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Over the past 25 years, annual inflation-adjusted DC tax revenue has increased 50%

This review summarizes trends over the 25 years from 1986 to 2011 in DC gross tax revenue (i.e., before earmarks such as the Convention Center transfer). During this time, annual DC tax revenue more than tripled, rising from \$1.68 billion in 1986 to \$5.33 billion in 2011, a 212% increase.

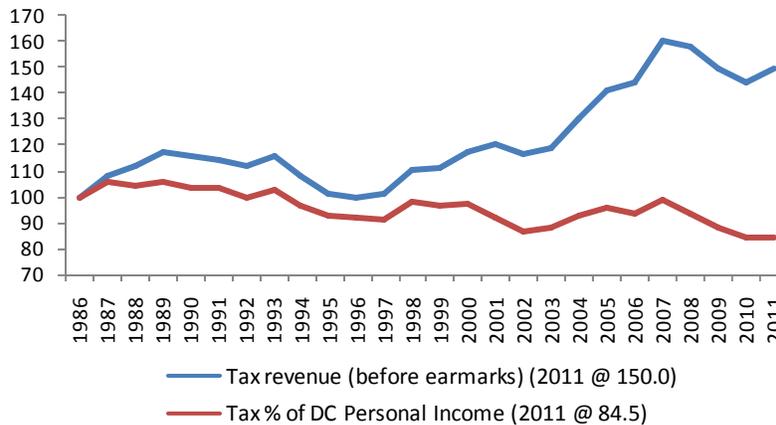
The Consumer Price Index more than doubled from 1986 to 2011. Using this measure to adjust for inflation, real annual tax revenue increased 50% over the period. For the 25 years, the compound annual average rates of growth were 4.7% per year for nominal tax revenue and 1.6% per year for tax revenue adjusted for inflation.

DC's population in 2011 was 3% lower than it was in 1986. Per capita inflation-adjusted tax revenue was therefore about 55% higher in 2011 than it was 25 years earlier, rising from \$5,434 in 1986 to \$8,429 in 2011.

Another way to look at revenue is to compare it to a broad measure of DC economic activity. DC Personal Income is one good measure to use because it represents the income from all sources of persons living in the District of Columbia. Over the past 25 years DC Personal Income grew faster than tax revenue. Unadjusted for inflation, Personal Income grew 275% from 1986 to 2011, an average annual rate of about 5.4%. Accordingly, the ratio of tax revenue to Personal Income fell over the period, with the index hitting 84.5 in 2011 due to a notable decline after FY 2007. Annual detail on tax revenue, inflation, population and Personal Income are contained in the table on p. 2.

(continued on p. 2)

DC gross tax revenue and tax revenue as a % of DC Personal Income: FY 1986 to FY 2011 (index numbers 1986 = 100)



This briefing document was prepared by Stephen Swaim, DC Office of Revenue Analysis.

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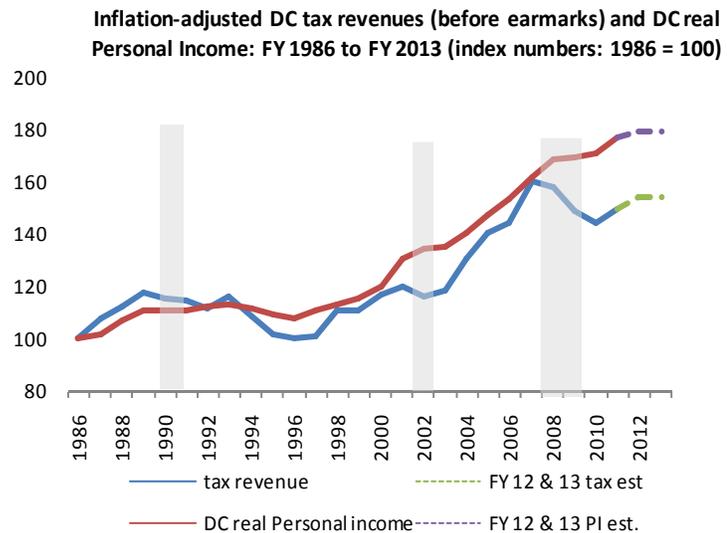
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25 years in inflation-adjusted tax revenue, continued from p.1

The accompanying chart shows that inflation-adjusted tax revenue peaked in FY 2007 and fell in four different periods. Three of the declines, 1990, 2001 and 2008, were closely associated with the onset of national economic recessions (noted by the shading). The fourth period of downturn, starting in 1994, occurred when cutbacks in federal employment and spending added to the distress in DC finances that resulted in the establishment of the DC Control Board in 1995.

