

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

***Washington D.C.'s Tax System***

*A Visual Guide*



**2019**

Muriel Bowser  
Mayor

Phil Mendelson, Chairman  
Council of the District of Columbia

Jeffrey DeWitt  
Chief Financial Officer

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# Acknowledgments

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This report was prepared by Kevin Hundelt and Charlotte Otabor, with assistance from Betty Alleyne, Lori Metcalf, Peter Johansson, Norton Francis, Sharain Ward, Farhad Niami, Brian Kirrane, Seble Tibebe, Nate Cruz, Bob Zuraski, and Daniel Muhammad.

This report was modeled after a similar report from the State of California's Legislative Analyst's Office on visualizing state tax revenues.

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# Introduction

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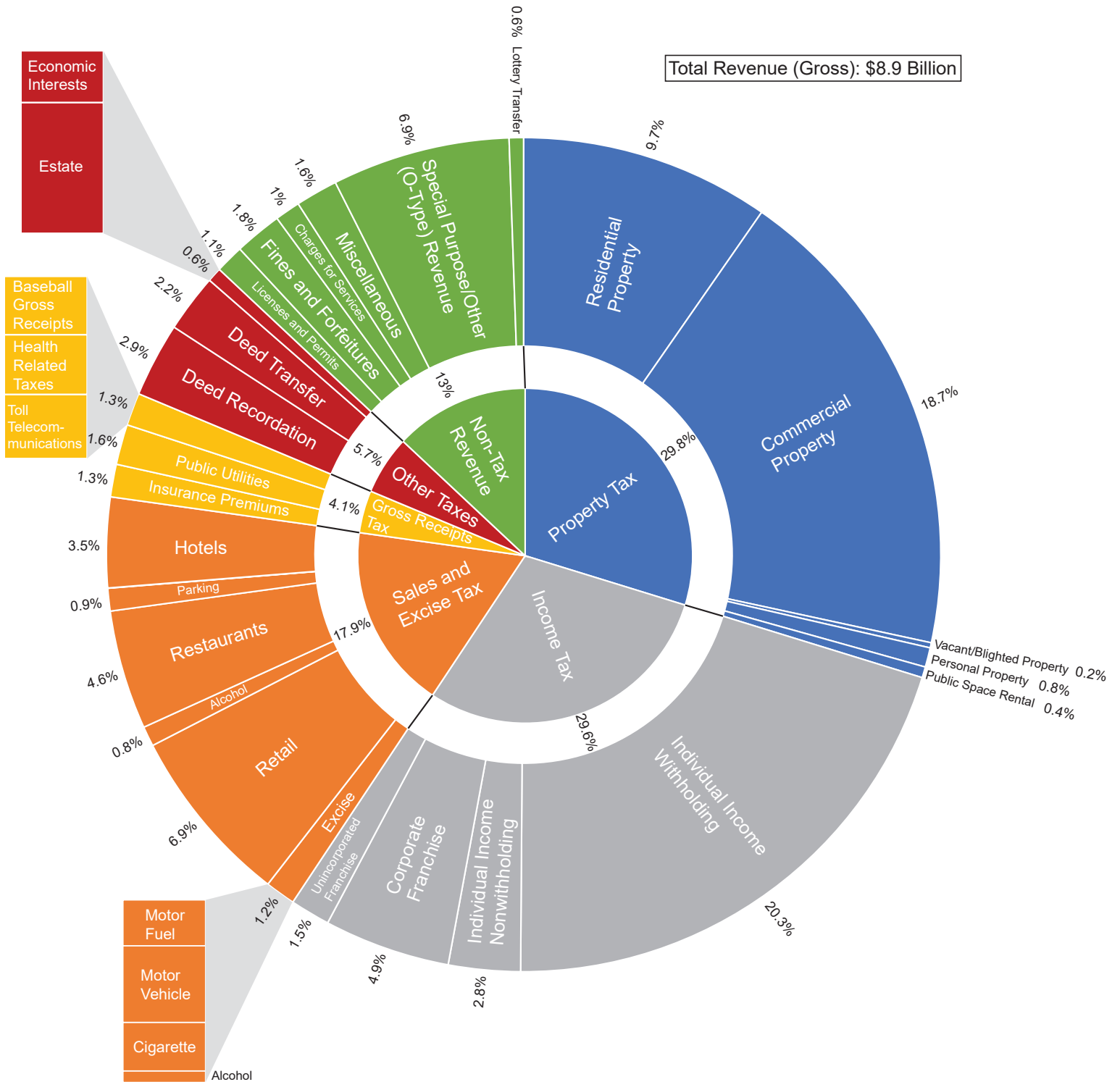
The District of Columbia's government relies on three main taxes. The individual income tax is the District's main revenue source at 23.1 percent. The property tax, specifically taxes on commercial properties, is the second largest source with 18.7 percent. And the District's sales, use, and excise tax is the third with 17.9 percent. In addition, there are many smaller taxes that raise revenue for the operation of the District. In fiscal year 2018, the District raised a total of \$8.9 billion in taxes--equal to over 6 percent of the District's economy.

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 at a business 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 2018



# Chapter

# 1

## Income Taxes

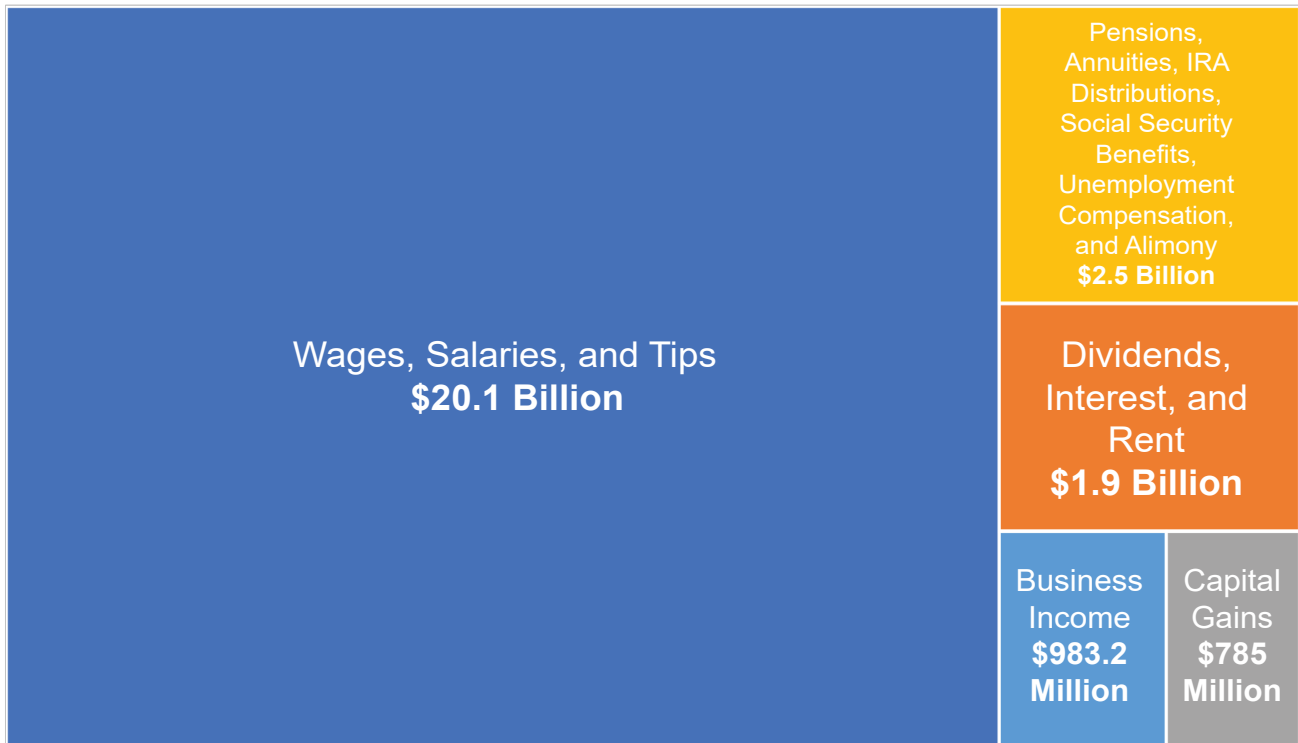
# Income Tax

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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. In recent years, the income tax has been exceeded by the property tax in terms of revenue generated in the District's tax system. Like the calendar year, the tax year for income taxes starts on January 1st and ends on December 31st. Tax Year 2016 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

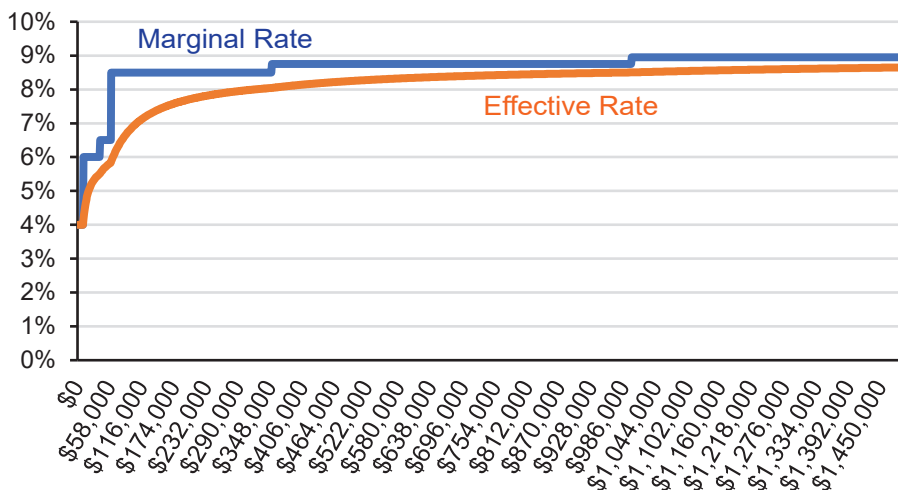
Tax Year (TY) 2016



## How Do Individual Income Tax Rates Work?

Marginal and Effective Tax Rates, TY 2016

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.



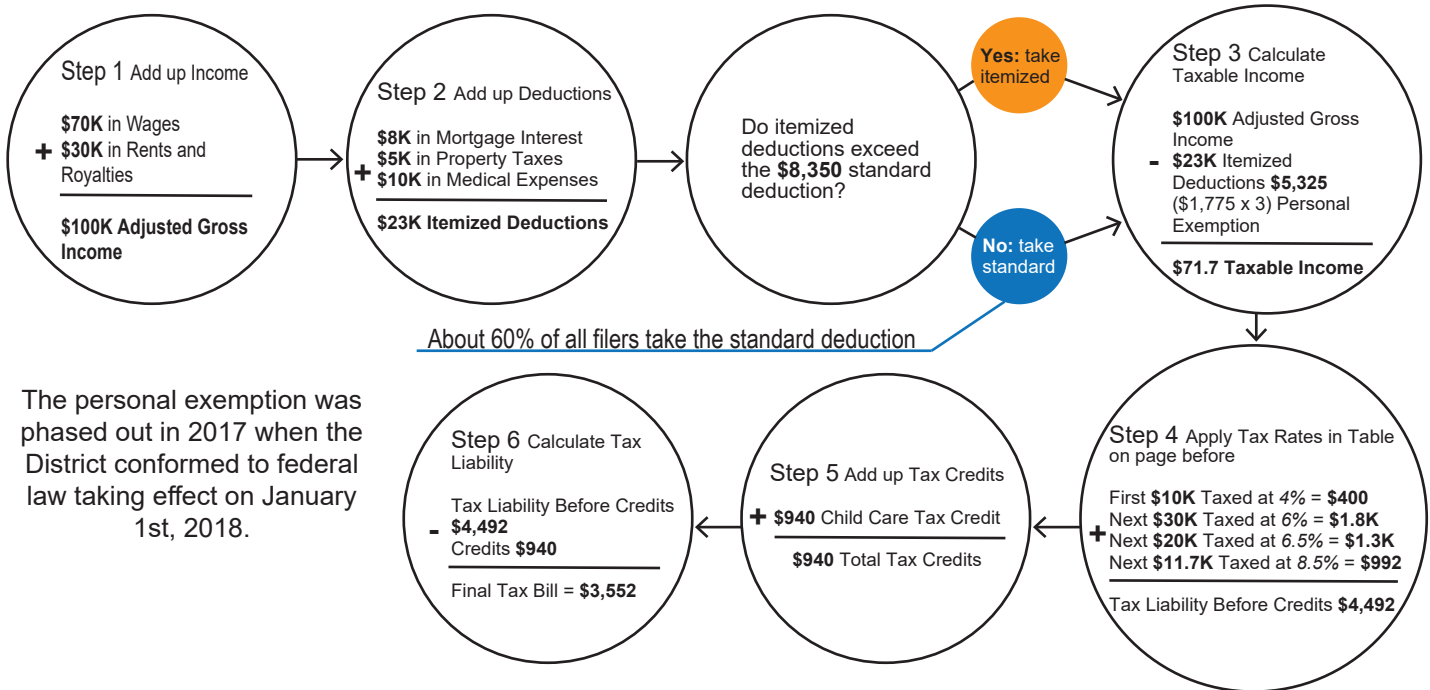
From January 1, 2015 to Present:

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



# Calculating The Individual Income Tax Bill

Married Couple With One Dependent Filing Jointly, TY 2016

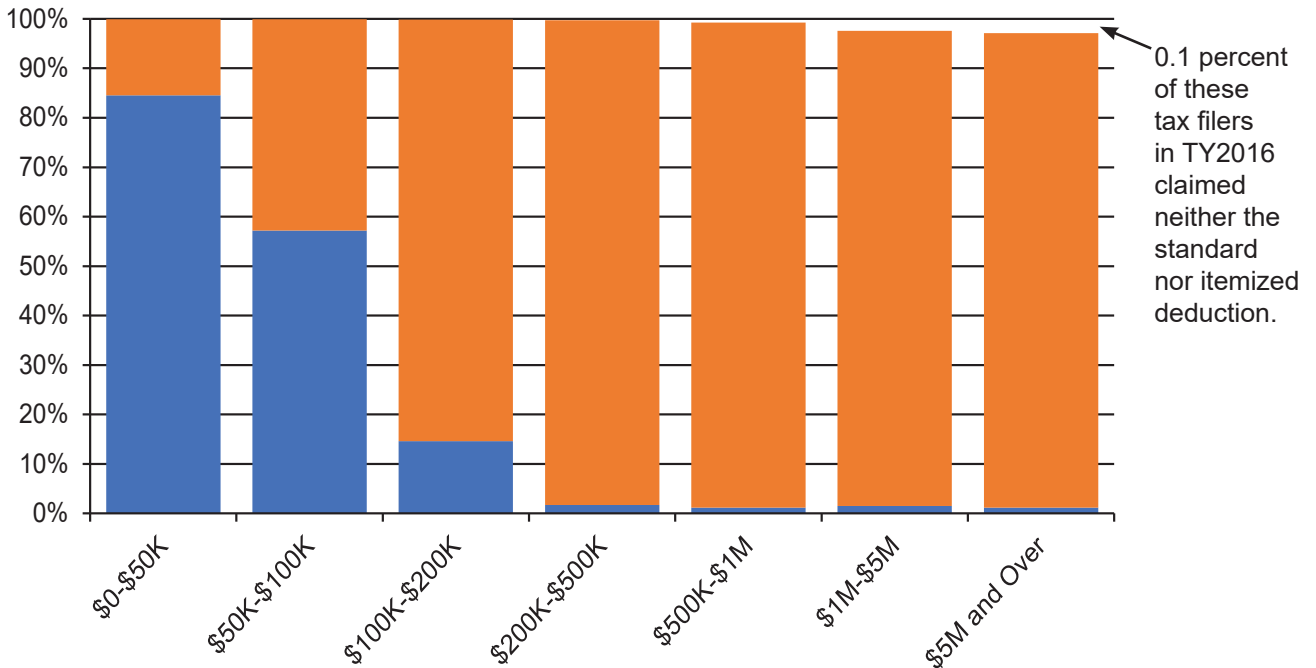


The personal exemption was phased out in 2017 when the District conformed to federal law taking effect on January 1st, 2018.

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

TY 2016

■ Standard ■ Itemized

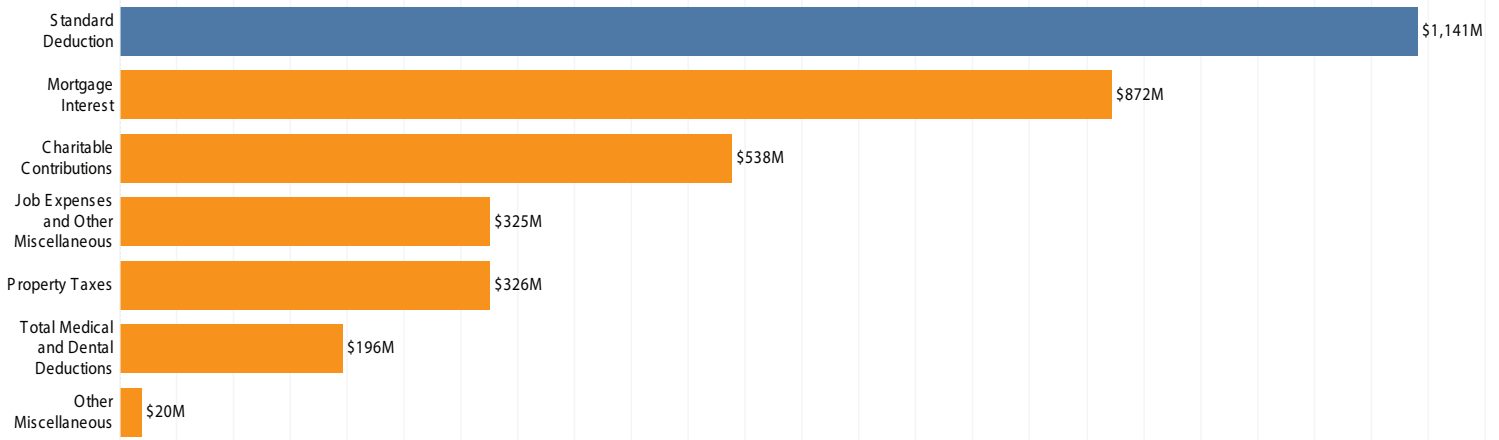


Note: The standard deduction amount was much lower in TY 2016 but by TY 2018 that amount was raised after D.C. conformed to the federal government's standard deduction in 2017.

