

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER



Jeffrey S. DeWitt
Chief Financial Officer

February 26, 2016

The Honorable Muriel Bowser
Mayor of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 306
Washington, DC 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 504
Washington, DC 20004

Re: February 2016 Revenue Estimates

Dear Mayor Bowser and Chairman Mendelson:

This letter certifies, as of February 2016, revised revenue estimates for the FY 2016 – FY 2020 District of Columbia budget and financial plan. The forecast for total local fund revenues is revised moderately upward in FY 2016 by \$7 million, and by \$22 million in FY 2017. The out-year forecast for FY 2018 and FY 2019 remains essentially unchanged. The table below compares the February 2016 revenue estimate to the December 2015 revenue estimate.

February Revenue Estimate Compared to Previous Estimate

Local Source, General Fund Revenue Estimate (\$M)	Actual		Estimate		Projected	
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
December 2015 Revenue Estimate	6,904.2	6,891.0	7,120.6	7,370.0	7,603.5	NA
<i>February Revision to Estimate</i>		7.0	22.2	0.5	0.9	NA
February 2016 Revenue Estimate	6,904.2	6,898.0	7,142.7	7,370.4	7,604.4	7,836.0
Revenue change from previous year						
Amount		(6.2)	244.7	227.7	234.0	231.6
Percent	9.5%	-0.1%	3.5%	3.2%	3.2%	3.0%

Higher real property tax revenue is the main driver of the upward revisions for FY 2016 and FY 2017. The real property tax revenue for FY 2016 and FY 2017 is revised higher based on recently available preliminary property assessment data that show strong appreciation in property market values in calendar year 2015. This is consistent with the record level of deed tax revenue in FY 2015. The acceleration in property values is expected to be moderate in the following years, resulting in little or no change to the overall forecast for FY 2018 - FY 2020.

Forecasted lower growth for deed tax revenue and income tax revenue tied to capital gains, two of the most volatile components of the District's revenue system, offset the strength in the real property tax revenue. Lower forecasted growth in these revenue sources reflects current financial market volatility and global economic uncertainty.

The economic outlook continues to be one of moderate economic growth and improvement in labor market indicators throughout the period of the financial plan, similar to that which has occurred over the past two years. Since December, however, global economic uncertainty and stock market volatility have become more of a concern, and both the Blue Chip Economic Indicators and the Congressional Budget Office economic forecasts for the national economy have trimmed estimates for economic growth in FY 2016 and FY 2017. The continued pace of growth in the District's economy is expected to be slightly less than was anticipated in December, and important elements in the District's tax base are also vulnerable to the changes that have occurred in the national financial markets.

Revenue Forecast: FY 2016-2019

The following is an analysis of the main revisions by broad categories of revenue:

Real Property Taxes

Based on preliminary billing and assessment data, the forecast for real property taxes is revised upward by almost \$40 million in FY 2016 and by \$78 million in FY 2017. This brings year-over-year growth in real property taxes to 7.1 percent in FY 2016, followed by 4.5 percent growth in FY 2017. The upward revision reflects the strong price appreciation evidenced by the record level of deed transfer tax revenue in FY 2015. Going forward, we expect that the rate of increase in property prices, particularly for commercial properties, will slow, resulting in lower overall growth in real property taxes of about 3 percent from FY 2018 to FY 2020.

Deed Transfer and Recordation Taxes

Year-to-date cash collections show a more than 25 percent decline from record levels of deed transfer taxes last fiscal year, and steeper than the decline anticipated in previous revenue estimates. As a result, we have revised downward the revenue forecast for deed transfer and recordation taxes, ranging from \$33 million in FY 2016 to almost \$40 million in FY 2020. With this downward revision, deed transfer taxes are still expected to be in line with the ten-year

long-term average of about \$370 million. Given the volatility of this component, we will continue to monitor trends in this revenue source very closely.

Individual Income Tax

The forecast for continued growth in DC's employment and resident wages reflects no change to the withholding component of personal income taxes, with projected growth averaging close to 4 percent throughout the forecast period.

The non-withholding component of the personal income tax is more closely associated with the stock market performance and recent stock market volatility means that revenue from this source will be uncertain. As with the forecast for deed transfer taxes, we have revised non-withholding income downward to a level that is consistent with the ten-year long-term average of nearly \$240 million. This results in a downward revision ranging from \$13 million in FY 2016 to almost \$28 million by FY 2020. This assumes that the stock market will not deteriorate significantly from its current levels as reflected in the forecast for the Standard and Poor's 500 index.

Business Income Taxes

The forecast for business income taxes has been revised downward by amounts ranging from \$9 million in FY 2015 to \$15 million by FY 2020. Recent earning reports have highlighted increasing headwinds from weak overseas demand, a slowdown in the financial sector, as well as tighter profit margins as wages rise.