The trend of inflation-adjusted revenues tracks fairly closely that of real personal income (also adjusted by DC CPI), but there is more variation in the tax revenues. In addition to tax rate changes, this variation occurs because other factors not directly tied to income affect the tax base, such as real property values, real property sales, and capital gains. Divergence due to these factors was particularly notable in the years following the December 2007 US recession.

Under the most recent revenue estimates included in the Mayor's FY 2013 Budget and Financial Plan, real revenues rise in FY 2012 but are flat in FY 2013 due to the possibility of federal cutbacks. —*Stephen Swaim, ORA*



DC tax revenue (before earmarks), DC Personal Income, Inflation, and Population: FY 1986 to FY 2013

FY	Total tax revenue (\$M)	DC Personal Income (\$B)	Tax as % of PI	Inflation adj. factor	Real tax revenue		DC population ('000)	real revenue per capita
					revenue (\$2010 M)	Ch in real revenue		
1986	1,685	11.93	14.1	0.486	3,464		637.5	5,434
1987	1,874	12.53	15.0	0.500	3,746	281	636.8	5,882
1988	2,022	13.67	14.8	0.519	3,895	149	631.3	6,170
1989	2,205	14.70	15.0	0.541	4,075	180	624.1	6,528
1990	2,279	15.52	14.7	0.568	4,010	-65	608.5	6,590
1991	2,372	16.26	14.6	0.598	3,965	-45	601.5	6,591
1992	2,384	16.98	14.0	0.614	3,881	-83	598.0	6,490
1993	2,558	17.66	14.5	0.635	4,026	145	595.3	6,762
1994	2,470	18.04	13.7	0.657	3,758	-268	589.8	6,371
1995	2,391	18.22	13.1	0.679	3,520	-238	581.6	6,052
1996	2,434	18.65	13.1	0.702	3,467	-53	573.6	6,045
1997	2,522	19.61	12.9	0.719	3,507	39	568.4	6,169
1998	2,808	20.30	13.8	0.733	3,832	325	566.0	6,770
1999	2,880	21.13	13.6	0.747	3,854	22	569.4	6,768
2000	3,116	22.56	13.8	0.767	4,061	207	572.1	7,099
2001	3,294	25.37	13.0	0.790	4,170	109	574.0	7,265
2002	3,229	26.43	12.2	0.801	4,031	-139	573.1	7,033
2003	3,384	27.21	12.4	0.821	4,120	90	569.3	7,237
2004	3,805	29.08	13.1	0.842	4,518	398	567.9	7,957
2005	4,249	31.48	13.5	0.870	4,883	365	567.5	8,605
2006	4,516	34.07	13.3	0.903	5,000	117	570.2	8,768
2007	5,155	36.82	14.0	0.926	5,566	566	574.1	9,696
2008	5,325	40.36	13.2	0.973	5,473	-93	579.9	9,438
2009	5,052	40.58	12.4	0.976	5,175	-298	590.8	8,760
2010	5,005	42.01	11.9	1.000	5,005	-170	603.3	8,296
2011	5,325	44.63	11.9	1.025	5,195	190	616.3	8,429
2012 est	5,616	46.10	12.2	1.048	5,360	165	624.6	8,581
2013 est	5,721	47.05	12.2	1.067	5,360	0	629.3	8,518

Source: (1) Revenue: ORA. (2) Personal Income: BEA (3) Inflation adjustment is DC CPI (4) Real revenue: revenue divided by inflation adj. factor (5) DC population: HIS Global Insight. Estimates for FY 2012 and FY 2013 based on OCFO February 2012 revenue estimate.