# Breakdown of Deductions

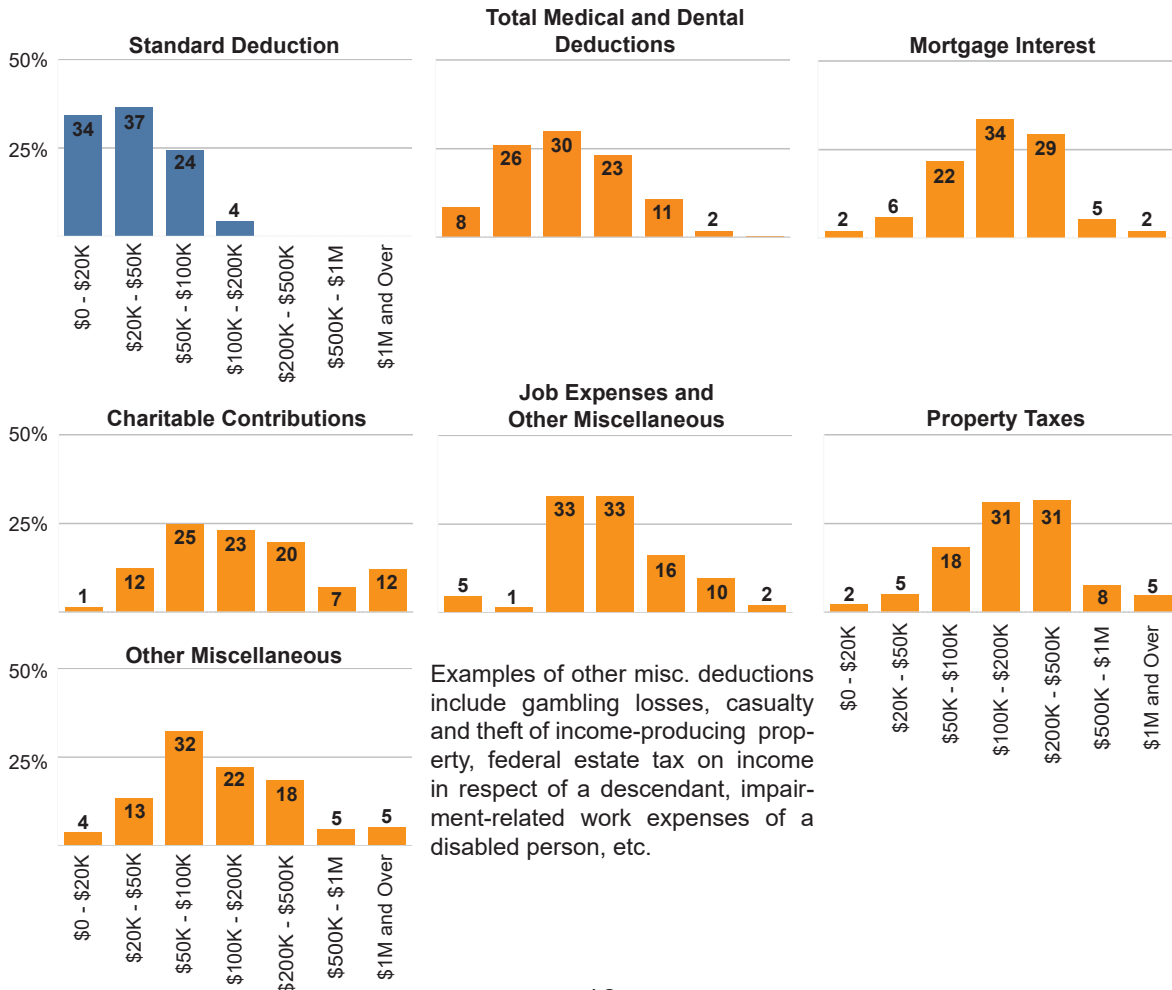
In Millions, TY 2016

Individual income tax (IIT) deductions reduce taxpayers' incomes. In total, deductions reduced taxable income by about \$4 billion in Tax Year 2016. The 40 percent of filers who took the itemized deductions made up about 75.4 percent of the total federal adjusted gross income made in the District. The chart below shows how much filers to deducted from their tax liability in 2016.



## Who Uses Deductions?

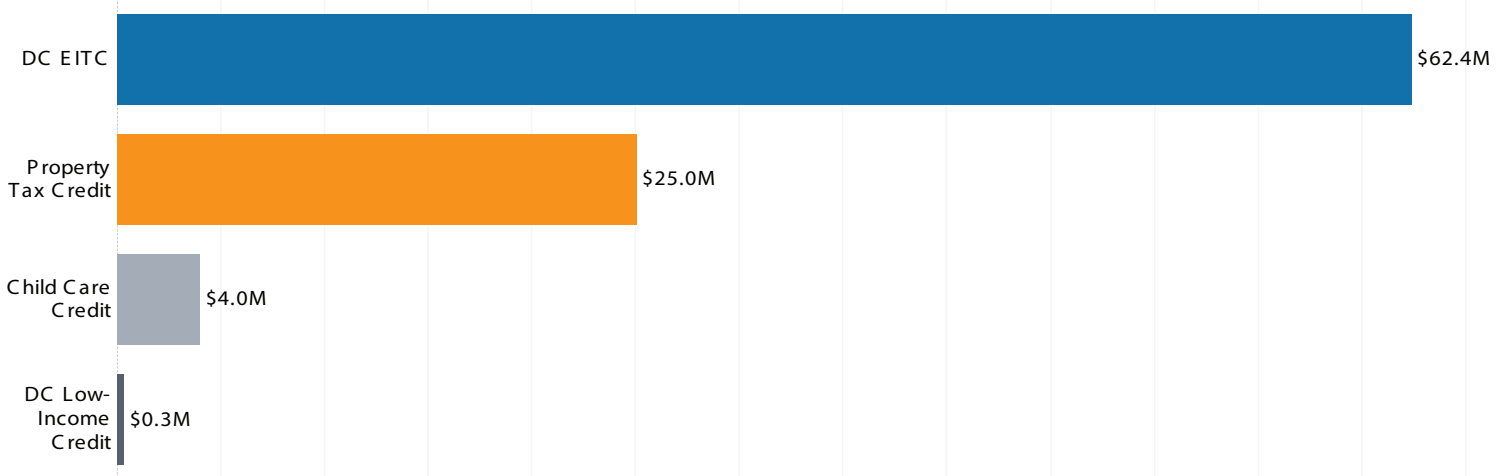
Share of Deduction Value by Income Group, TY 2016



# Breakdown of Refundable Credits

In Millions, TY 2016

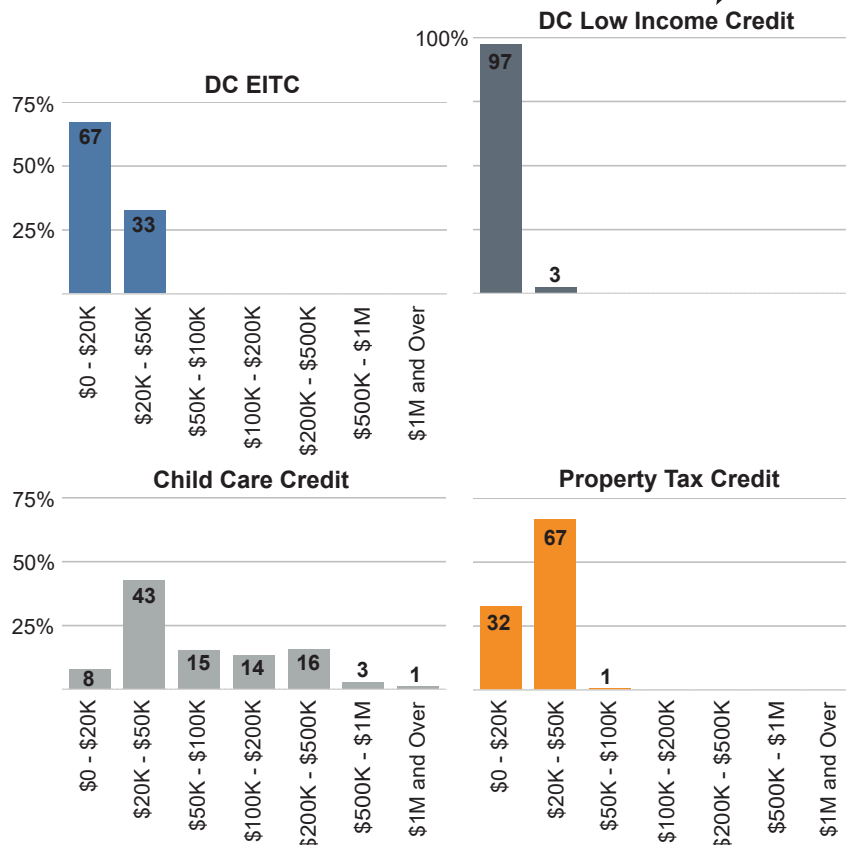
IIT credits reduce tax liabilities dollar for dollar, resulting in a dollar-for-dollar reduction in District revenue. With the exception of the Earned Income Tax Credit (EITC), Property Tax Credit, or Child Care Credit, credits cannot reduce a taxpayer's liability below zero.



## Who Uses These Credits?

Share of Credit Value by Income Group, TY 2016

The District phased out this credit in January 2018.

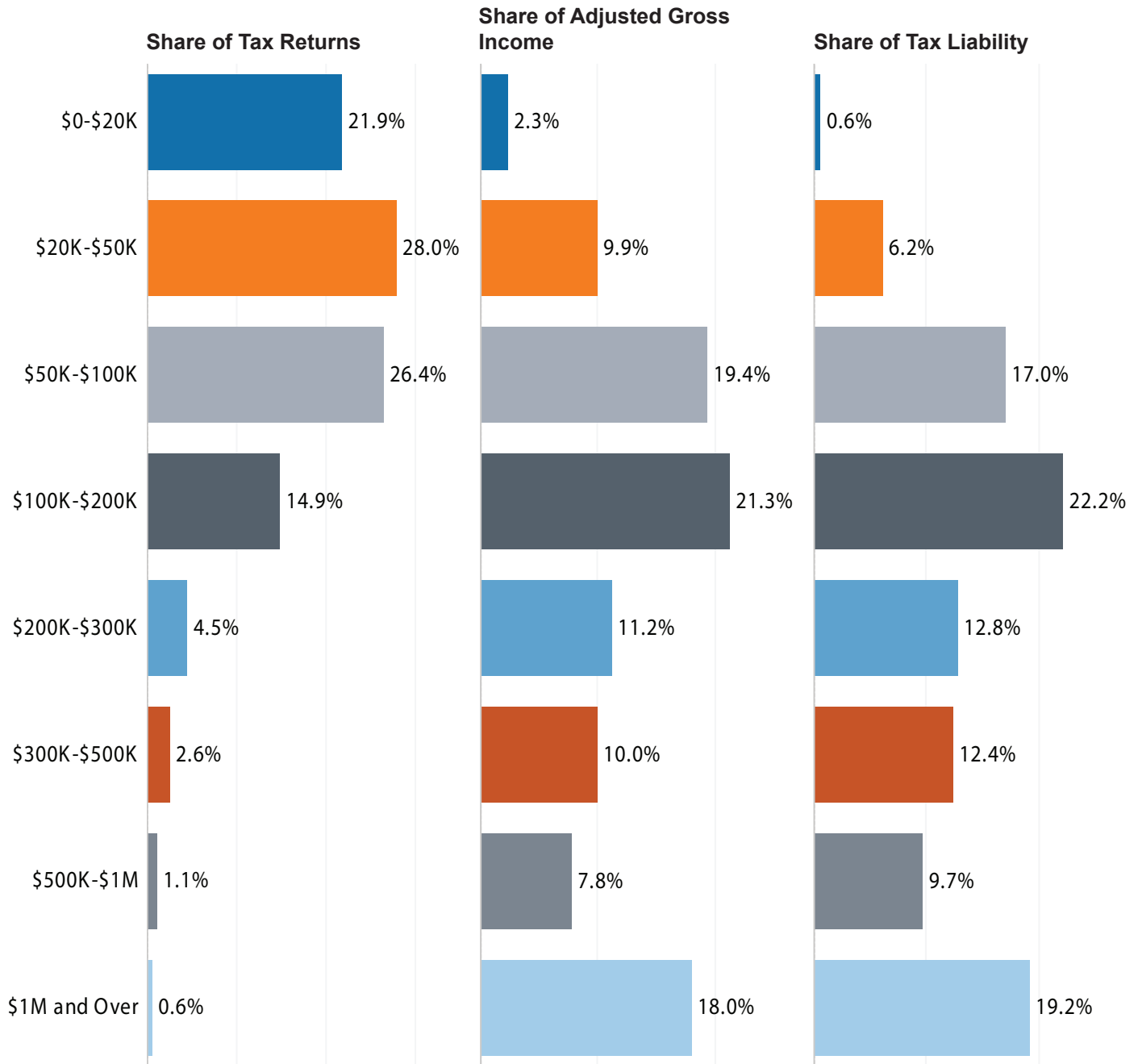


Note: The District also provides non-refundable credits, such as the Alternative Fuel Credit, to taxpayers but the sums are too small to include in this analysis due to their minimal usage.

# IIT Liability Concentrated Among Earners Over \$100K

Tax Statistics by Income Group, TY 2016

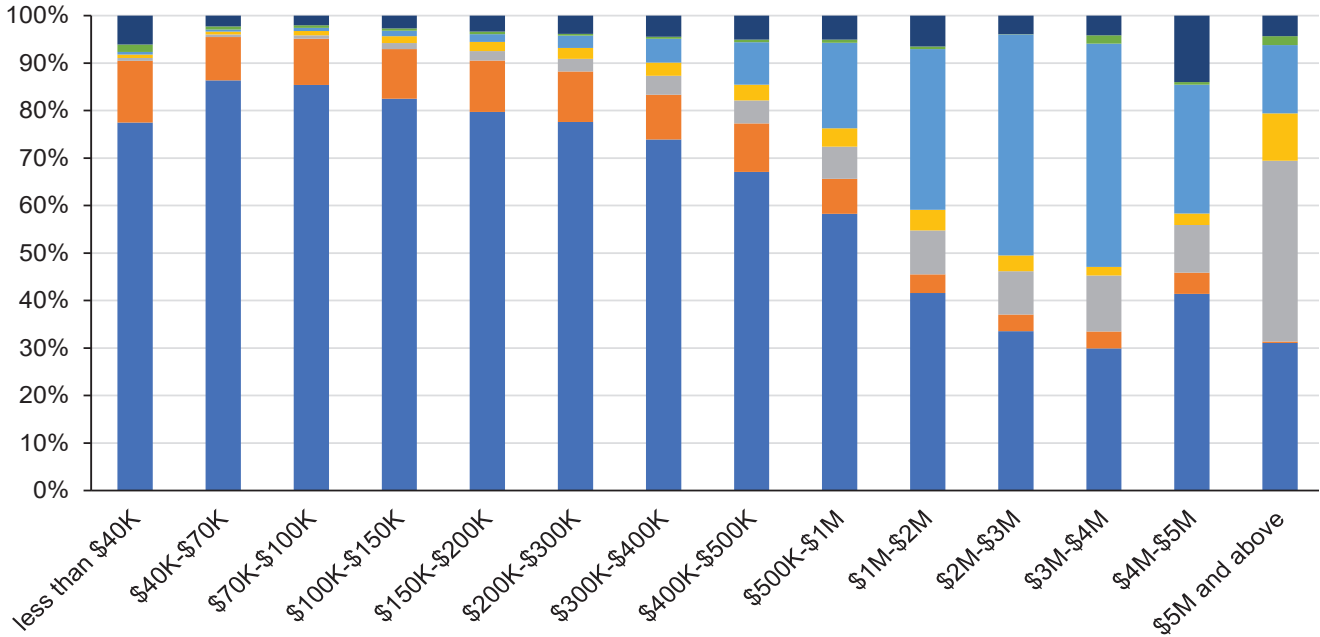
The District's individual income tax is progressive meaning the more income you earn the higher your tax rate. Income also determines eligibility for credits which reduce tax liability, sometimes resulting in a refund.



# Income Composition Different For Low- And High-Income Taxpayers

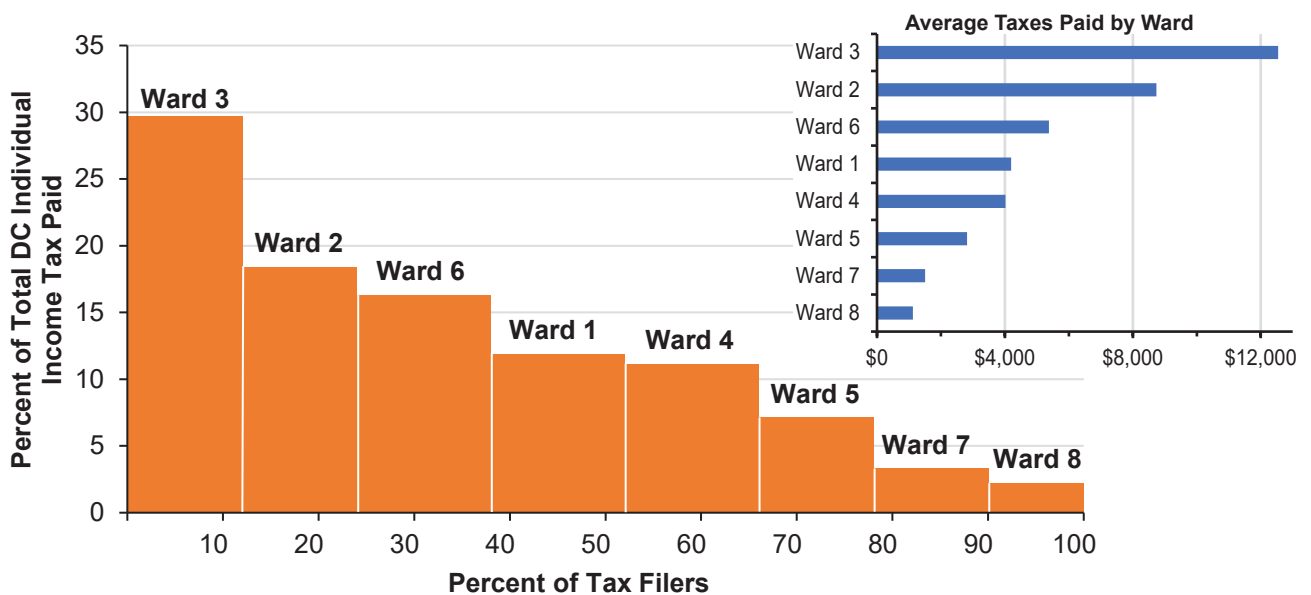
TY 2016

The graphic below shows how taxpayers in different income groups derive their income. Some types of income, including **wages and salaries** 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 green which includes alimony and workers compensation.)