Sales Taxes Gross Receipts

Sales tax revenue has been revised upward throughout the plan period, from \$6 million in FY 2016, growing to \$14 million by FY 2020. This is mainly due to higher than expected revenue in FY 2015 that increased the base.

Non-Tax Revenue and Gross Receipts

The forecast for non-tax revenues and gross receipts has been revised upward in the near term by \$8 million in FY 2016 and by \$3 million in FY 2017 to reflect current higher year-to-date cash collection for non-tax revenue. In the out years, local fund tax revenue is reduced by \$10 million based on higher transfers of health care related taxes to dedicated funds.

Tax Policy Changes Subject to Triggers

The revenues shown in the table on page 1 do not include the cost of tax policy changes that were made contingent on the certification of additional recurring revenues.

Section 47-181 of the District of Columbia Official Code provides, "After the Fiscal Year 2016 budget and financial plan have been approved by the District, any recurring revenues in a February revenue estimate preceding any subsequent fiscal year, net of the dedication required

by § 47-392.02(f), that exceed the local revenue incorporated in the approved budget and financial plan for that year shall be used to continue implementation of the TRC Act according to the priority set forth in subsection (c) ... after December 31 of the year of the applicable February estimate.”

Based on the current February revenue forecast for the period FY 2016 - FY 2019, recurring revenues in the following amounts are available to implement tax policy changes as set forth in the act.

Revenue Available to Implement Tax Policy Changes

Local Source, General Fund Revenue Estimate (\$M)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
February 2016 Revenue Estimate*	6,898.0	7,142.7	7,370.6	7,605.0	7,836.7
FY 2016 Approved Budget**		7,098.7	7,347.7	7,579.9	NA
Additional Revenue compared to Approved Budget		44.0	22.9	25.1	-

*Includes the revenue impact of previously triggered tax policy changes.

** Based on the February 2015 revenue estimate.

The available revenue triggers the following tax provisions in FY 2017 through FY 2020 according to the priority set forth in the act. (See Attachment 4 for the cost of additional tax policy changes not yet triggered by recurring revenue).

Triggered Tax Policy Changes

Tax Policy Changes (\$ millions)	FY 2017	FY 2018	FY 2019	FY 2020
Reduce unincorporated and incorporated business franchise tax from 9.2% to 9.0%	(10.1)	(10.6)	(10.6)	(10.6)
Raise the estate tax threshold from \$1Million to \$2 Million	(6.5)	(6.7)	(7.0)	(7.3)
Total Cost	(16.5)	(17.3)	(17.6)	(17.9)

The following table shows the revenue estimate after accounting for the triggered tax policy changes.

February Revenue Estimate After Triggered Tax Policy Changes

Local Source, General Fund Revenue Estimate (\$M)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
February 2016 Revenue Estimate*	6,898.0	7,142.7	7,370.4	7,604.4	7,836.0
Triggered Tax Policy Changes		(16.5)	(17.3)	(17.6)	(17.9)
Net Local Fund Revenue (after enacted tax policy changes)	6,898.0	7,126.2	7,353.1	7,586.8	7,818.1
Revenue change from previous year					
Amount	(6.2)	228.2	226.9	233.7	231.3
Percent	-0.1%	3.3%	3.2%	3.2%	3.0%

*Includes the revenue impact of previously triggered tax policy changes.

National and Regional Economies

The national economy continues at a pace of moderate growth with low inflation. Real GDP grew at an annual rate of 2.6 percent in FY 2015, jobs are increasing, and the unemployment rate is falling. The outlook for FY 2016 and FY 2017, however, is for somewhat slower growth in the national economy and continued uncertainty in financial markets.

- The US economy added 2.9 million jobs (2.1%) from December 2014 to December 2015.
- The US unemployment rate (seasonally adjusted) was 5.0 percent in December 2015, down from 5.6 percent a year earlier.
- US Personal Income in the December 2015 quarter was 4.6 percent above a year ago.
- The S&P 500 stock market index became quite volatile in early 2016. The average for January 2016 was 5.2 percent below the level of three months earlier, and 5.4 percent below a year ago.
- Employment in the Washington metropolitan area has increased significantly during the past year. In the three-month period ending December, wage and salary jobs in the region grew by 67,100 (2.1%) compared to a year earlier. The District of Columbia accounted for about 15 percent of the increase in area employment.
- The DC metropolitan area unemployment rate was 3.8 percent in December (not seasonally adjusted), down from 4.4 percent a year earlier.
- In January 2016, the consensus forecast of 50 economists contributing to the Blue Chip Economic Indicators is that national real GDP growth in FY 2016 and FY 2017 would be below that of FY 2015. Growth is expected to slow to 2.3 percent in FY 2016 before returning to a 2.5 percent rate in FY 2017. Nominal growth is expected to be 3.9 percent in FY 2016 (up from 3.6 percent in FY 2015), and 4.6 percent in FY 2017.

