
Revenue

Introduction

The outlook for the District of Columbia's economy in FY 2006 and FY 2007 continues to be favorable, although personal income growth is not expected to be as great as in FY 2005. However, due to the combination of changes in tax policies and unusually rapid increases in revenues for several taxes in FY 2005, overall revenue growth in FY 2006 will be much below that of FY 2005. Revenue gains will be higher in FY 2007, but the percentage increase will be less than the annual gains of almost 10 percent recorded in both FY 2004 and FY 2005.

The District's economic outlook is similar to that which most economists have projected for the nation as a whole—steady growth in employment, wages, and income with gradual slowing through FY 2007. The District will benefit from the national growth and some additional strengths of its own. Continued high levels of federal spending means an extra “kick” locally because so many of these dollars will be spent here. Currently, small business growth is helping the economy in the District and this is expected to continue, adding jobs and economic activity. Retail activity will continue to improve, as the number of retail outlets in the District continues to grow and as shoppers increase their spending.

The estimating assumptions for FY 2006 and FY 2007, respectively, include 1.2 percent and 1.1 percent growth in total jobs; 6.0 percent and 5.9 percent increases in personal income of District residents; and inflation of

3.3 and 2.5 percent. Most of the increases in jobs and wages will be in the District's leading private sector service industries: professional and business services, education, health, retail, and hospitality services.

One key question for the District in FY 2006 and on into FY 2007 is “What will happen in the market for real property?” Rising real estate assessments and sales were major sources of revenue gains in fiscal years 2003 through 2005. The key fundamentals affecting the District's real estate markets remain strong: the District's economy is growing, individuals and businesses both continue to demonstrate a desire to locate in the District, and the supply of land for residential and commercial development cannot increase very rapidly. The contributions of the real estate sector are expected to be significant in FY 2006 and FY 2007 as well, but there will be little revenue growth generated by the sales aspect of the market.

In FY 2004 and FY 2005 the assessed value of all taxable property in the District (before the application of any caps or credits) increased 22.5 percent and 12.0 percent, respectively. The assessed value of all taxable property real property tax revenue is estimated to continue to increase by about 14.5 and 26.4 percent in FY 2006 and FY 2007. These increases reflect continued robustness in the property market and improved administration of the city's real property tax base by the Office of Tax and Revenue. Policy changes implemented in FY 2005 — a residential class tax rate reduction,

an increased homestead exemption amount to \$60,000, annual homestead tax increases capped at 10 percent, and a residential assessment parity adjustment by trigroup will moderate the revenue impact of the rising assessments in FY 2006 and FY 2007. Consequently, real property tax revenue gains in FY 2006 will be 5.1 percent, rising to 16.2 percent in FY 2007.

The total value of taxable real property sales grew 38.1 percent in FY 2005, following a 31.6 percent increase in FY 2004. For FY 2006 and FY 2007 the value of all transactions are expected to remain close to FY 2005's high level, due primarily to declining transactions rather than prices. Revenues from deed recordation, deed transfer and economic interest taxes are expected to decline by 1.0 percent in FY 2006 and increase just 0.2 percent in FY 2007 (net of the transfer to the Housing Production Trust Fund). (Deed recordation, deed transfer and economic interest tax collections actually declined by 1.8 percent in FY 2005, due to the 26.7 percent rate reduction—from 1.5 percent to 1.1 percent on deed transfers and recordations—that took place at the beginning of that year.)

In other areas, growth in personal income and gains in financial markets will expand the individual income tax base. The FY 2006 gain in individual income tax revenues is expected to be 5.1 percent but there will be virtually no increase in FY 2007 due to rate reductions. In FY 2008 individual income tax revenues will return to growth more in line with growth in the District's income. Franchise tax revenues also will grow—11.1 percent in FY 2006 and 3.0 percent in FY 2007. By contrast, the increase in FY 2005 was almost 22 percent.