# Distribution of IIT Paid by Ward

TY 2016



## Corporate and Unincorporated Franchise Taxes

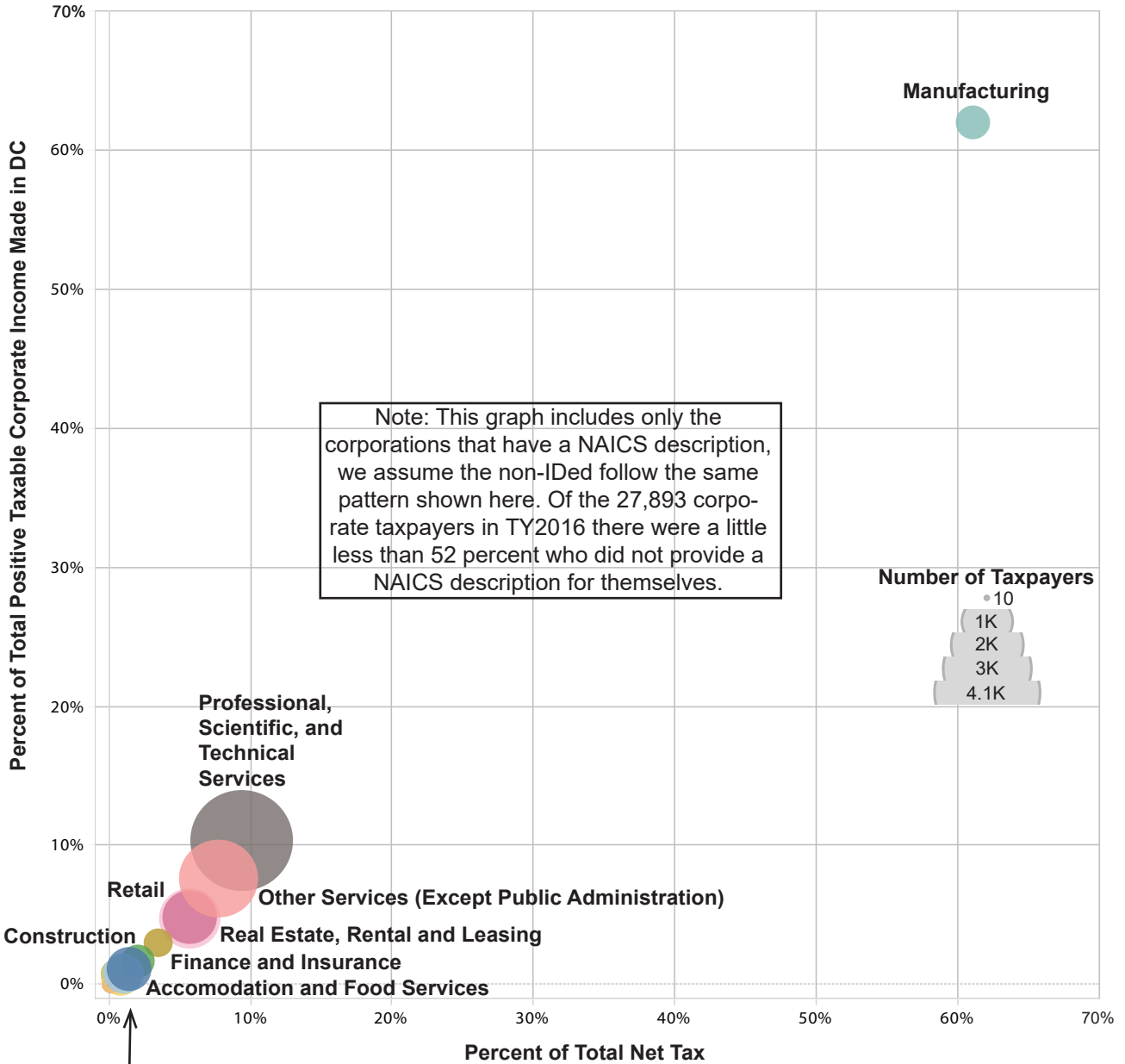
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D.C. law specifies which types of income are subject to the income tax. The District has chosen to tax a business' or corporation's profit, which is its revenue minus expenses, from income earned in the District. In order to engage in or conduct a trade, business or profession in the District, one must register with the Department of Consumer and Regulatory Affairs or face recurring fines. The District, like most other states, has chosen to tax a relatively volatile type of income due to its reliance on companies whose profits may fluctuate from one year to the next. Another reason for the volatility of this tax are the nonrefundable credits available to corporations and businesses that lower their net tax such as the qualified high tech company credit, the organ and bone marrow donor credit, the job growth incentive act credit, the alternative fuel infrastructure installation credit, the alternative fuel vehicle conversion credit, or the employer-assisted home purchase tax credit. The wide range of deductions and credits available to companies allow them to engage in tax planning to minimize their tax liabilities to the District. Year to year swings in tax liability to the District occurs because the opportunities for use of these credits vary from year to year.

# Which Industry Pays More Corporate Franchise Tax?

TY 2016

The District levies a tax on the net corporate income earned in the District. For most corporations, the tax rate was 9.2 percent in Tax Year 2016 but for Qualified High Technology Companies their tax rate remained at 6 percent after a 5 year exemption.



A relatively large number of corporations in multiple industries had no net income or a net loss.

# Which Industry Pays More Unincorporated Franchise Tax?

TY 2016

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 of those unincorporated businesses earned in the District. For most unincorporated businesses in Tax Year 2016, the tax rate was 9.2 percent.



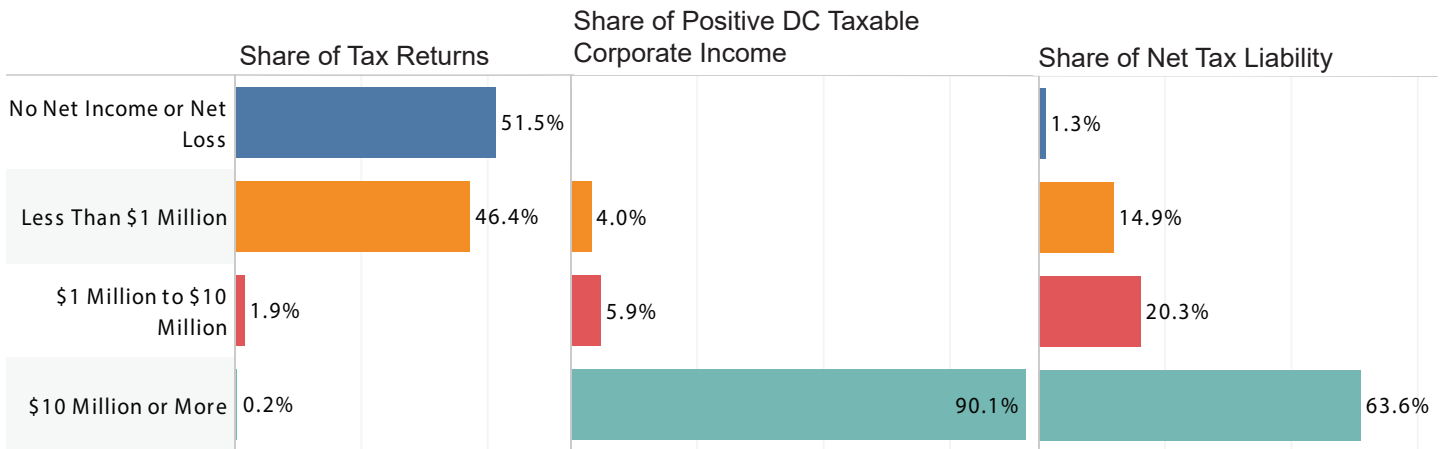
A relatively large number of unincorporated businesses in multiple industries had no net income or a net loss.



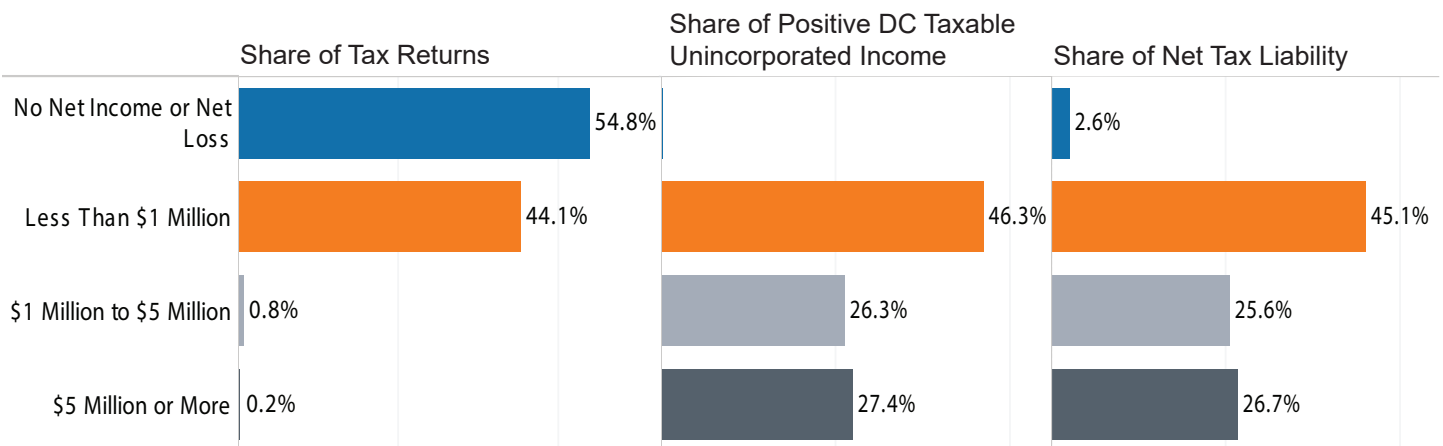
# 0.2 Percent of Returns Account for 63.6 Percent of Tax Liability for All Corporations in the District

## Tax Statistics by Income Group, TY 2016

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 Percent of Returns Account for 52.3 Percent of Tax Liability for All Unincorporated Businesses



# Chapter

# 2

## Property Taxes

# Property Tax

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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 transferred 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, D.C. 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 2018, property tax revenue for the District was about \$2.6 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 D.C. Government has enacted multiple tax relief programs such as the homestead deduction, annual homestead assessment cap, interest free property tax deferral, or historic building tax credits to assist elderly and disabled District residents age in place and homeowners curb rising taxes. The D.C. Council and Mayor have also passed other tax relief programs for low income residents such as the Long-term Homeowners tax credit, First Time Home-buyers Lower Income Home Ownership tax abatement, or the "circuit-breaker" tax credit to help them manage rising assessments and taxes.

Fiscal Years 2019, 2017, and 2016 are used to describe the property tax chapter as it represents our latest data for the property, public space rental, and personal property taxes, respectively.

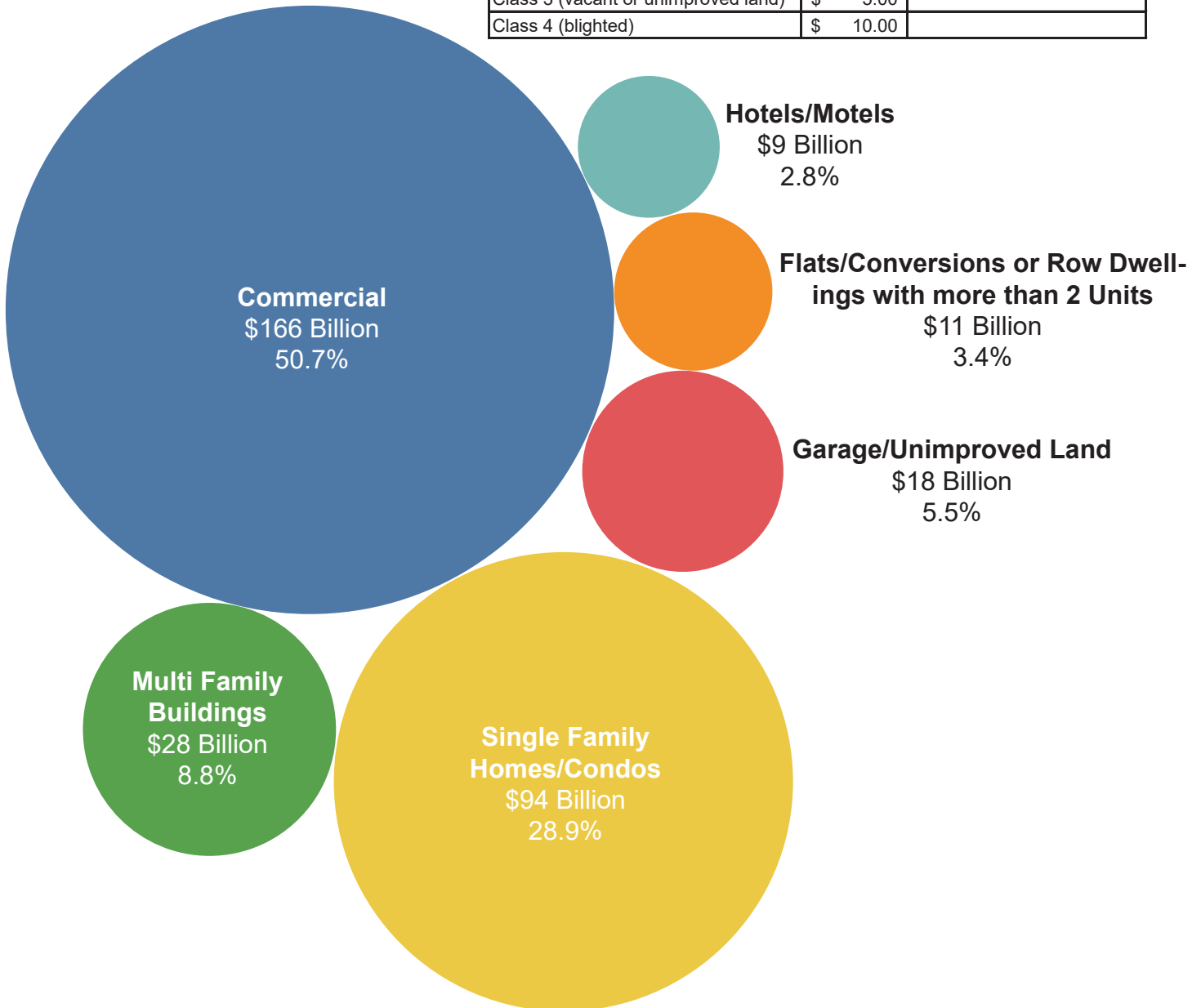
# Which Types of Properties are Taxable?

January 2019

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 \$326 billion as of January 2019.

Current Rates as of FY2019

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 2019 is October 1, 2018 thru September 30, 2019 Class 001

Square	Suffix	Lot	Property Address	Mrtg. No.	Assessment	Tax Rate/\$100	Annual Tax
1128	N	804	1116 6th St NW		\$788,220	0.85	\$6,699.86
Description			Tax	Penalty	Interest	Payment	Total
2019 First Half			\$3349.93				\$3349.93
2019 Second Half			\$3349.93				\$3349.93
<b>Total</b>							<b>\$6,699.86</b>

## Additional Information

## Taxpayer's Record

- 15% of your Tax Year 2019 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 \$73,350. Senior citizens and persons with disabilities get an additional relief on their Class 1 owner-occupied residence by capping their annual assessment increase at 5% instead of 10%, if they meet the income requirement.

### Ad Valorem Tax

Taxes whose amount is based on the value of property are known as ad valorem taxes. This rate is usually changed during the budget process by majority vote from the D.C. Council.

### Assessment Market Value

Each year, OTR's assessors determine each property's value, which includes the value of both land and buildings. 2 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 a mass appraisal approach called CAMA. Across the District, the market value for single-family homes increased by an average of 6 percent annually over the past 5 years, but for about 1/5 of these properties the increase is more than 10 percent. For multi-family residential properties, the average annual increase is 6.6 percent, and for commercial properties it is 4.2 percent. 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.