The District of Columbia Economy

Recent trends in the DC economy include continued moderate growth in jobs and income, increased population and housing units, modest increase in the number of home sales, and higher single family home prices.

- In the three months ending December 2015, there were 9,667 (1.3%) more wage and salary jobs located in the District than a year earlier. Federal government jobs in September were up by 833 from a year earlier, and private sector jobs increased by 9,633 (1.8%).
- District resident employment in the three months ending December 2015 increased by 10,132 (2.9%) compared to a year earlier.
- The December unemployment rate fell to 6.6 percent (seasonally adjusted), a decrease from 7.7 percent a year ago.
- Wages earned in the District of Columbia grew 5.1 percent in FY 2015 quarter, compared to the prior year.
- DC Personal Income was 4.2 percent higher.
- Home sales in FY 2015 were higher than in 2014. Single family sales for the three-month period ending December 2015 were up 4.3 percent from a year ago, with a 10.1 percent increase in the average selling price. Condominium sales, however, were down 1.6 percent, and the average price was 5.7 percent lower. The value of all home sale settled contracts for the three-month period ending December 2015 was 6.0 percent more than a year ago.
- According to CoStar, leased commercial office space in December 2015 was up 0.4 percent from a year ago, while the vacancy rate rose over the past year from 9.9 percent in the fourth quarter of 2014 to 10.1 percent in the third quarter of 2015. Average rents were 1.5 percent higher in the December quarter than a year earlier.
- Hotel room-days sold for the three months ending December 2015 were 0.2 percent above the prior year, and hotel room revenues were up 1.2 percent.

Outlook

The outlook for the District's economy is for continued, modest growth in jobs and income, similar to that which has occurred over the past year. This outlook includes:

- Job growth increases of 1.3 percent in FY 2016 and 0.8 percent in FY 2017, down from the 1.5 percent rate of increase in FY 2015.
- Population growth continuing at a slightly slower pace (21,000—3.1 percent—over the two fiscal years 2016 and 2017); resident employment growth of 4.0 percent over the same period.
- DC Personal Income growth increasing 4.0 percent in FY 2016, and 4.2 percent in FY 2017, similar to the 4.2 percent growth in FY 2015.

Risks and uncertainties

Developments outside of the local economy pose major and growing risks to the forecast. These include the possibility of slower national economic growth, further declines and volatility in the stock market, increases in interest rates, and financial market problems as the Federal Reserve phases out some of its monetary stimulus activities. Possible disruptions arising from uncertainties in China, Europe, the Middle East or elsewhere, and potential national security events are other sources of risks to the forecast.

Although legislation adopted late last year reduced the likelihood of a government shutdown, federal government fiscal policy uncertainty remains a primary concern. The federal government continues to anchor the District's economy, and the current constrained budget environment means that federal spending is less likely to be a source of significant growth over the next several years.

If you have any questions regarding this matter, please contact me on (202) 727-2476.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey S. DeWitt". The signature is written in a cursive style with a large initial "J".

Jeffrey S. DeWitt

Enclosures

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John Falcicchio, Chief of Staff to the Mayor
Matthew Brown, Budget Director
Kathy Patterson, District of Columbia Auditor
Jennifer Budoff, Budget Director, Council of the District of Columbia

