analysis.

Income Taxes:

ORA analysis of data from the Office of Tax and Revenue (OTR) or the FY 2021 ACFR. For more information on income taxes and rate changes please visit cfo.dc.gov/node/230872 for the latest Tax Facts Report. For more information on income credits and deductions please visit cfo.dc.gov/page/studies for the latest tax expenditure report.

Property Taxes:

ORA analysis of data from OTR or the FY 2021 ACFR. For more information on property taxes and rate changes please visit cfo.dc.gov/node/230872 for the latest Tax Facts Report.

Sales, Use, and Excise Taxes:

ORA analysis of data from, unless stated on the page, OTR, the FY 2023 Proposed Budget Book Executive Summary Revenue Chapter Table 3-6, or the FY 2021 ACFR. For more information on sales or excise taxes and rate changes please visit cfo.dc.gov/node/230872 for the latest Tax Facts Report. For more information on sales tax exemptions please visit cfo.dc.gov/page/studies for the latest Tax Expenditure Report.

Gross Receipts and Other Taxes:

ORA analysis of data coming from, unless stated on the page, OTR or the FY 2021 ACFR. For more information on gross receipts and other taxes and rate changes please visit cfo.dc.gov/node/230872 for the latest Tax Facts Report.

Demographic Information:

ORA analysis of data coming from, unless stated on the page, OTR or the FY 2021 ACFR.

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Events DC	Henry Mosley, Agency Chief Financial Officer
Government Operations	Angelique Hayes Rice, Associate Chief Financial Officer
Government Services	George Dines, Associate Chief Financial Officer
Human Support Services	Delicia Moore, Associate Chief Financial Officer
Not-for-Profit Hospital Corporation	Lillian Chukwuma, Agency Chief Financial Officer
Primary and Secondary Education	Deloras Shepherd, Associate Chief Financial Officer
Public Safety and Justice	David Garner, Associate Chief Financial Officer

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