### 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.

## What is the Assessment Cap?

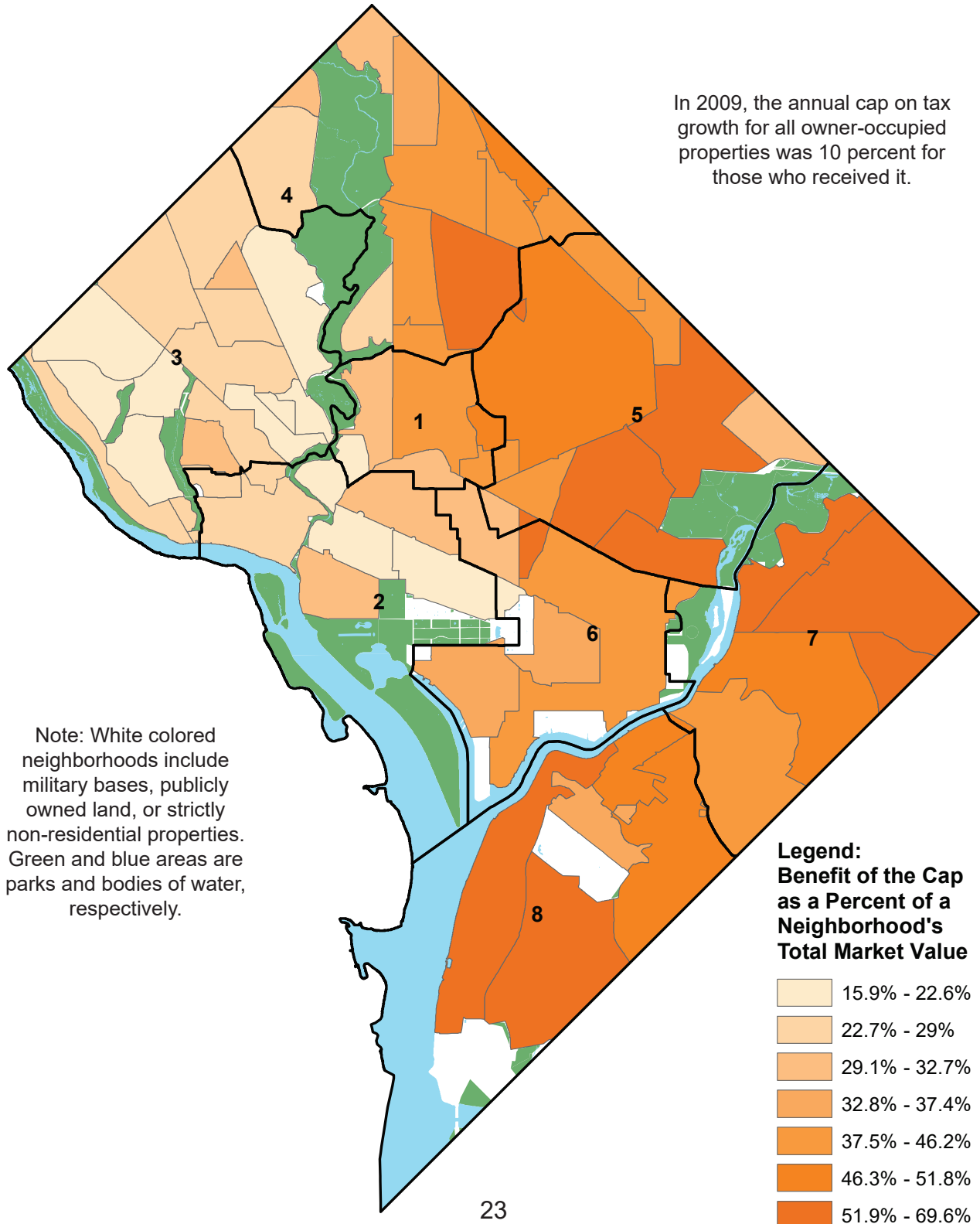
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Rising demand for housing by new residents, restrictive zoning laws, and limited amount of space for buildings have driven housing prices and assessed values upward across all eight wards. In 2002, to combat this inflation in home values and slow the rise of property taxes for many residents who were struggling to keep up, the D.C. Council passed the first assessment cap credit. Essentially, the assessment cap credit is a limit on the annual growth of a residential real property's taxable assessed value. Every year each property is reassessed by OTR and given a dollar value which is the basis of how property owners are taxed. The taxable assessment cap, as it currently stands, limits that growth to 10 percent year-over-year for residential property owners and 5 percent for senior and disabled homeowners.

# How much did the Assessment Cap Reduce Tax Liability in January 2009 for D.C. Homeowners?

The next two maps show how the assessment cap reduces the tax liability for long time residents by capping the increase in owned and lived in property values at a low annual rate. For example, Congress Heights in Ward 8 (the darkest orange assessment neighborhood touching the Maryland border), had among the highest amount of cap benefit (54.4 percent) to their tax burdens. This means the cap lowered the neighborhood's collective owner-occupied properties' taxable value by a difference of 54.4 percent from the neighborhood's actual total market value.

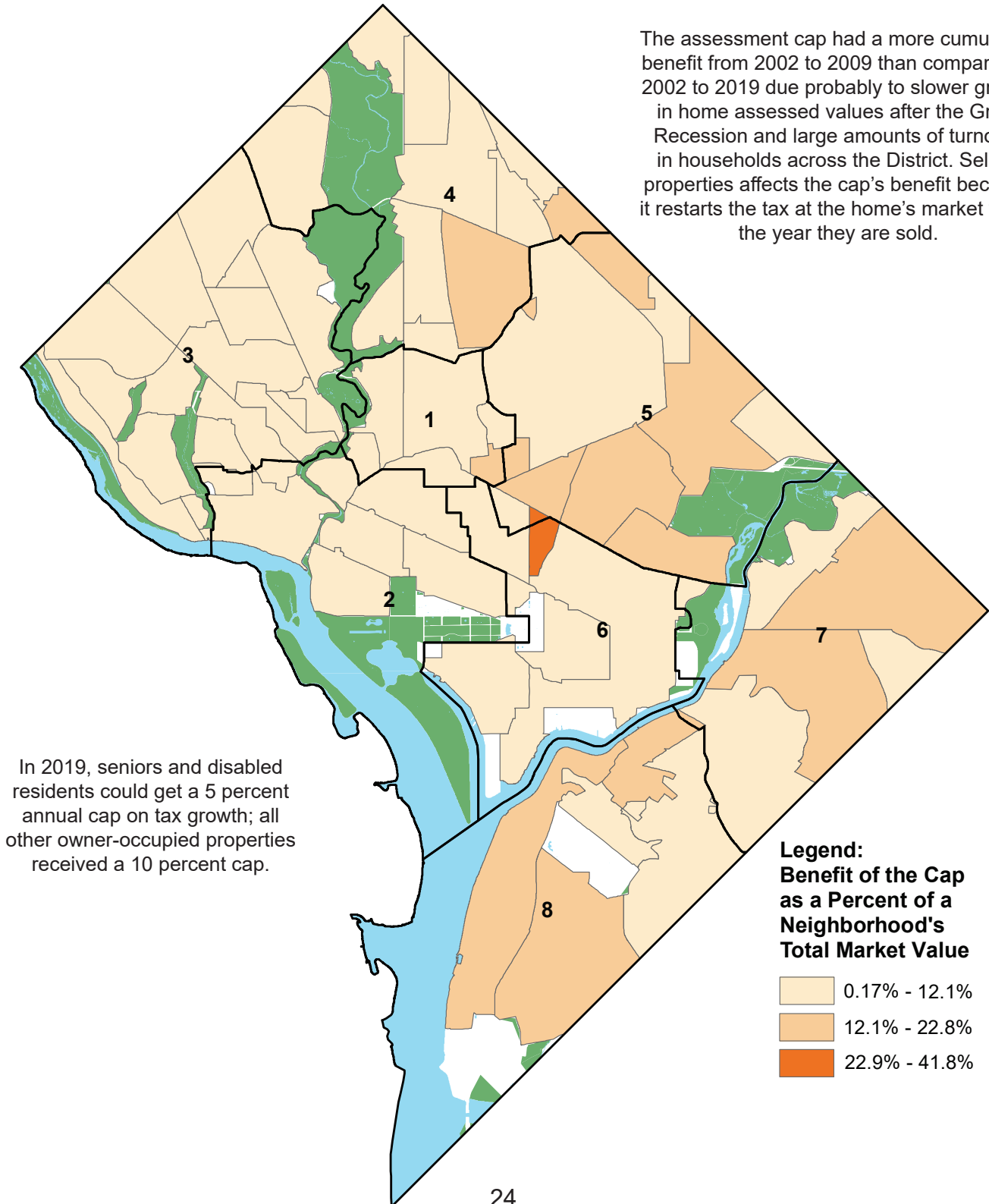
In 2009, the annual cap on tax growth for all owner-occupied properties was 10 percent for those who received it.



# How much did the Assessment Cap Reduce Tax Liability in January 2019 for D.C. Homeowners?

The assessment cap had a smaller impact after 2009. When the highest impact was a 41.8 percent cap in tax burden in only one assessment neighborhood -- R.L.A. NE (the lone orange colored neighborhood which is part NoMa part Truxton Circle, unofficially). This means the cap lowered that neighborhood's collective owner-occupied properties' taxable value by a difference of 41.8 percent from the neighborhood's actual total market value.

The assessment cap had a more cumulative benefit from 2002 to 2009 than compared to 2002 to 2019 due probably to slower growth in home assessed values after the Great Recession and large amounts of turnover in households across the District. Selling properties affects the cap's benefit because it restarts the tax at the home's market value the year they are sold.

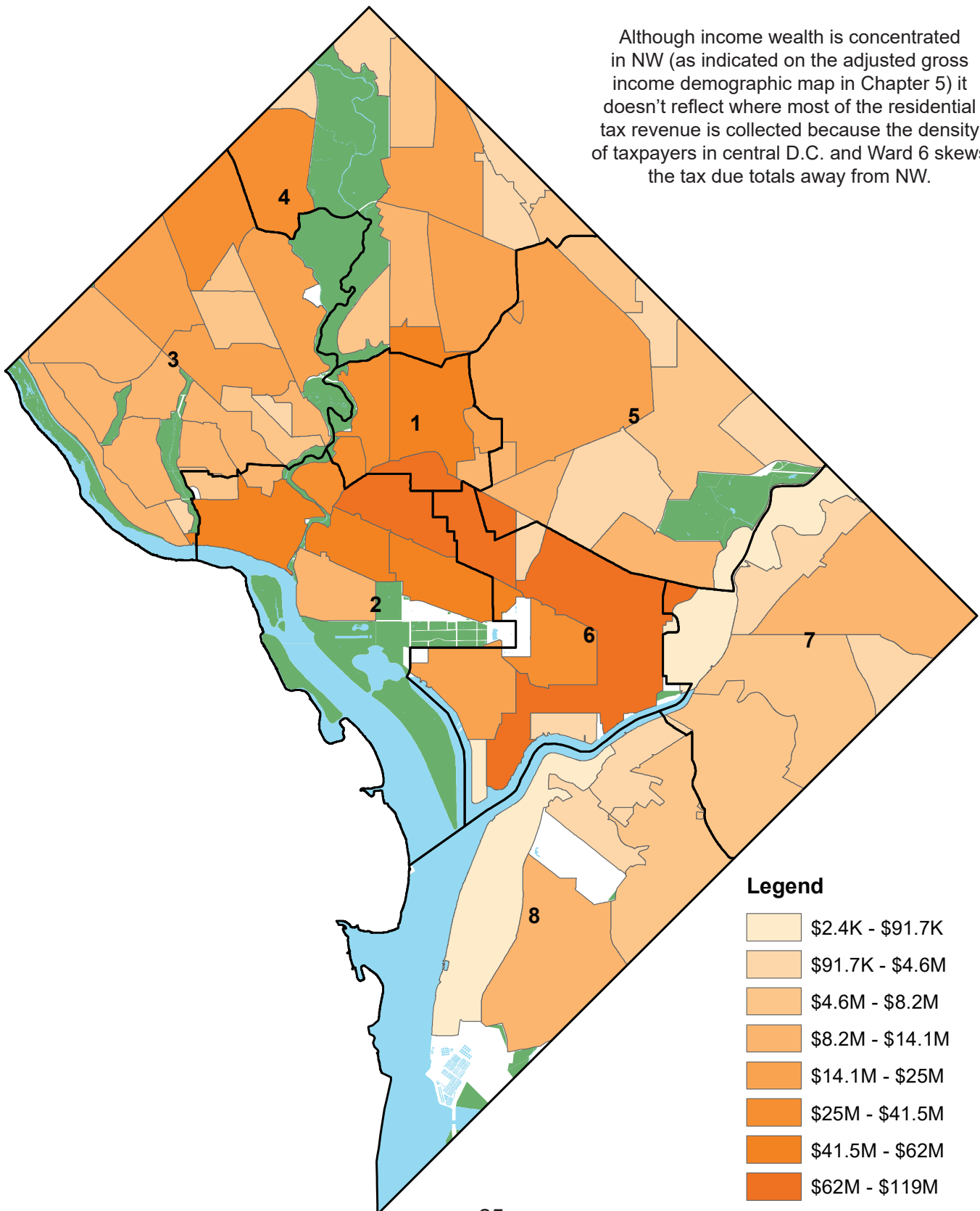




# Tax Revenue Collected from Residential Properties is Concentrated in Central D.C.

Total Dollar Amounts by Assessment Neighborhood, FY 2019

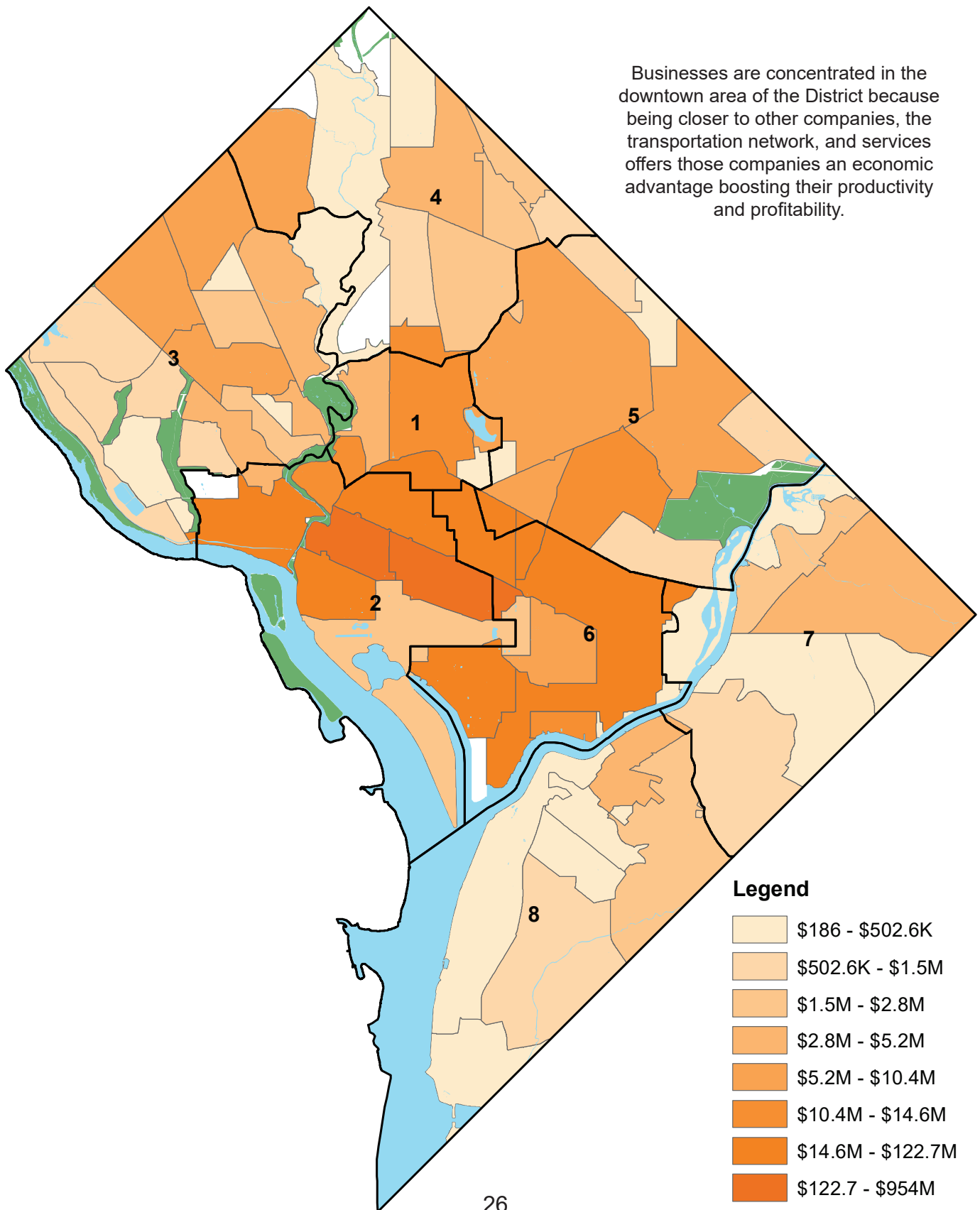
Although income wealth is concentrated in NW (as indicated on the adjusted gross income demographic map in Chapter 5) it doesn't reflect where most of the residential tax revenue is collected because the density of taxpayers in central D.C. and Ward 6 skews the tax due totals away from NW.