**Estimated Key Variables for the D.C. Economy for the Forecast Period FY 2011 through
FY 2020**

Fiscal Years	2011 act	2012 act	2013 act	2014 act	2015 act	2016 est	2017 est	2018 est	2019 est	2020 est
Gross State Product (\$ billion)	107.54	109.92	111.00	115.49	120.48	124.96	130.86	136.80	142.32	148.15
	4.8%	2.2%	1.0%	4.0%	4.3%	3.7%	4.7%	4.5%	4.0%	4.1%
Real Gross State Product (billions \$2005)	103.75	104.46	103.36	105.41	107.78	109.89	112.79	115.28	117.19	119.03
	2.6%	0.7%	-1.1%	2.0%	2.3%	2.0%	2.6%	2.2%	1.7%	1.6%
Personal Income (\$ billion)	41.08	43.21	44.44	45.63	47.52	49.45	51.54	53.98	56.39	58.82
	8.0%	5.2%	2.8%	2.7%	4.2%	4.0%	4.2%	4.7%	4.5%	4.3%
Real Personal Income (billions \$2005)	33.73	34.74	35.28	35.78	37.09	38.39	39.36	40.39	41.27	42.11
	5.8%	3.0%	1.5%	1.4%	3.6%	3.5%	2.5%	2.6%	2.2%	2.0%
Per Capita Income (\$)	66,408	68,223	68,639	69,271	70,861	72,531	74,520	77,106	79,707	82,379
	5.4%	2.7%	0.6%	0.9%	2.3%	2.4%	2.7%	3.5%	3.4%	3.4%
Real Per Capita Income (\$2005)	54,527	54,849	54,489	54,328	55,305	56,315	56,912	57,691	58,339	58,979
	3.2%	0.6%	-0.7%	-0.3%	1.8%	1.8%	1.1%	1.4%	1.1%	1.1%
Wages earned in D.C. (\$ billion)	59.53	60.65	62.07	63.97	67.22	70.07	72.78	75.66	78.59	81.65
	4.0%	1.9%	2.3%	3.1%	5.1%	4.2%	3.9%	4.0%	3.9%	3.9%
Wages earned by D.C. residents (\$ billion)	19.9	20.8	21.7	22.3	23.4	24.4	25.4	26.4	27.5	28.6
	4.7%	4.6%	4.4%	3.0%	4.6%	4.5%	4.0%	4.2%	3.9%	4.0%
Population ('000)	618.5	633.4	647.5	658.7	670.6	681.7	691.6	700.1	707.4	714.0
	2.5%	2.4%	2.2%	1.7%	1.8%	1.7%	1.4%	1.2%	1.1%	0.9%
Households ('000)	275.1	279.6	285.3	290.1	294.8	299.3	303.2	306.4	309.4	311.8
	3.2%	1.6%	2.0%	1.7%	1.6%	1.5%	1.3%	1.1%	1.0%	0.8%
Civilian Labor Force ('000)	349.7	359.3	373.6	374.3	384.9	390.8	395.9	400.1	403.9	407.2
	1.5%	2.8%	4.0%	0.2%	2.8%	1.5%	1.3%	1.1%	1.0%	0.8%
At-Place Employment ('000)	723.4	731.0	745.5	751.5	762.8	772.4	778.8	783.9	788.7	792.8
	2.0%	1.0%	2.0%	0.8%	1.5%	1.3%	0.8%	0.7%	0.6%	0.5%
Resident Employment ('000)	314.7	325.8	341.4	344.8	356.5	365.4	370.6	374.9	378.5	381.9
	1.0%	3.5%	4.8%	1.0%	3.4%	2.5%	1.4%	1.2%	1.0%	0.9%
Unemployment Rate	10.0	9.3	8.6	7.9	7.4	6.5	6.4	6.3	6.3	6.2
Housing Starts	1,900	3,445	3,535	4,327	4,233	3,988	3,006	2,814	2,742	2,696
Housing Stock ('000)	299.4	302.2	307.2	312.0	316.2	320.3	323.9	326.3	329.4	330.7
	0.7%	0.9%	1.7%	1.6%	1.4%	1.3%	1.1%	0.7%	0.9%	0.4%
Home sales	6,269	6,347	7,466	7,616	7,929	8,088	8,104	8,104	8,104	8,104
	-10.0%	1.2%	17.6%	2.0%	4.1%	2.0%	0.2%	0.0%	0.0%	0.0%
Average home sale price ('000)	601.0	630.1	712.8	736.4	767.9	802.8	840.8	884.9	928.7	973.4
	11.6%	4.8%	13.1%	3.3%	4.3%	4.5%	4.7%	5.2%	5.0%	4.8%
Change in S & P 500 Index of Common Stock*	1.8%	15.7%	24.8%	13.6%	2.0%	0.5%	3.5%	2.7%	4.2%	7.0%
Interest rate on 10-year Treasury notes (%)	3.0	1.9	2.1	2.7	2.2	2.6	3.2	3.8	4.0	4.1
Washington Area Consumer Prices: % change from prior year	2.6	1.9	1.3	1.6	0.3	1.1	2.3	2.5	2.5	2.5

* Change in S and P 500 Index of Common Stock is the change from the 4th quarter to the 4th quarter on a calendar year (rather than fiscal year) basis. (For example, the value in FY 2015 is the % change from CY 2014.4 to CY 2015.4)

Note: Estimated by the D.C. Office of Revenue Analysis based on forecasts of the D.C. and national economies prepared by IHS Global Insight (February 2016) and Moody's Analytics (Economy.com) (January 2016); forecasts of the national economy prepared by the Congressional Budget Office (January 2016) and Blue Chip Economic Indicators (February 2016); BLS labor market information from December 2015, the Census Bureau estimates of the D.C. population (2015); Bureau of Economic Analysis estimates of D.C. Personal Income (September 2015); Metropolitan Regional Information System (MRIS) D.C. home sales data (December 2015), accessed in part through the Greater Capital Area Association of Realtors (GCAAR); CoStar information on commercial office buildings and residential property in D.C. (December 2015); and Delta Associates commercial office buildings and apartments in DC (December 2015).

Revenue Source	Actual	Estimate		Out year projections		
	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Real Property	8.9%	7.4%	4.2%	3.1%	3.1%	3.2%
<i>Transfer to TIF/Pilot</i>	33.3%	15.5%	-14.6%	3.4%	3.4%	3.7%
Real Property (net)	8.5%	7.3%	4.6%	3.1%	3.1%	3.2%
Personal Property	3.3%	2.0%	3.7%	3.0%	3.5%	2.7%
Public Space Rental	7.2%	3.1%	2.7%	3.2%	3.2%	3.1%
Total Property (net)	8.3%	7.1%	4.5%	3.1%	3.1%	3.2%
General Sales	12.2%	-1.9%	4.1%	4.1%	3.7%	3.7%
<i>Transfer to convention center</i>	10.4%	-2.1%	4.5%	-1.0%	2.7%	2.2%
<i>Transfer to TIF</i>	76.8%	-21.2%	-5.1%	9.4%	3.8%	3.7%
<i>Transfer to Ballpark Fund</i>	-8.7%	20.1%	3.4%	3.8%	3.0%	3.0%
<i>Transfer to Healthy DC Fund</i>	0.0%	135.8%	70.8%	100.0%	0.0%	0.0%
<i>Transfer to WMATA</i>	3.2%	-1.2%	0.0%	0.0%	0.0%	0.0%
<i>Transfer to Healthy Schools</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Transfer to ABRA</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General Sales (net)	12.0%	-1.5%	4.6%	4.7%	4.0%	4.1%
Alcohol	0.2%	2.0%	3.9%	4.3%	4.0%	3.8%
Cigarette	-5.2%	-2.8%	-4.0%	-3.7%	-3.0%	-3.0%
Motor Vehicle	-2.0%	2.4%	3.9%	4.3%	4.0%	3.8%
Motor Fuel Tax	10.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
<i>Transfer to Highway Trust Fund</i>	10.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Total Sales (net)	10.8%	-1.4%	4.4%	4.5%	3.9%	3.9%
Individual Income	11.2%	-0.6%	4.0%	4.1%	4.1%	3.6%
Corp. Franchise	9.9%	-6.6%	1.2%	3.9%	2.3%	4.8%
U. B. Franchise	3.2%	-4.7%	2.5%	3.8%	2.2%	3.7%
Total Income	10.6%	-1.6%	3.5%	4.1%	3.8%	3.7%
Public Utility	0.1%	0.5%	0.5%	0.5%	0.5%	0.5%
<i>Transfer to Ballpark Fund</i>	0.9%	1.0%	1.0%	1.0%	1.0%	21.9%
Public Utility (net)	0.1%	0.5%	0.5%	0.5%	0.5%	-0.9%
Toll Telecommunications	7.0%	3.2%	3.5%	2.9%	3.4%	3.4%
<i>Transfer to Ballpark Fund</i>	23.4%	-16.7%	3.5%	3.3%	3.4%	3.4%
Toll Telecommunications (net)	6.3%	4.2%	3.5%	2.9%	3.4%	3.4%
Insurance Premiums	7.5%	-1.8%	-4.6%	3.0%	1.9%	1.9%
<i>Transfer to Healthy DC Fund</i>	29.1%	1.3%	2.0%	2.0%	2.0%	2.0%
Insurance Premiums (net)	-4.5%	-4.1%	-9.8%	3.9%	1.9%	1.9%
Healthcare Provider Tax	-6.7%	13.5%	2.0%	2.0%	2.0%	2.0%
<i>Transfer to Nursing Facility Quality of Care Fund</i>	-6.7%	13.5%	2.0%	2.0%	2.0%	2.0%
Ballpark fee	2.4%	-9.0%	3.0%	3.0%	3.0%	3.0%
<i>Transfer to Ballpark Fund</i>	2.4%	-9.0%	3.0%	3.0%	3.0%	3.0%
Hospital Bed Taxes			-	-	-	-
<i>Transfer to Hospital Fund</i>			-	-	-	-
ICF-MR Assessment	1.9%	8.9%	0.8%	2.0%	2.0%	2.2%
<i>Transfer to Stevie Sellows</i>	1.9%	8.9%	0.8%	2.0%	2.0%	2.2%
Care First Contribution	-100.0%		-	-	-	-
<i>Transfer to Healthy DC Fund</i>	-100.0%		-	-	-	-
Total Gross Receipts (net)	0.2%	0.2%	-1.2%	1.7%	1.5%	0.7%
Estate	50.3%	-28.5%	4.3%	4.6%	4.4%	3.4%
Deed Recordation	23.9%	-22.2%	2.3%	3.1%	2.0%	3.1%
<i>Transfer to HPTF/ Bond repayment/West End</i>	23.9%	-22.2%	2.3%	5.3%	1.8%	3.0%
Deed Recordation (net)	23.9%	-22.2%	2.3%	2.7%	2.0%	3.1%
Deed Transfer	30.6%	-27.5%	2.0%	3.1%	2.9%	3.2%
<i>Transfer to HPTF/ Bond repayment/West End</i>	30.6%	-27.5%	2.0%	3.1%	2.9%	3.2%
Deed Transfer (net)	30.6%	-27.5%	2.0%	3.1%	2.9%	3.2%
Co-op Recordation	-100.0%					
Economic Interests	-6.0%	-31.2%	-5.9%	0.0%	0.0%	0.0%
Total Other Taxes (net)	24.7%	-25.3%	2.0%	2.9%	2.5%	3.0%
TOTAL TAXES NET OF DEDICATED TAXES	10.3%	-0.2%	3.8%	3.6%	3.4%	3.4%
Licenses & Permits	12.1%	-3.2%	4.8%	-7.5%	7.0%	-4.6%
Fines & Forfeits	-14.3%	29.3%	-3.6%	-4.4%	-5.3%	-4.9%
Charges for Services	21.0%	-17.0%	2.7%	-2.3%	2.7%	-2.5%
Miscellaneous	-7.2%	-8.6%	-0.1%	-0.2%	-0.2%	0.0%
TOTAL NON-TAX	-0.6%	1.3%	0.2%	-3.6%	0.1%	-3.1%
Lottery	1.1%	-1.1%	0.9%	0.9%	0.9%	0.9%
TOTAL REVENUE NET OF DEDICATED TAXES	9.5%	-0.1%	3.5%	3.2%	3.2%	3.0%