# Commercial Property Tax Collections Are Concentrated in Central D.C. As Well

Total Dollar Amounts by Assessment Neighborhood, FY 2019

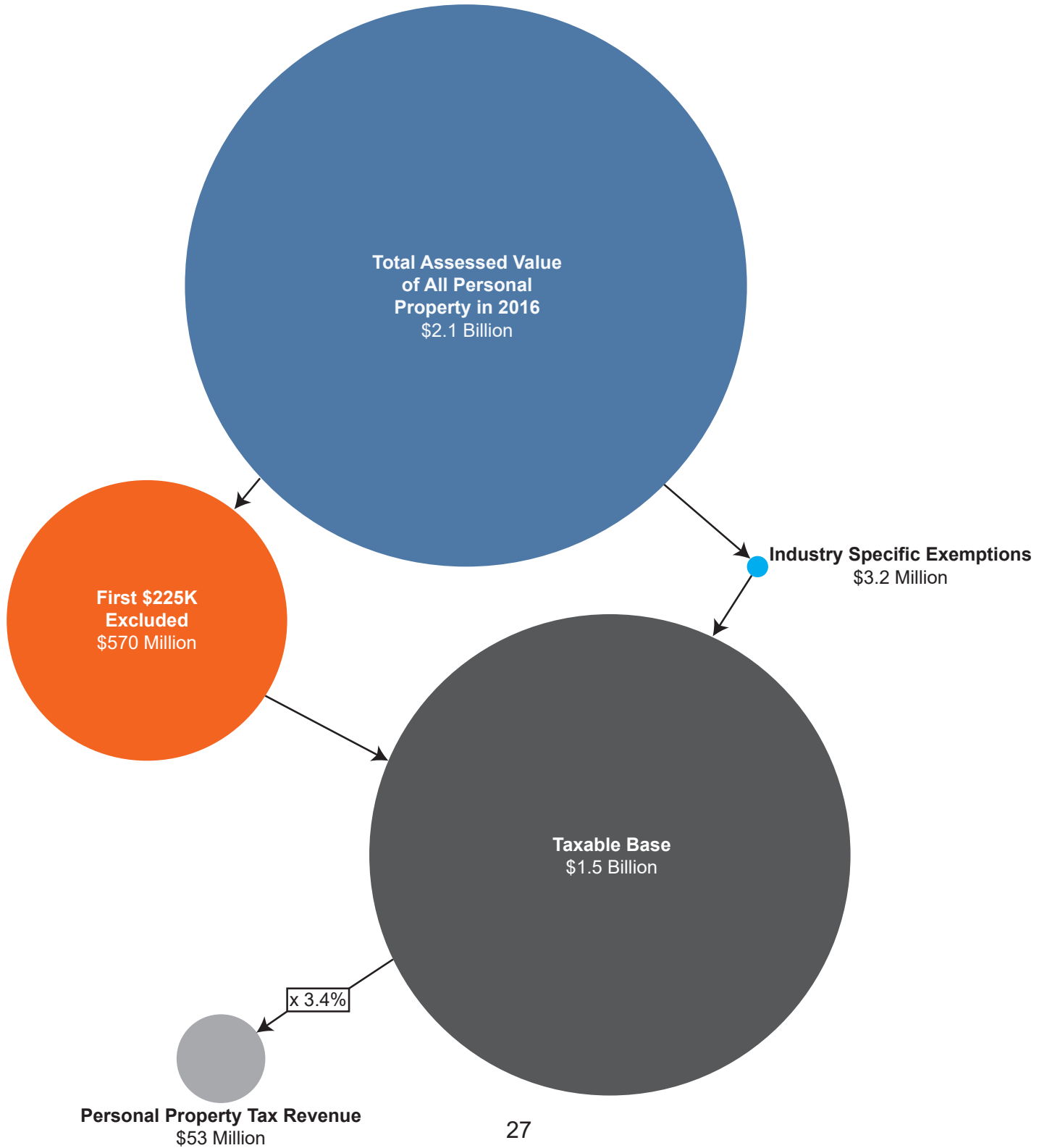
Businesses are concentrated in the downtown area of the District because being closer to other companies, the transportation network, and services offers those companies an economic advantage boosting their productivity and profitability.



# Personal Property Tax

TY 2016

The District levies a tax of \$3.40 for every \$100 of assessed value after 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. Specific industries 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.

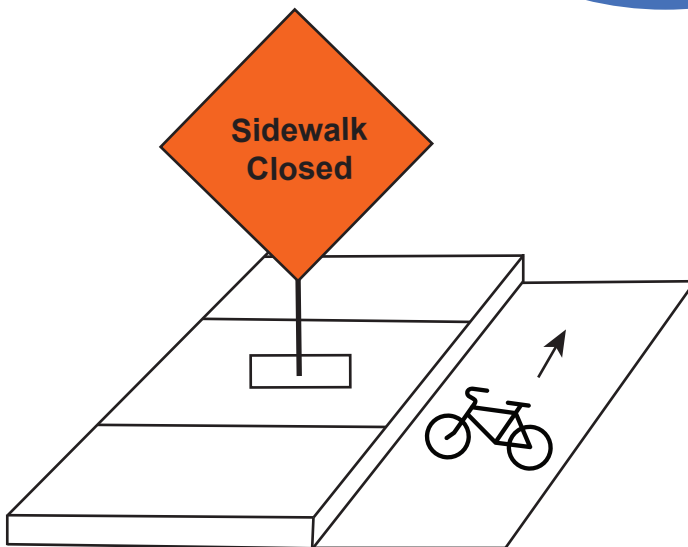
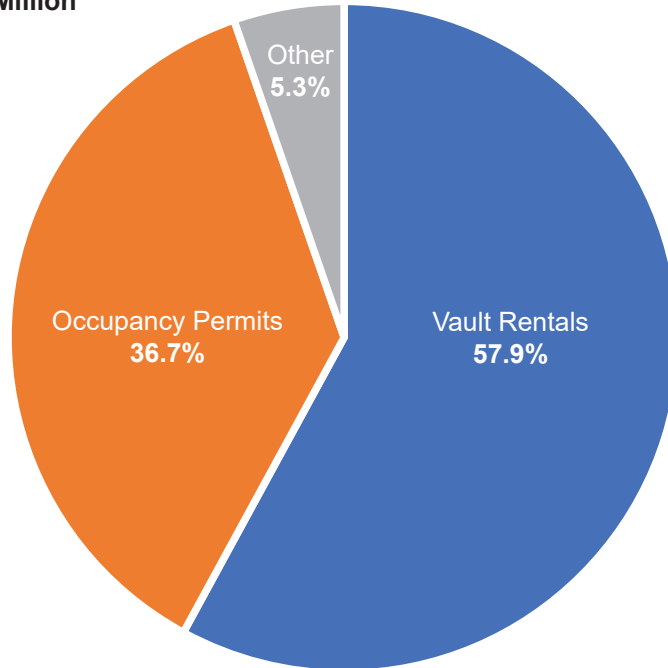


# Public Space Rental Tax

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 exempt 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 2017

Total = **\$32.4 Million**



Example Calculation (rate charges differ by type of public space):

**\$3.60** (total due annually) = **\$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

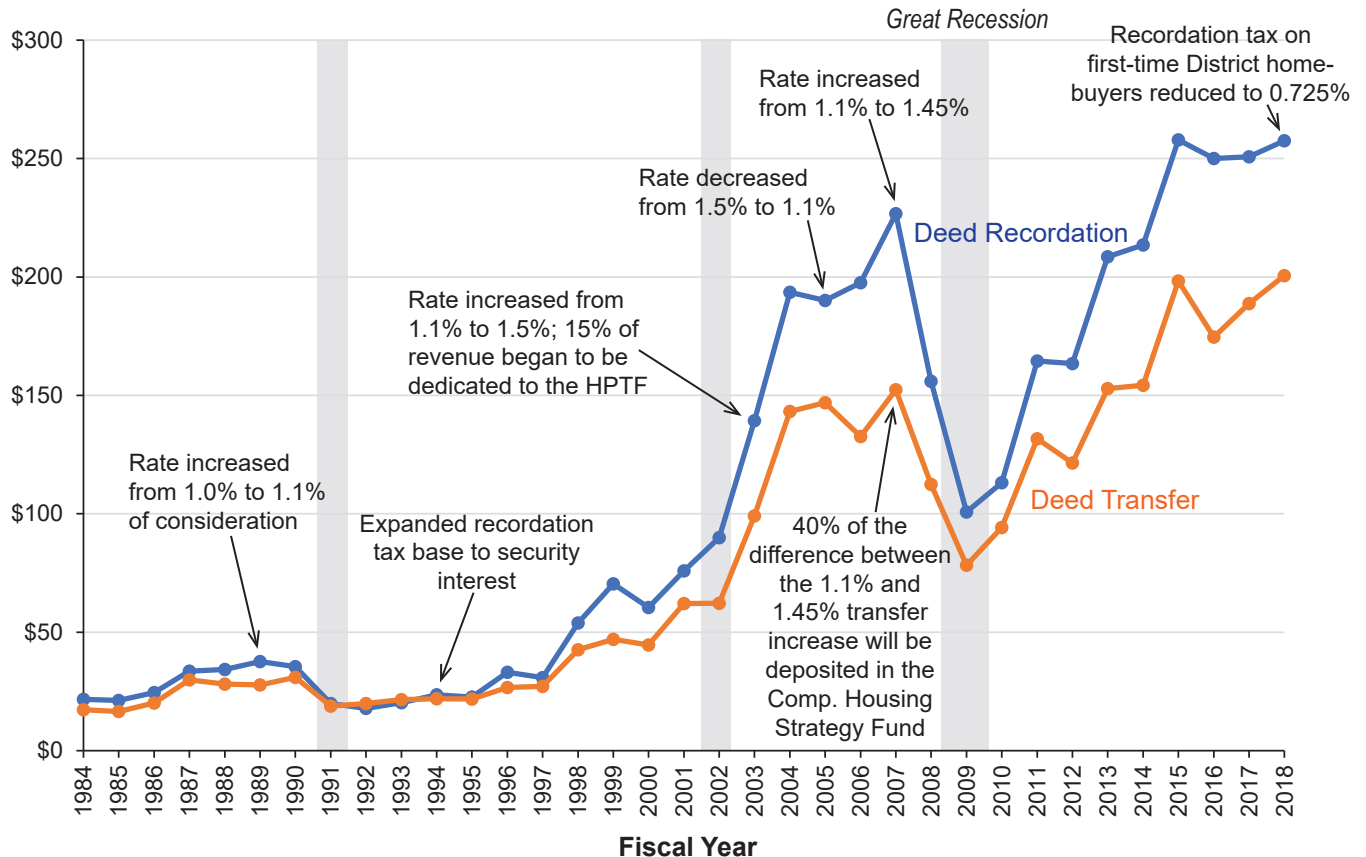
When a person or entity buys real property in the District they are not rightful owners until they are given an official written document or deed proving that they are. To acquire a deed one must submit the proper forms to the OTR to be officially recorded as owner and pay a percentage on the value of 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 also happens when commercial property owners refinance their property's mortgage which partially explains the higher revenue trend.

## History of Deed Taxes in D.C.

Taxes Collected Annually, In Millions



Chapter

3

**Sales & Excise Taxes**

## Sales and Excise Taxes











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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 the variation in tax rates, the excise tax, and the distribution of revenue among District 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 2016 is used to describe the sales and excise tax chapter as it is the latest available data.




# What is the Sales Tax?

FY 2016


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 2016 with amount of taxes that are forgone due to exemptions. The icons show major categories of taxable sales and exemptions. Tax rates have changed since FY 2016.

Taxable Sales Collected: \$1.1 Billion <i>Rates for FY 2016</i>			Exempted Goods or Items: \$501.8 Million in Revenue Forgone	
				
Hotel rooms at a 14.5% rate	Restaurant meals at a 10% rate	Alcohol at a 10% rate	Medicines, pharmaceuticals, and medical devices	Groceries
				
Medical Marijuana at a 6% rate	Retail at a 5.75% rate	Parking at a 18% rate	Federal and D.C. Governments, Semi-Public Institutions, and Non-Profits	Public Utility Companies


**Exempted Services: \$366.9 Million in Revenue Forgone**


Professional, Insurance, or certain Personal Services




Internet Access Services



Transportation and Communications Services



911/311



Valet Parking Services

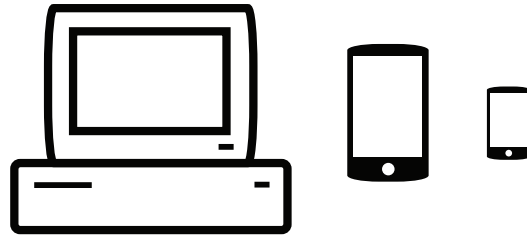


# What is the Use Tax?

FY 2016

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The use tax is imposed at the same rate as the retail tax (5.75 percent and increased to 6 percent in FY19) 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 2016 is captured in the sales tax amount. Below is a graphic of the most common medium subject to the use tax.



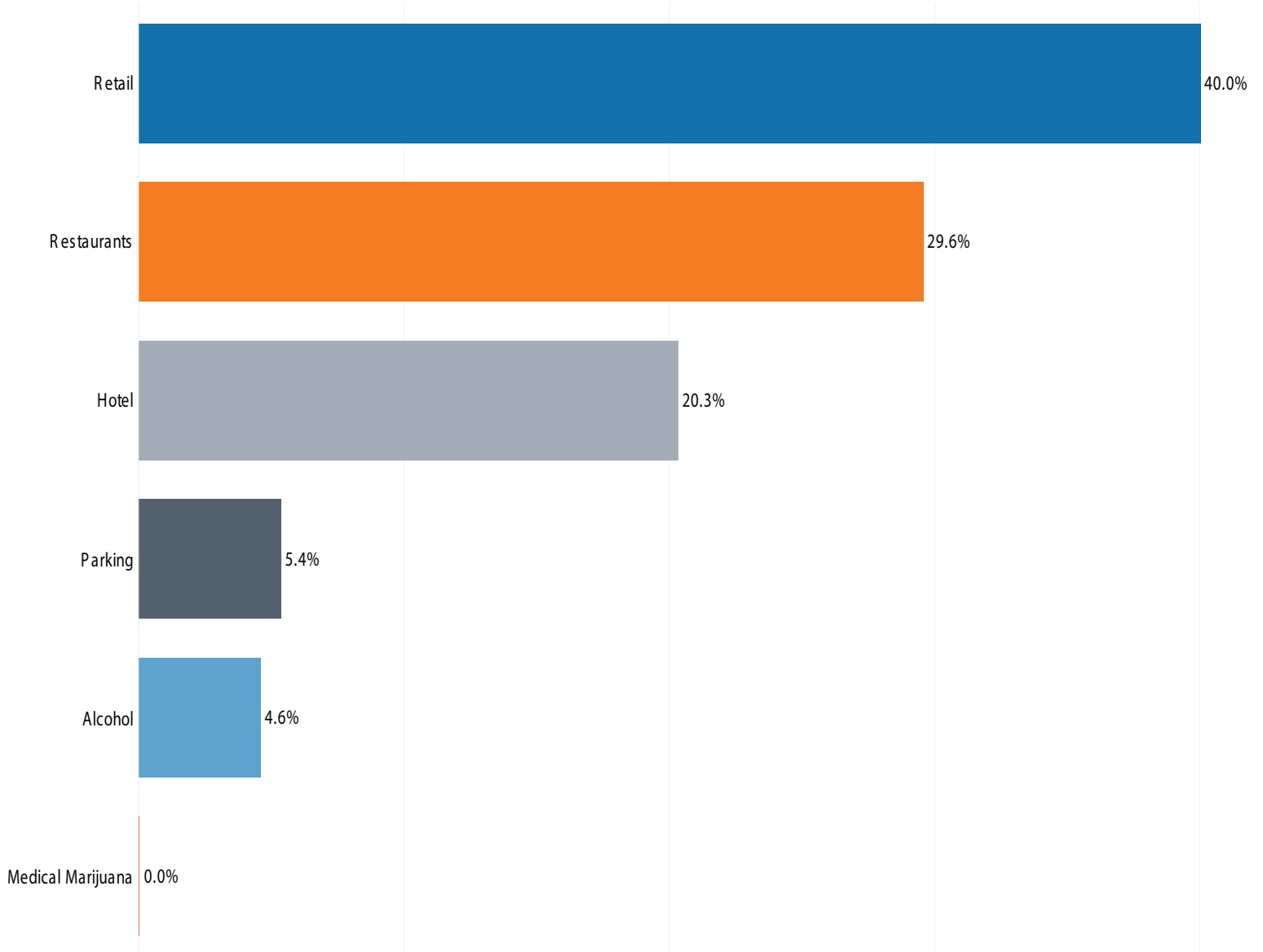
e-commerce or purchases made over the internet are taxed at a 5.75% rate

Note: Remote sellers (e.g. businesses with no physical presence in the District) are now taxed as of June 2018. Right now there is much less that evades taxation because of the South Dakota v. Wayfair, Inc. U.S. Supreme Court decision.

# Where Is Sales and Use Tax Collected?

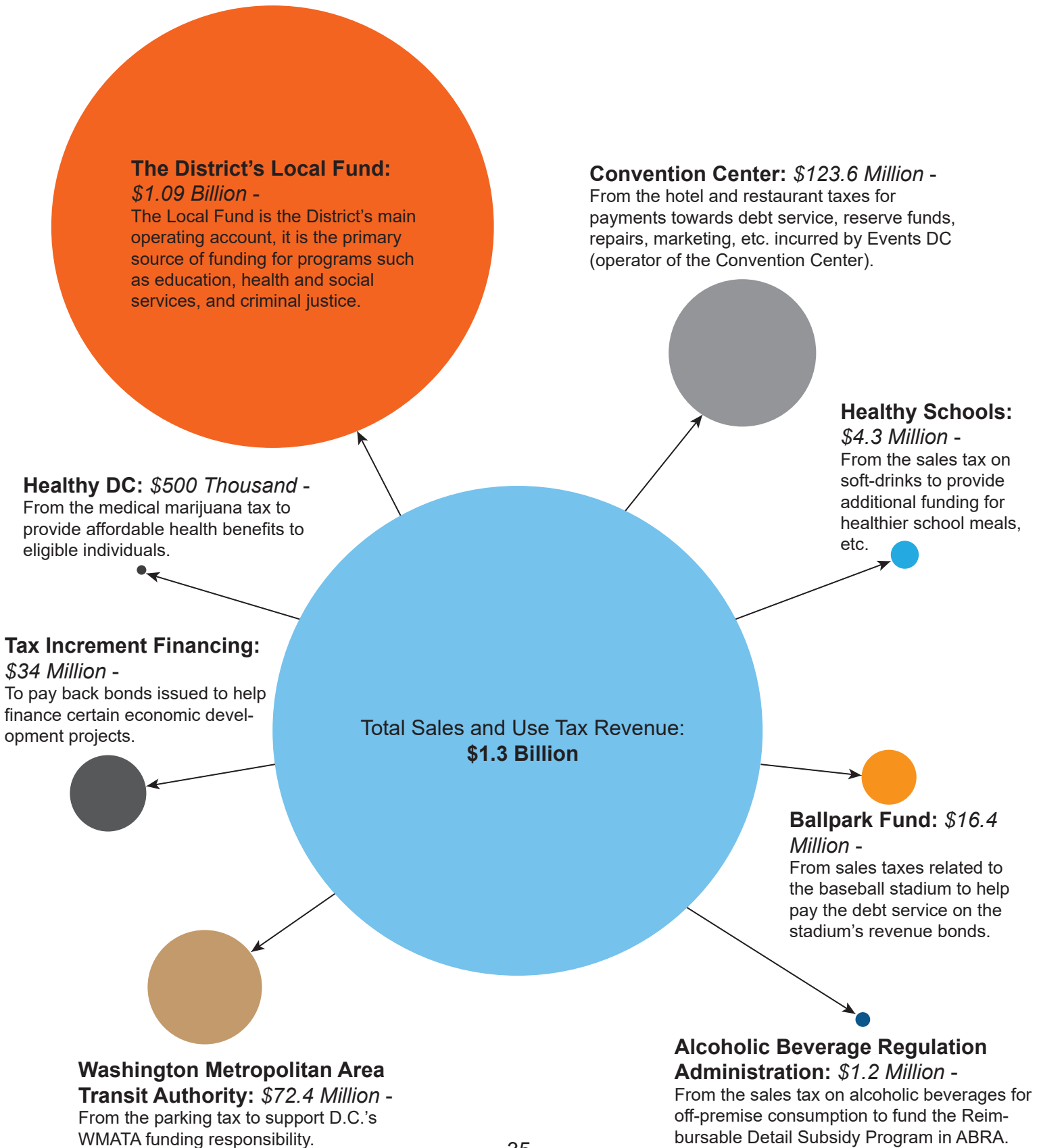
Share of Sales Tax Collected by Business Type, FY 2016

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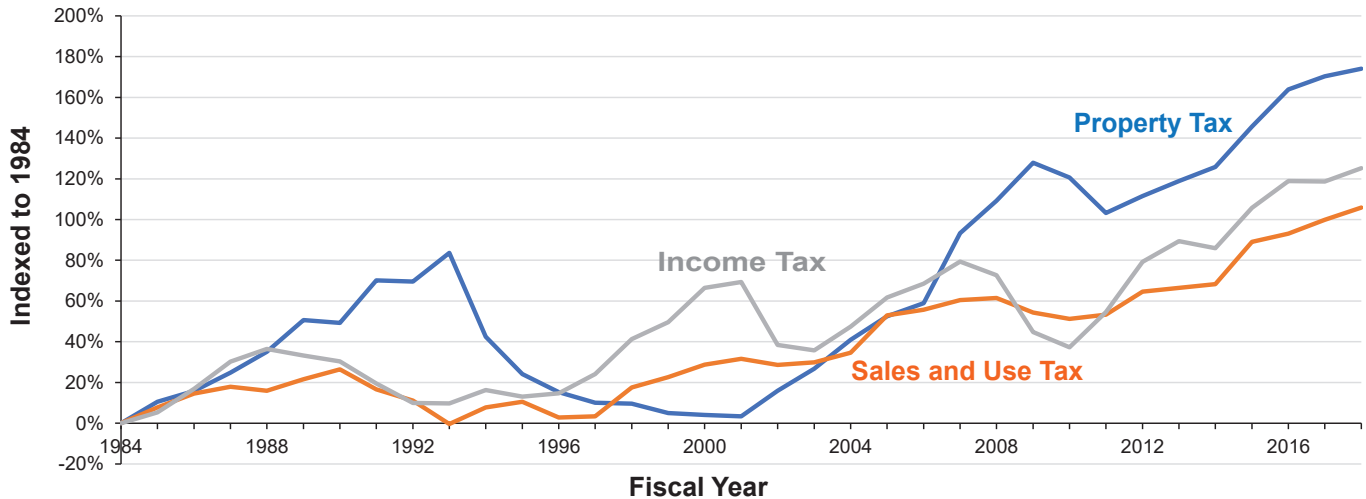
# Totals for Dedicated Transfers of Sales Tax Revenue

The graphic below shows how sales and use tax revenues were distributed to the District's local fund, Washington Metropolitan Area Transit Authority, and a variety of specific legislatively mandated funds in Fiscal Year 2016.



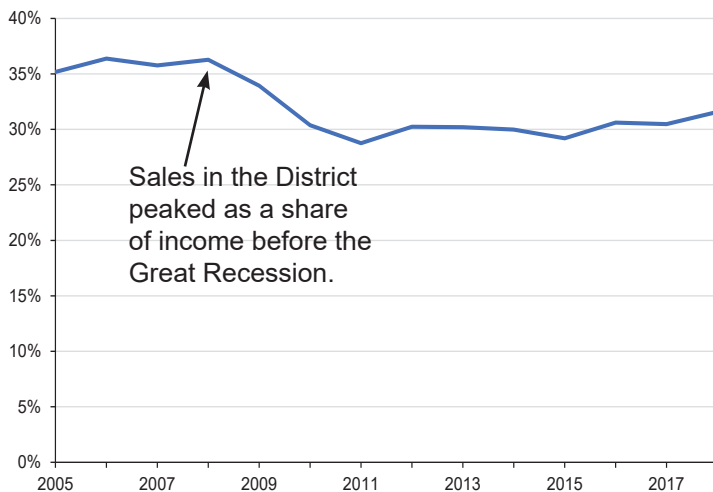
# Sales Tax Growth Slower Than Property and Income Taxes Possibly Due to the Erosion of the Tax Base and Greater Consumption of Services and Housing

Total Percent Change Since FY 1984, FY 2012 Dollars



**Taxable sales have rebounded as a share of the economy but not as it was seen before the Great Recession...**

Taxable Sales as a Share of Personal Income

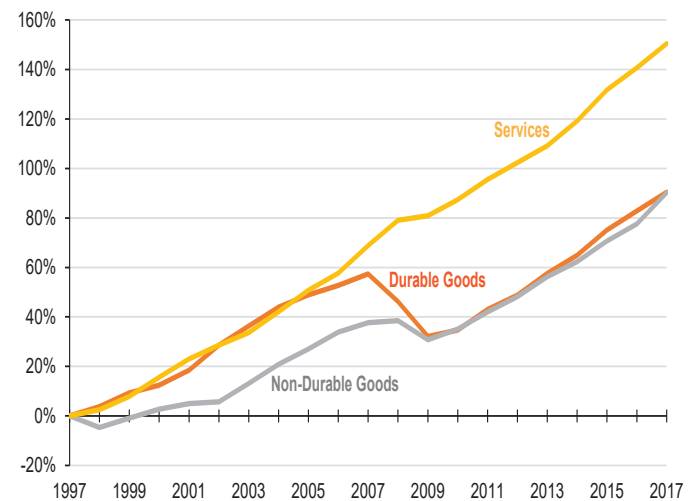


Note: Taxable sales include items under retail, alcohol, restaurant, tobacco products, parking, hotel, and medical marijuana categories.

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

**...Because spending on goods has grown slower than spending on services**

Total Percent Change in Personal Spending



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

# What are the Excise Taxes?

FY 2016

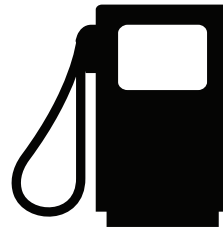
Excise taxes are narrowly based taxes on consumption, levied on specific goods or activities such as gasoline. Excise taxes are often levied at a per unit of a product basis and are frequently included in the price of the product, and are usually less visible to consumers. The graphic below shows the total amount of excise tax collected in Fiscal Year 2016 with icons depicting the major categories of goods subject to the excise tax in the District.

## Excise Tax Collected: \$108.2 Million

Rates for FY 2016



Motor Vehicle tax is based on manufacturer's shipping weight. Rates range from 6-8% tax rate for Motor Vehicles or Trailers or 0% for hybrid vehicles.

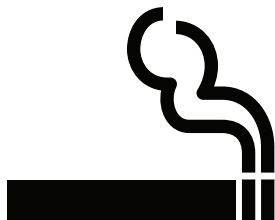


Motor Vehicle Fuel is taxed at rate of 8% of the average wholesale price of a gallon of regular unleaded gasoline.



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



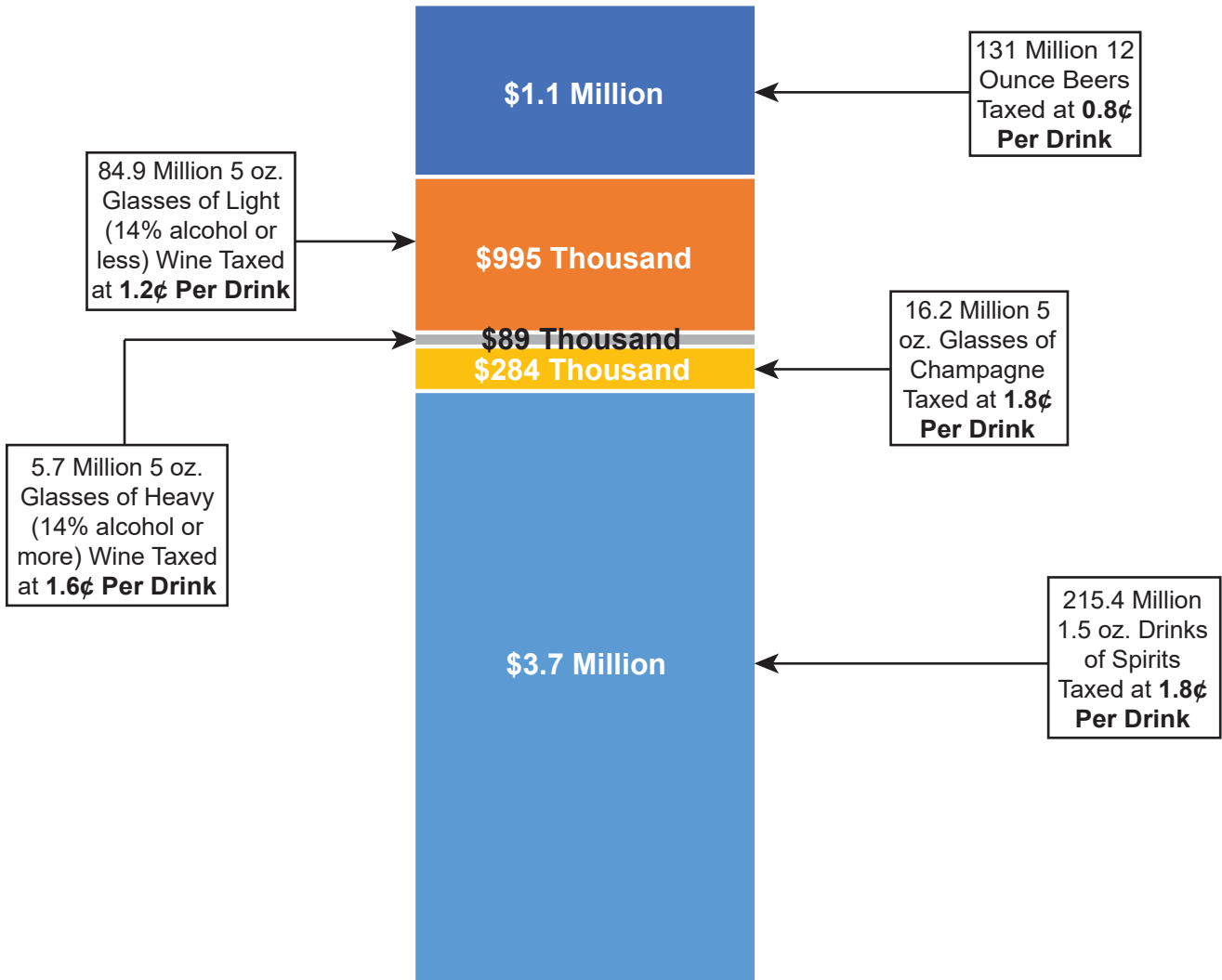
Cigarettes purchased in a pack of 20 or fewer and Little Cigars weighing less than 4.5 lbs per thousand are taxed at \$2.50 excise plus a 41¢ wholesaler tax equaling \$2.91 per pack.



Other Tobacco Products including Vapor products like e-Cigarettes, etc. are taxed at 67% of the wholesale of the other tobacco product.

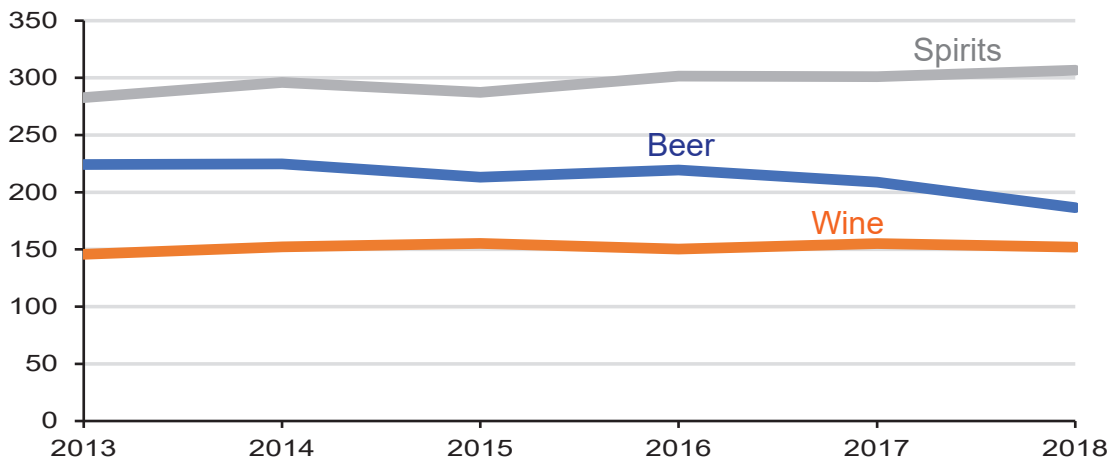
# Alcoholic Beverage Tax

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 \$6.2 million in FY 2018.



## Alcohol Consumption Trend

### Annual Drinks Per Capita

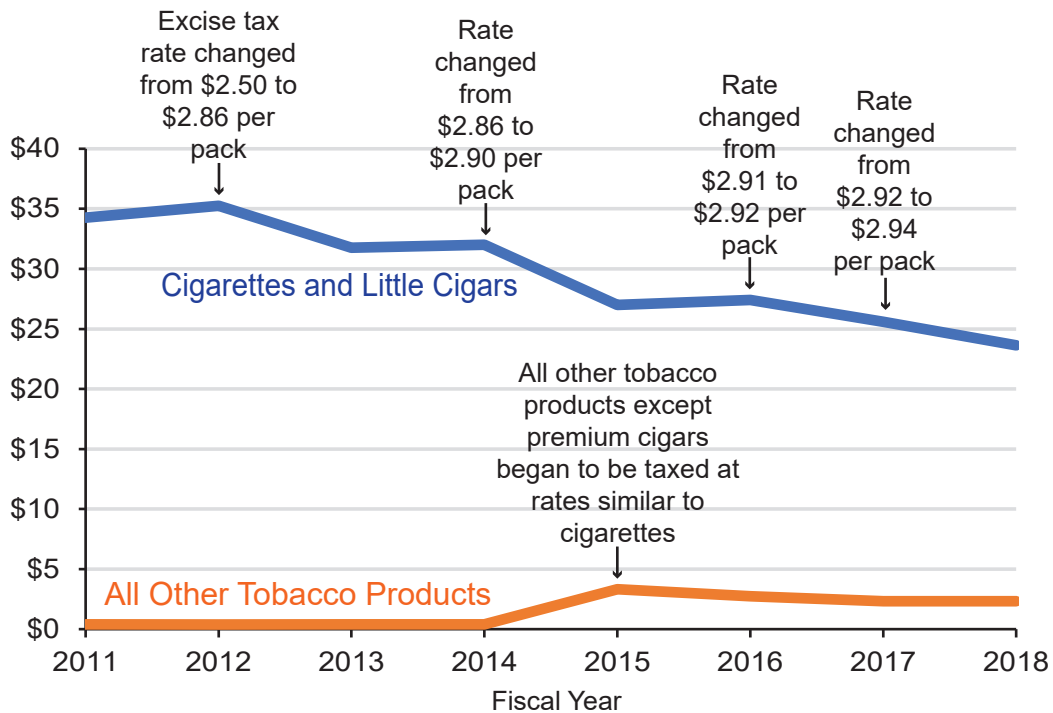


# Tobacco Taxes

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 \$4.94 per pack of 20 cigarettes which includes a \$4.50 excise tax and a 44 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 of the wholesale price. Their current rate is also equivalent to \$4.94 per pack of cigarettes as of Fiscal Year 2019. All revenue from this tax is deposited into the District's Local Fund.

## *Tobacco Tax Revenues Have Decreased Due to the Rate Changes and Preference*

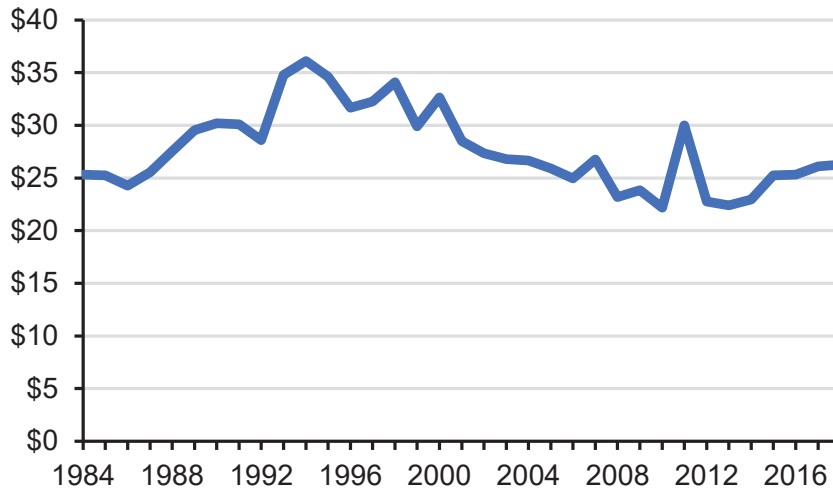
**FY 2012 Dollars, In Millions**



## 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 Fiscal Year 2018 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, rather than the District's Local Fund.