Revenue Source	Actual	Estimate		Out year projections		
	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Real Property	2,194,500	2,357,202	2,456,722	2,532,880	2,610,285	2,693,814
<i>Transfer to TIF/Pilot</i>	(40,180)	(46,394)	(39,619)	(40,966)	(42,359)	(43,926)
Real Property (net)	2,154,320	2,310,808	2,417,103	2,491,914	2,567,926	2,649,888
Personal Property	57,225	58,370	60,529	62,345	64,527	66,269
Public Space Rental	36,122	37,242	38,247	39,471	40,734	41,997
Total Property (net)	2,247,667	2,406,419	2,515,879	2,593,731	2,673,188	2,758,154
General Sales	1,315,295	1,290,847	1,344,385	1,399,256	1,450,895	1,504,626
<i>Transfer to convention center</i>	(116,448)	(113,971)	(119,100)	(117,909)	(121,093)	(123,733)
<i>Transfer to TIF</i>	(37,554)	(29,603)	(28,095)	(30,734)	(31,895)	(33,075)
<i>Transfer to Ballpark Fund</i>	(14,904)	(17,900)	(18,509)	(19,212)	(19,788)	(20,382)
<i>Transfer to Healthy DC Fund</i>	(106)	(250)	(427)	(854)	(854)	(854)
<i>Transfer to WMATA</i>	(67,446)	(66,664)	(66,670)	(66,670)	(66,670)	(66,670)
<i>Transfer to Healthy Schools</i>	(4,265)	(4,266)	(4,266)	(4,266)	(4,266)	(4,266)
<i>Transfer to ABRA</i>	(1,170)	(1,170)	(1,170)	(1,170)	(1,170)	(1,170)
General Sales (net)	1,073,402	1,057,023	1,106,148	1,158,441	1,205,160	1,254,476
Alcohol	6,244	6,369	6,618	6,903	7,180	7,451
Cigarette	31,492	30,623	29,398	28,310	27,461	26,637
Motor Vehicle	46,607	47,725	49,589	51,724	53,799	55,832
Motor Fuel Tax	25,256	25,004	24,754	24,506	24,261	24,018
<i>Transfer to Highway Trust Fund</i>	(25,256)	(25,004)	(24,754)	(24,506)	(24,261)	(24,018)
Total Sales (net)	1,157,744	1,141,740	1,191,753	1,245,378	1,293,599	1,344,396
Individual Income	1,868,037	1,856,982	1,930,426	2,010,439	2,093,150	2,167,639
Corp. Franchise	308,027	287,766	291,222	302,470	309,344	324,326
U. B. Franchise	139,778	133,159	136,488	141,607	144,722	150,077
Total Income	2,315,843	2,277,908	2,358,136	2,454,516	2,547,216	2,642,042
Public Utility	145,852	146,582	147,315	148,051	148,791	149,535
<i>Transfer to Ballpark Fund</i>	(8,681)	(8,768)	(8,856)	(8,944)	(9,034)	(11,016)
Public Utility (net)	137,171	137,814	138,459	139,107	139,758	138,519
Toll Telecommunications	56,205	58,003	60,033	61,774	63,875	66,046
<i>Transfer to Ballpark Fund</i>	(2,681)	(2,232)	(2,311)	(2,387)	(2,467)	(2,550)
Toll Telecommunications (net)	53,524	55,771	57,723	59,388	61,408	63,497
Insurance Premiums	104,507	102,642	97,918	100,862	102,805	104,787
<i>Transfer to Healthy DC Fund</i>	(44,805)	(45,392)	(46,300)	(47,226)	(48,171)	(49,134)
Insurance Premiums (net)	59,702	57,250	51,618	53,636	54,635	55,653
Healthcare Provider Tax	12,854	14,591	14,883	15,181	15,485	15,794
<i>Transfer to Nursing Facility Quality of Care Fund</i>	(12,854)	(14,591)	(14,883)	(15,181)	(15,485)	(15,794)
Ballpark fee	34,942	31,800	32,754	33,737	34,749	35,791
<i>Transfer to Ballpark Fund</i>	(34,942)	(31,800)	(32,754)	(33,737)	(34,749)	(35,791)
Hospital Bed Taxes	-	17,100	-	-	-	-
<i>Transfer to Hospital Fund</i>	-	(17,100)	-	-	-	-
ICF-MR Assessment	5,032	5,478	5,519	5,629	5,742	5,866
<i>Transfer to Stevie Sellows</i>	(5,032)	(5,478)	(5,519)	(5,629)	(5,742)	(5,866)
Care First Contribution	-	-	-	-	-	-
<i>Transfer to Healthy DC Fund</i>	-	-	-	-	-	-
Total Gross Receipts (net)	250,397	250,835	247,800	252,131	255,800	257,669
Estate	48,274	34,521	35,991	37,652	39,295	40,631
Deed Recordation	257,865	200,687	205,303	211,667	215,901	222,594
<i>Transfer to HPTF/ Bond repayment/ West End</i>	(38,680)	(30,103)	(30,795)	(32,441)	(33,013)	(34,017)
Deed Recordation (net)	219,185	170,584	174,508	179,226	182,888	188,577
Deed Transfer	198,315	143,697	146,571	151,115	155,497	160,473
<i>Transfer to HPTF/ Bond repayment/ West End</i>	(29,747)	(21,555)	(21,986)	(22,667)	(23,325)	(24,071)
Deed Transfer (net)	168,568	122,143	124,585	128,448	132,173	136,402
Co-op Recordation	-	-	-	-	-	-
Economic Interests	24,412	16,789	15,800	15,800	15,800	15,800
Total Other Taxes (net)	460,439	344,037	350,884	361,126	370,155	381,409
TOTAL TAXES NET OF DEDICATED TAXES	6,432,090	6,420,938	6,664,453	6,906,881	7,139,957	7,383,671
Licenses & Permits	88,788	85,960	90,074	83,360	89,235	85,111
Fines & Forfeits	117,199	151,536	146,045	139,636	132,180	125,762
Charges for Services	94,399	78,365	80,512	78,661	80,811	78,811
Miscellaneous	116,171	106,221	106,148	105,904	105,676	105,676
TOTAL NON-TAX	416,557	422,082	422,779	407,561	407,902	395,360
Lottery	55,586	55,000	55,500	56,000	56,500	57,000
TOTAL REVENUE NET OF DEDICATED TAXES	6,904,232	6,898,020	7,142,732	7,370,442	7,604,359	7,836,031