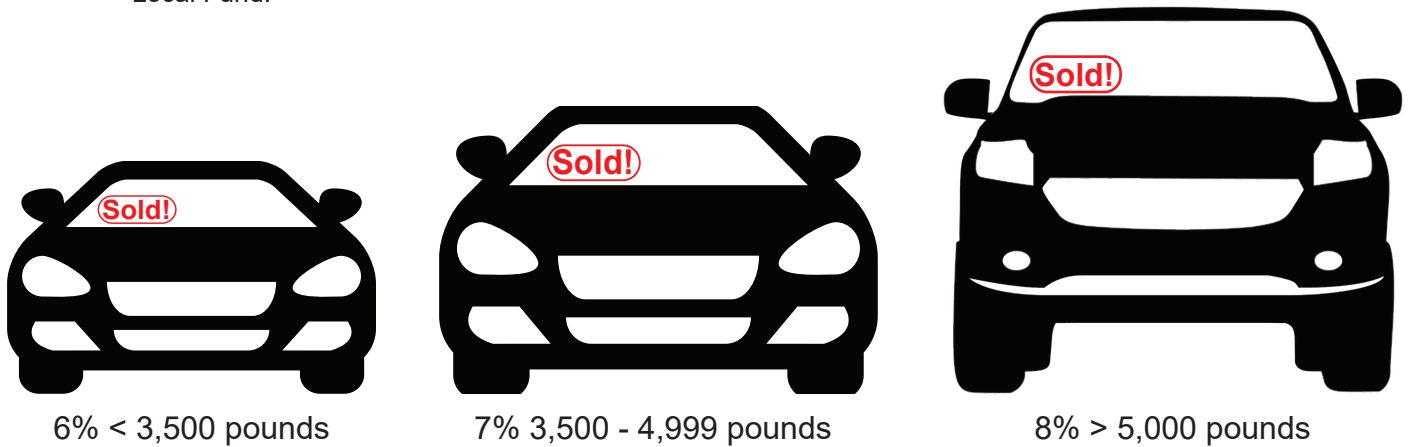
*Motor Vehicle Fuel Tax Revenue Collected from FY1984 to 2018, in Millions*



Over 111 million gallons of taxed fuel sold in FY 2018 (Federal agencies 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, who have been titled elsewhere, are exempt from the tax. The tax is applied based on the manufacturer's shipping weight with 3 weight categories and 3 different rates, respectively, including a 0 percent tax on hybrid vehicles. Revenue collected from this tax is deposited in the District's Local Fund.



The rates are still the same as of FY 2019



# Chapter

# 4

## Gross Receipts Tax & Other Taxes

## Gross Receipts Tax & Other Taxes

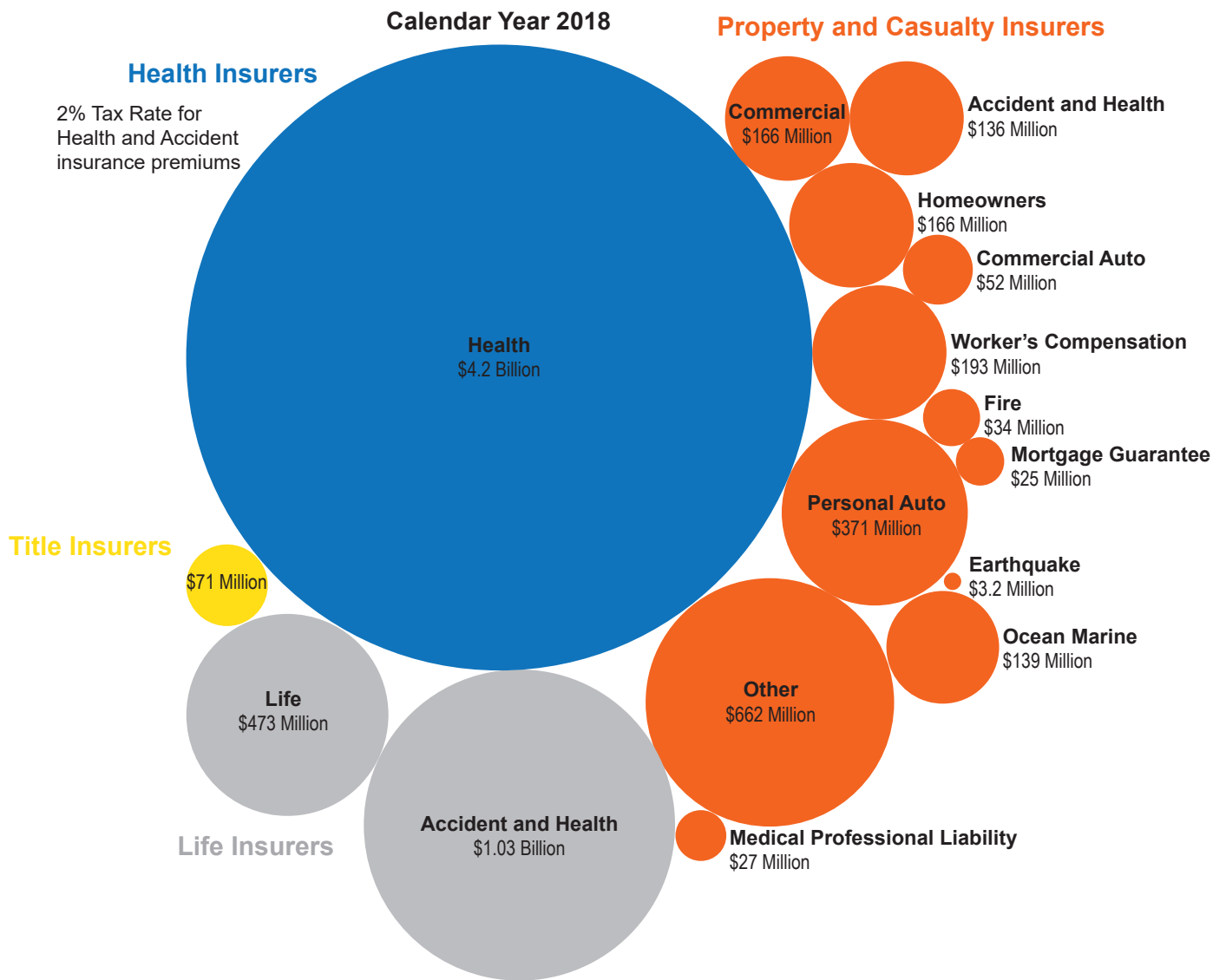
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Beyond the three main taxes covered earlier in this report, the District government levies a variety of smaller taxes that collectively sum to just under 10 percent of all local revenue collected in Fiscal Year 2018. For other taxes, these include taxes on economic interest, estates, and deed transfer and recordation. 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, 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](http://www.cfo.dc.gov).

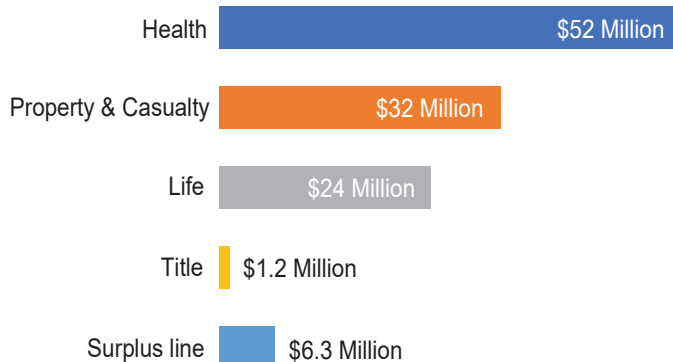
# Insurance Premiums Tax

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.



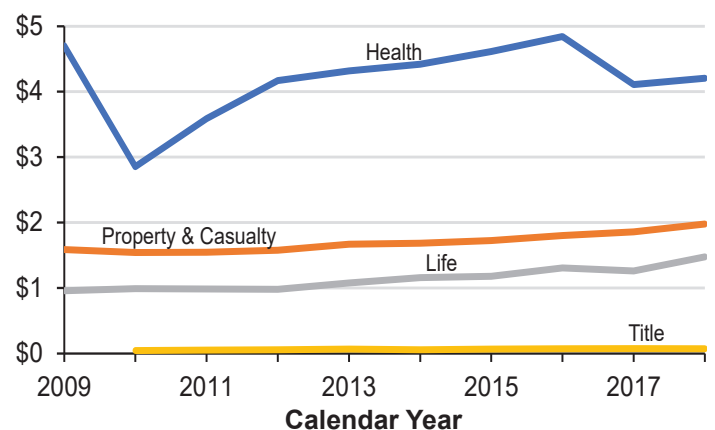
## Insurance Tax Generated \$116 Million

District's Local Fund with Transfers to Healthy DC and Health Care Expansion Fund, CY 2018



## Trends in Insurance Tax Base

Annual Premiums, in Billions



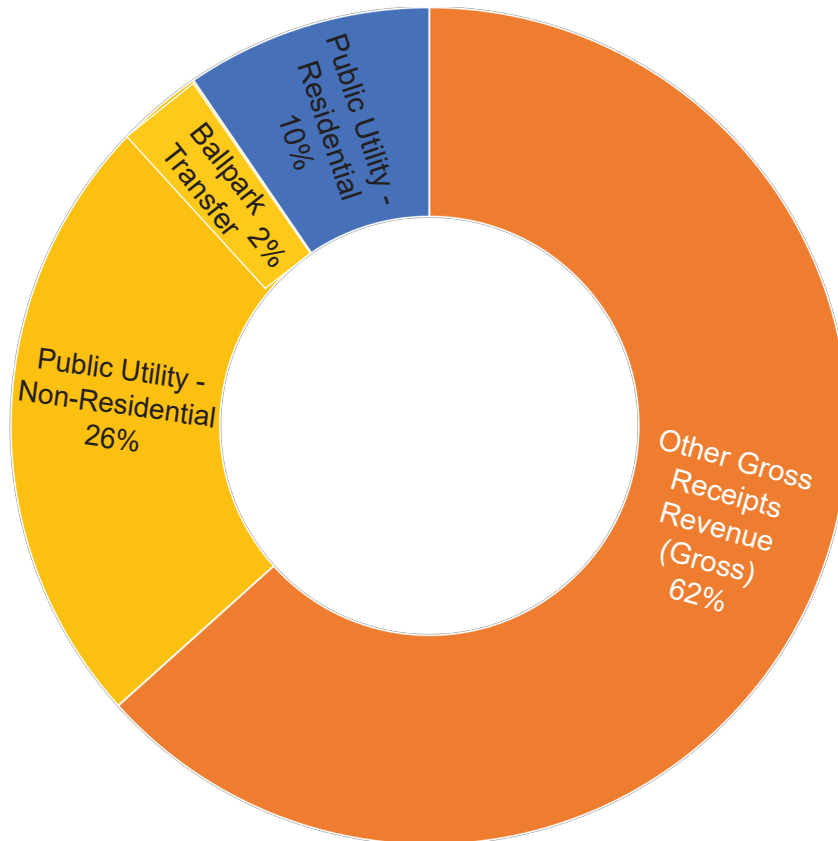
Insurance Premium Data Source: D.C. Department of Insurance, Securities, and Banking ([www.disb.dc.gov](http://www.disb.dc.gov)).

# Public Utilities Tax

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Just like it sounds 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 transferred to the District's Local Fund.

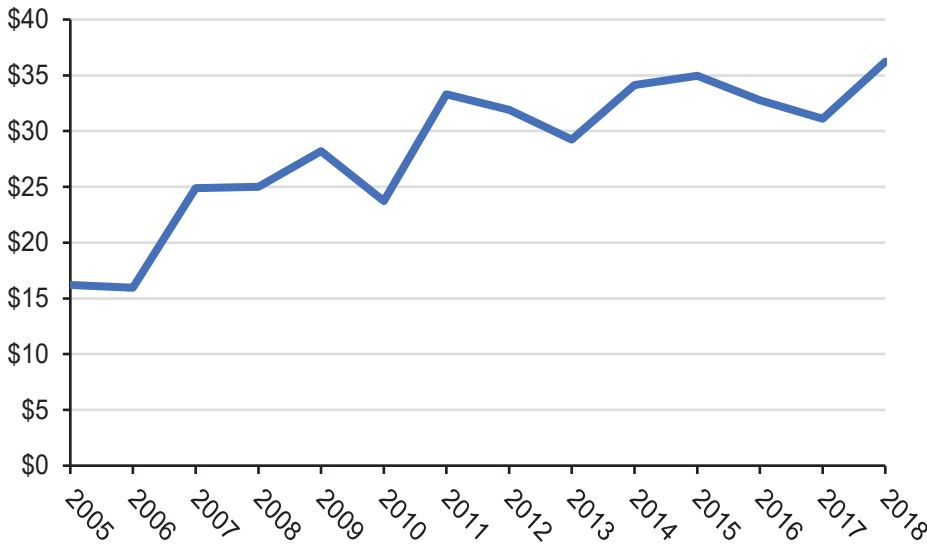
## Annual Gross Receipts of Public Utility Companies, FY 2018



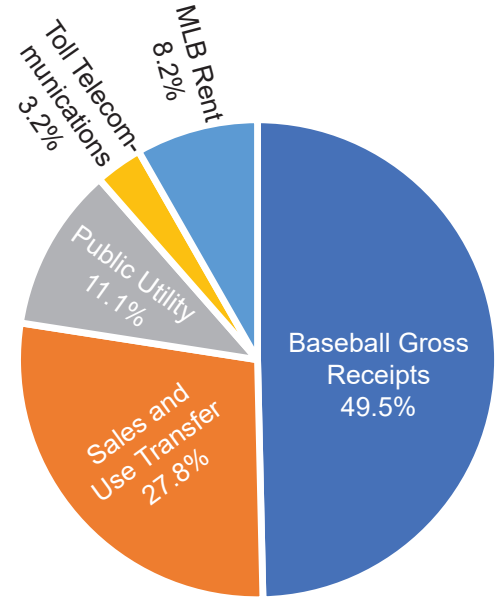
# Baseball Gross Receipts Tax

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, D.C.'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.

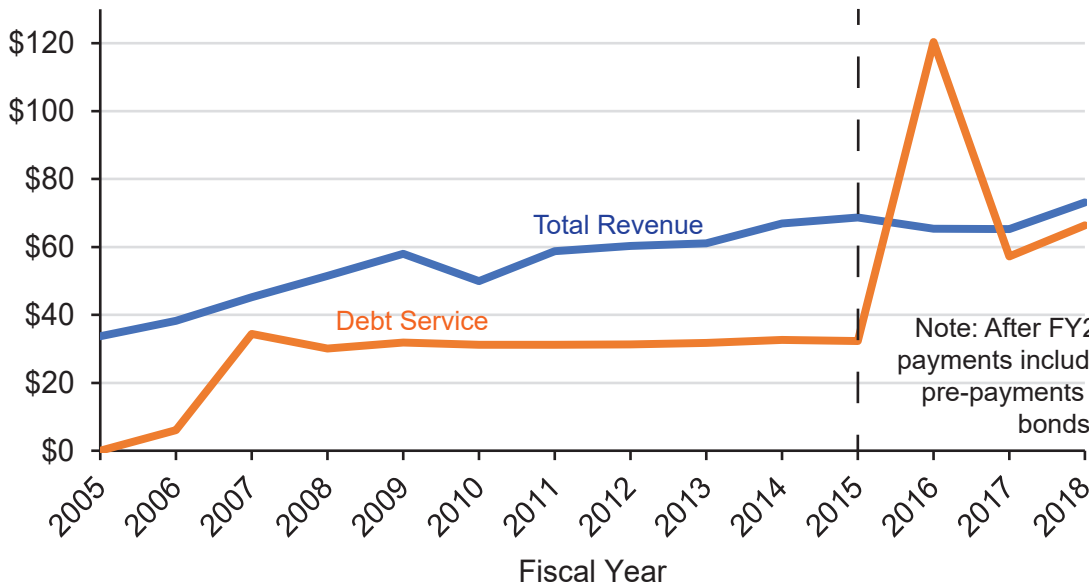
**Baseball Gross Receipts Revenue from FY2005 to FY2018, In Millions**



**FY 2018 Dedicated Ballpark Revenue Fund Breakdown**



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



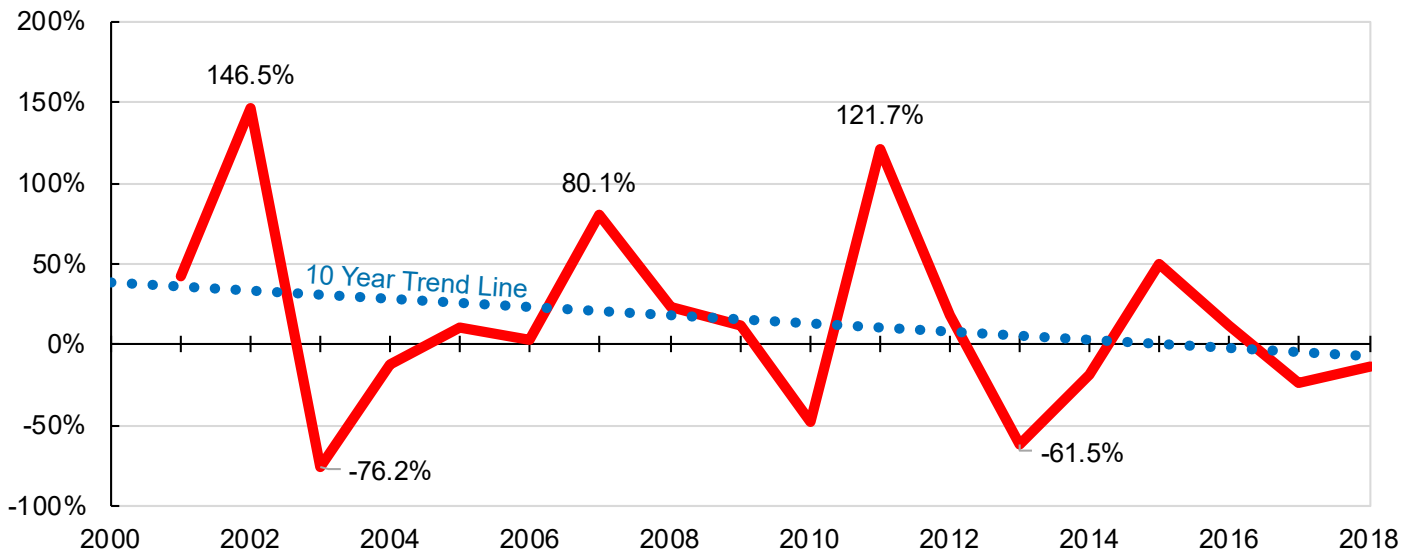
Since the FY2011 Supplemental Budget Support Act, surpluses in this Fund are restricted to paying off baseball revenue bonds only, putting the District on track to pay off those revenue bonds before their maturity date of 2035.

Note: After FY2015 debt payments includes optional pre-payments on these bonds.