Tax Policy Changes Already Implemented

Tax Policy	Estimated Cost (\$ thousands)				
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Established a new individual income tax bracket of 40,000-60,000, reducing rates from 8.5% to 7.0%	\$ (37,518) \$	(39,506) \$	(41,482) \$	(43,597) \$	(45,821) \$
Expanded the local earned income tax credit (EITC) to childless workers	\$ (10,834) \$	(11,408) \$	(11,979) \$	(12,590) \$	(13,232) \$
Raised the standard deduction to \$5200 for singles, \$8350 for married residents	\$ (15,652) \$	(16,481) \$	(17,306) \$	(18,188) \$	(19,116) \$
Eliminated certain tax expenditures	\$ 3,722 \$	3,919 \$	4,115 \$	4,325 \$	4,546 \$
Expanding the general sales tax rate to certain services	\$ 16,200 \$	16,814 \$	17,659 \$	17,664 \$	17,668 \$
Phased out the personal exemption by 2% for each \$2,500 above \$150,000, with a complete phase out at \$275,000, making the personal income more progressive at the upper tiers	\$ 4,718 \$	4,930 \$	5,128 \$	5,356 \$	5,594 \$
Exempted passive investment vehicles from the unincorporated business franchise tax	\$ (4,400) \$	(4,576) \$	(4,759) \$	(4,949) \$	(5,147) \$
Reduced the unincorporated and incorporated business franchise tax from 9.975% to 9.4%	\$ 20,000 \$	20,800 \$	21,632 \$	22,497 \$	23,397 \$
Changed the franchise tax apportionment method to a single weighted sales formula	\$ (20,000) \$	(20,800) \$	(21,632) \$	(22,497) \$	(23,397) \$
Further reduce the rate on the new middle income tax bracket to 6.75%	\$ (7,116) \$	(7,494) \$	(7,868) \$	(8,270) \$	(8,691) \$
New income tax bracket -\$350,000 to \$1M at 8.75%, income greater than \$1M at 8.95%	\$ (4,734) \$	(4,985) \$	(5,234) \$	(5,501) \$	(5,782) \$
Further reduce business franchise taxes to 9.2%	\$ (9,692) \$	(10,060) \$	(10,565) \$	(10,568) \$	(10,571) \$
Finish reducing the rate on middle income tax bracket to the new rate of 6.5%	\$ (7,116) \$	(7,493) \$	(7,868) \$	(8,269) \$	(8,691) \$
Reduce unincorporated and incorporated business franchise tax from 9.2% to 9.0%	\$ (9,692) \$	(10,060) \$	(10,565) \$	(10,568) \$	(10,571) \$
Raise the estate tax threshold from \$1Million to \$2 Million	\$ (6,194) \$	(6,472) \$	(6,733) \$	(7,032) \$	(7,345) \$
Total	\$ (88,310) \$	(92,873) \$	(97,456) \$	(102,188) \$	(107,158) \$

Tax Policy Changes Not Yet Implemented

Tax Policy	Estimated Cost (\$ thousands)				
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Raise the standard deduction from \$5,200 for singles, \$6,500 for Head of Households, \$8,350 for married to-\$5,650 for singles, \$7,800 for Head of Households and \$10,275 for married	\$ (8,902)	\$ (9,374)	\$ (9,843)	\$ (10,345)	\$ (10,872)
Increase the personal exemption from \$1,800 to \$2,200	\$ (13,066)	\$ (13,759)	\$ (14,447)	\$ (15,183)	\$ (15,958)
Raise the standard deduction from \$5,650 for singles, \$7,800 for Head of Households, \$10,275 for married to-\$6,100 for singles, \$8,950 for Head of Households and \$12,200 for married	\$ (9,344)	\$ (9,839)	\$ (10,331)	\$ (10,858)	\$ (11,412)
Increase the personal exemption from \$2,200 to \$2,700	\$ (15,865)	\$ (16,705)	\$ (17,541)	\$ (18,435)	\$ (19,375)
Reduce unincorporated and incorporated business franchise tax from 9.0% to 8.75%	\$ (11,446)	\$ (11,905)	\$ (12,563)	\$ (13,257)	\$ (13,990)
Increase the personal exemption from \$2,700 to \$3,200	\$ (15,358)	\$ (16,172)	\$ (16,981)	\$ (17,847)	\$ (18,757)
Raise estate threshold from \$2 Million to conform to federal level	\$ (11,763)	\$ (12,291)	\$ (11,763)	\$ (11,763)	\$ (11,763)
Reduce unincorporated and incorporated business franchise tax from 8.75% to 8.5%	\$ (11,446)	\$ (11,905)	\$ (11,905)	\$ (11,905)	\$ (11,905)
Increase the personal exemption from \$3,200 to \$3,700	\$ (14,820)	\$ (15,605)	\$ (16,386)	\$ (17,221)	\$ (18,100)
Reduce unincorporated and incorporated business franchise tax from 8.5% to 8.25%	\$ (11,446)	\$ (11,905)	\$ (12,563)	\$ (13,257)	\$ (13,990)
Increase the personal exemption from \$3,700 to conform to the federal level (\$4,000) and repeal the LIC	\$ (8,640)	\$ (9,097)	\$ (9,552)	\$ (10,040)	\$ (10,552)

Total \$ ((132,095) \$ (138, 559) \$ (143,874) \$ (150, 112) (156,673)) \$