# Estate Tax

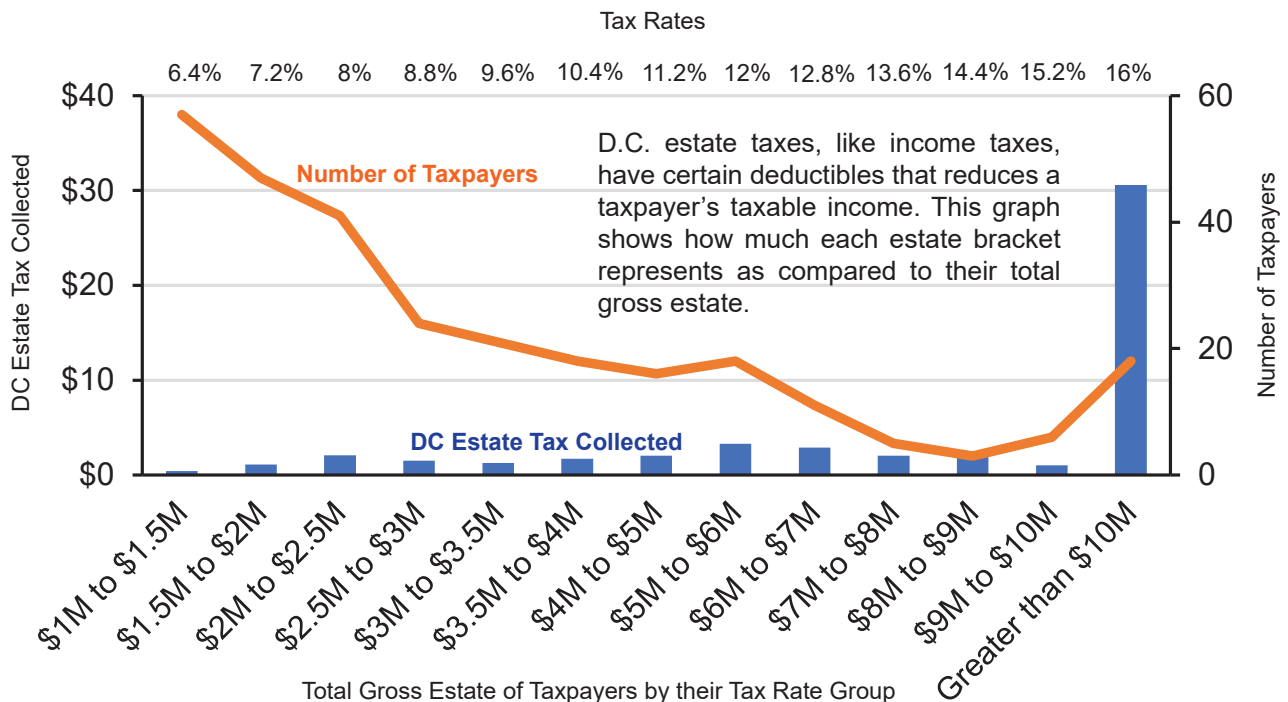
The District levies a tax on the estate, e.g. money and property, of every resident shortly after the time of their death. The District also imposes an estate tax on every nonresident who owned taxable property in the District at the time of their death. Tax rates for the estate tax range incrementally from 6.4 percent to 16 percent in FY 2016 depending on the taxable amount after the \$1 million exclusion. Because deaths of high wealth residents vary year over year the estate tax is one of the most volatile tax types 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, FY2016



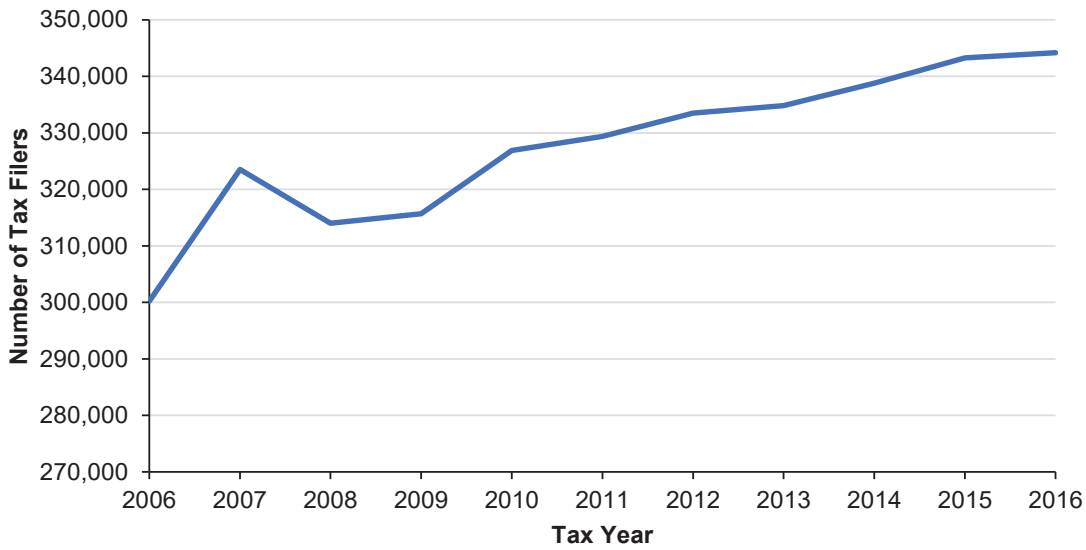
# Chapter

# 5

## Demographic Information

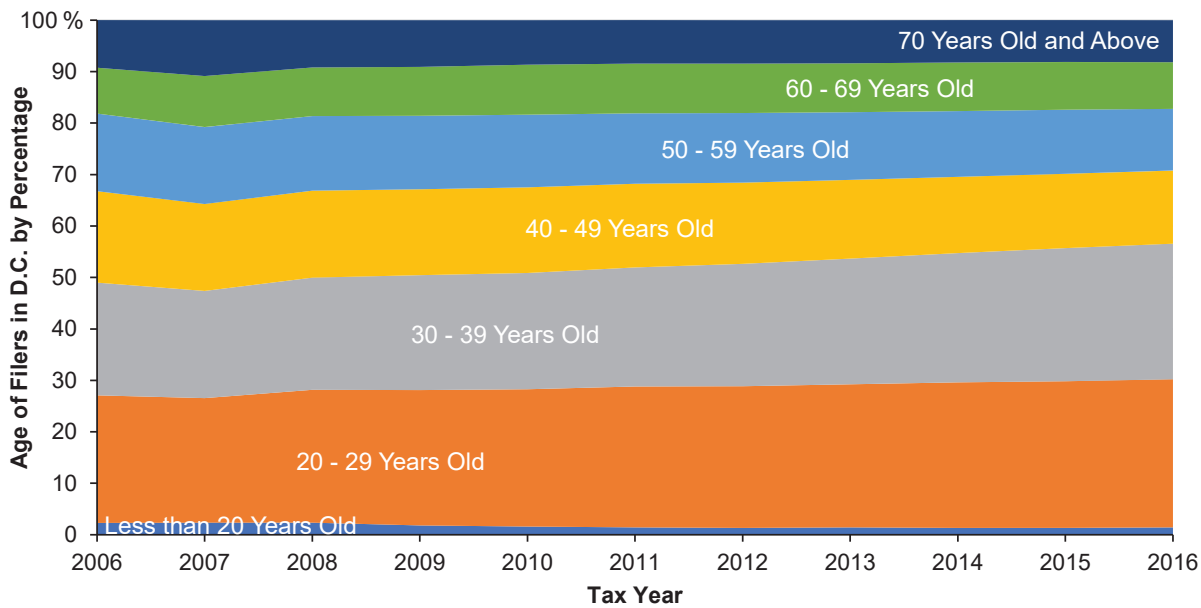
# Demographic Information from Individual Income Tax Data

## Population of Tax Filers in D.C. from 2006 to 2016



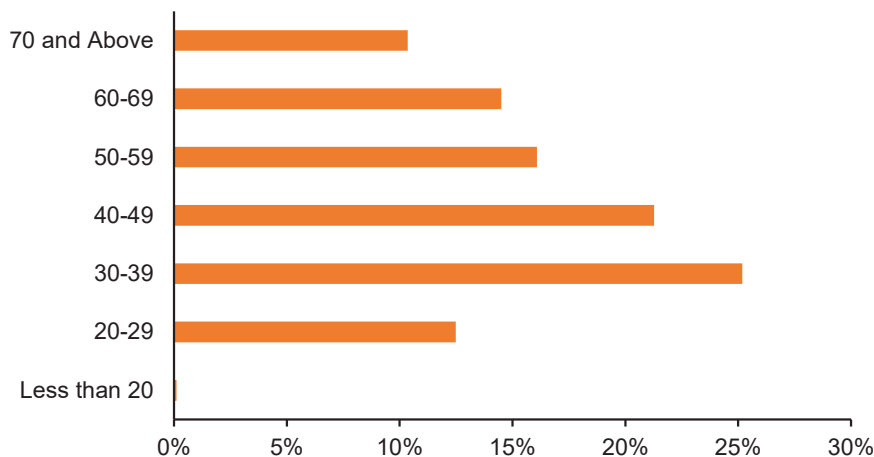
The population of tax paying residents has been increasing since 2006.

## Age of Tax Filers in D.C. from 2006 to 2016



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

## Total Adjusted Gross Income by Age Group, TY 2016

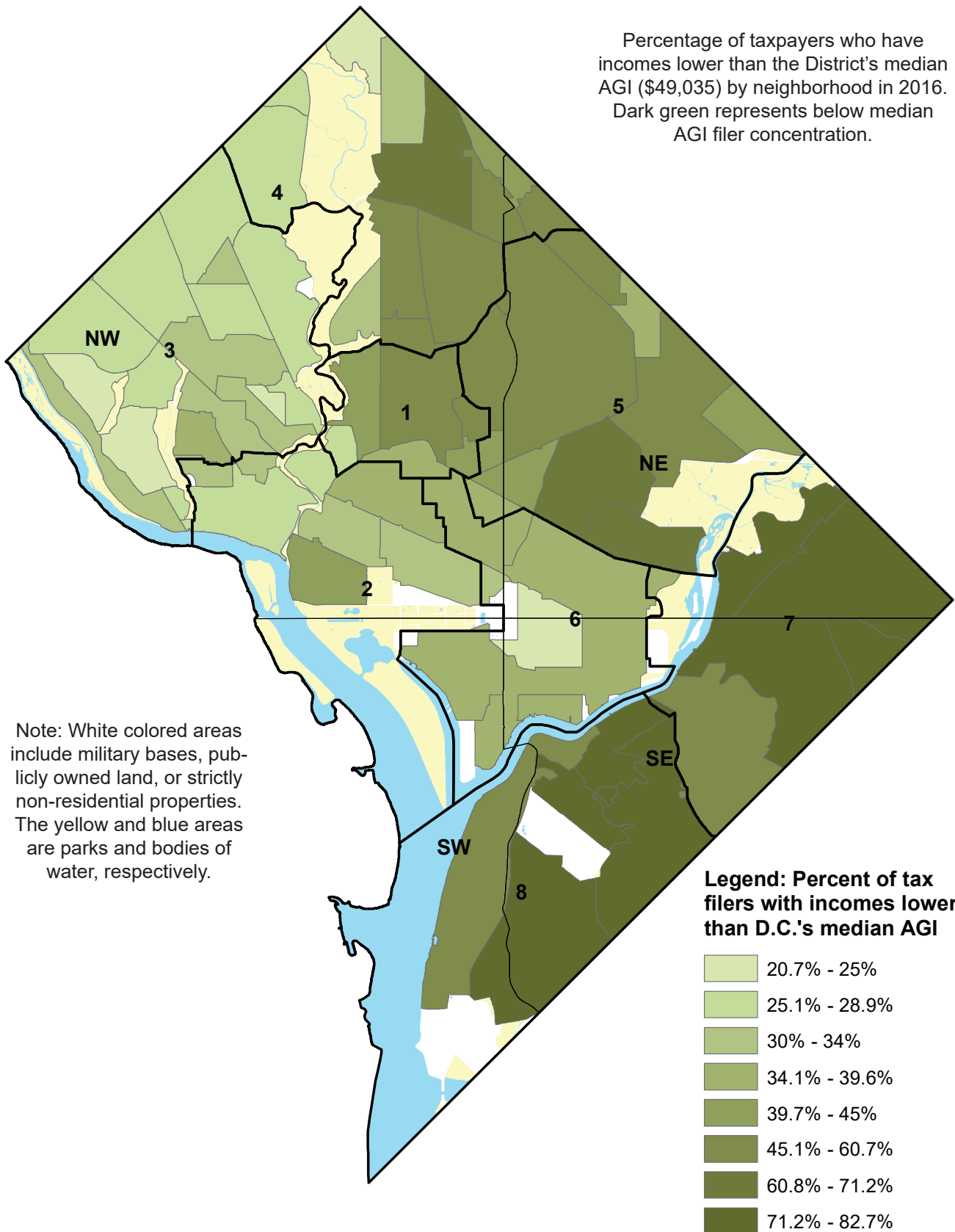


District residents between the ages of 30 and 49 years old earn almost 47 percent of the total AGI in the District.

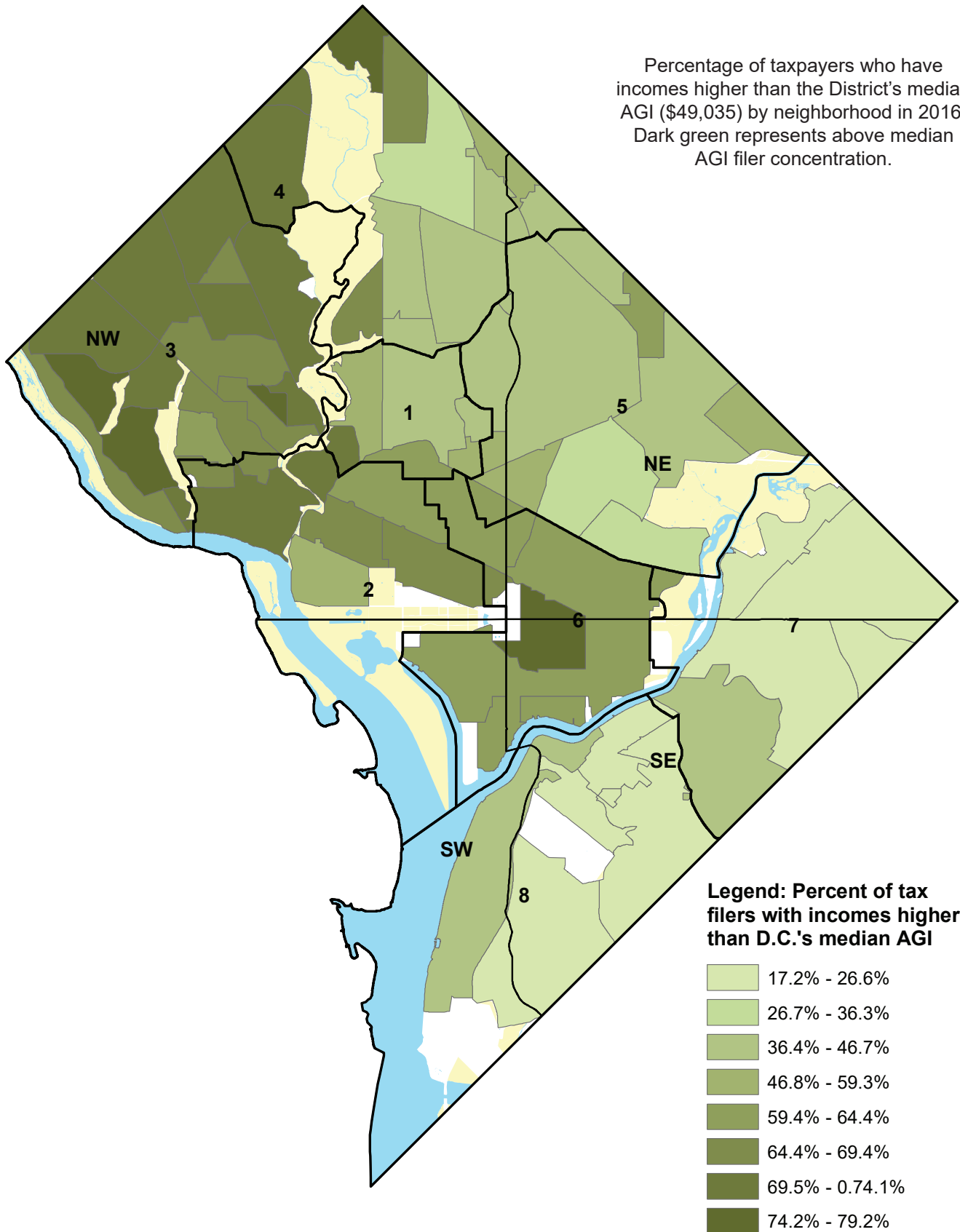


# Lower Incomes Concentrated in the SE and NE Quadrants

Percentage of taxpayers who have incomes lower than the District's median AGI (\$49,035) by neighborhood in 2016. Dark green represents below median AGI filer concentration.



# Higher Incomes Concentrated in the NW Quadrant



# Works Cited

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## ***Overview of D.C. Local Revenues:***

Office of Revenue Analysis (ORA) analysis of data from the FY2018 Comprehensive Annual Financial Report (CAFR).

## ***Income Taxes:***

ORA analysis of data from the Office of Tax and Revenue (OTR) or the FY2018 CAFR. For more information on income taxes and rate changes please visit [cfo.dc.gov/node/230872](https://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](https://cfo.dc.gov/page/studies) for the latest tax expenditure report.

## ***Property Taxes:***

ORA analysis of data from the OTR or the FY2018 CAFR. For more information on property taxes and rate changes please visit [cfo.dc.gov/node/230872](https://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, the OTR, the FY2018 Budget Book Executive Summary Revenue Chapter, or the FY2018 CAFR. For more information on sales or excise taxes and rate changes please visit [cfo.dc.gov/node/230872](https://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](https://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, the OTR or the FY2018 CAFR. For more information on gross receipts and other taxes and rate changes please visit [cfo.dc.gov/node/230872](https://cfo.dc.gov/node/230872) for the latest Tax Facts Report.

## ***Demographic Information:***

ORA analysis of data coming from, unless stated on the page, the OTR or the FY2018 CAFR.

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