General sales tax revenues will increase in FY 2006 and FY 2007, but the rate of growth will be considerably less than the 14.5 percent that occurred in FY 2005. Developments that gave a special boost to sales tax revenues in FY 2005 include the presidential inauguration, the return of Major League Baseball, the full operation of the new Convention Center, and the opening of two new attractions on the

Mall—the World War II Memorial and the National Museum of the American Indian. The dedication of the parking tax to DDOT means that baseline growth for FY 2006 will only be 3.2 percent, rising to 6.5 percent in FY 2007. When the transfer of \$100 million of sales tax revenue to school modernization is included, sales tax revenue declines by 6.1 percent in FY 2007.

In all, despite a growing D.C. economy, total local revenue available for general fund purposes in FY 2006 is forecast to be just 1.5 percent greater than in FY 2005, but growth in FY 2007 will rise to 3.5 percent. The growth in total local general fund revenue in FY 2005 was 10.2 percent over FY 2004.

Although the national and local economies continue to show considerable strength, recent developments point to a number of possible risks. For example, the U.S. economy continues to grow, but much of this depends upon continued gains in consumer spending. Consumers are heavily indebted, with net saving rates close to zero. Were consumers to cut back on spending, a slowing U.S. economy would eventually impact the District economy, primarily through its dampening effect on tourism receipts, other retail sales, and corporate profits.

Also, driven primarily by higher oil prices, inflation may be a real threat to the national economy. Rising inflation combined with current imbalances in the economy—in particular, the record-level budget and trade deficits—could lead to higher long-term interest rates. The District's revenue estimates assume a gradual rise in long-term interest rates. More rapid increases in interest rates could cause more slowing of growth in the real estate market than we are forecasting here, as could a general decline in real estate prices nationally. The uncertainties involved in projecting changes in real estate markets that have such a big impact on revenues are comparable with those encountered a few years earlier in trying to anticipate the performance of the stock market, which had such a large impact on income tax revenues.

Table 4-1

Selected U.S. Economic Indicators: 2004.4 to 2006.1

(Percent change from same calendar year quarter of previous year unless noted)

GDP:	2004.4	2005.1	2005.2	2005.3	2005.4	2006.1
Real	3.8	3.6	3.6	3.6	3.2	3.5
Nominal	6.8	6.5	6.1	6.7	6.4	6.7
Employment (wage and salary)	1.6	1.6	1.5	1.6	1.4	1.5
Income:						
Wages	7.2	7.1	6.7	6.3	4.8	5.1
Total personal income	7.5	6.2	5.9	5.4	4.6	5.8
Inflation (CPI)	3.3	3.0	2.9	3.8	3.7	3.6
S & P 500:						
Level	1162	1193	1190	1224	1230	1283
Change from prior quarter	5.2	2.6	-0.2	2.9	0.5	4.3
Change from prior year	10.0	5.5	5.9	10.8	5.9	7.7
Interest rate (10-yr. Treasuries)	4.2	4.3	4.2	4.2	4.5	4.6

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, and Yahoo financial.

The S&P 500 stock index for April 2006, was a notable 12.6 percent higher than a year earlier, but the increases that occurred over the past year are very tentative and uneven. The closing price on May 15, 2006, for example was virtually the same as the price on January 11, 2006. A sharp decline, or a prolonged period of stagnation in the U.S. stock market, would adversely affect the District's revenues, particularly individual income tax revenues as stock market returns for the current year are a significant determinant of the changes to income tax revenue in the year that follows.

Another source of risk is the pattern of federal expenditures. Federal spending is the significant economic underpinning of the entire Washington D.C. Metropolitan area, including the District of Columbia itself. Security concerns arising out of 9/11 and the Iraq war have resulted in large increases in government spending that benefited the Washington D.C. area. Efforts to reduce government spending over the next few years to bring greater balance to federal fiscal policy could dampen growth in the District of Columbia.

Economic Assumptions for the FY 2007-2010 Revenue Estimates and Financial Plan

The U.S. Economy

The national economy continues to be strong. According to the U.S. Bureau of Economic Analysis, U.S. Real Gross Domestic Product in the quarter ending March 31, 2006, was 3.5 percent over the same quarter a year earlier, up from 3.2 percent growth in the previous quarter. Nominal Gross Domestic Product and Personal Income in the quarter that ended March 31, 2006 were 6.7 percent and 5.8 percent higher, respectively, than in the same quarter of 2005.

In the quarter ending March 31, 2006, employment was up 1.5 percent, and wage and salary earnings were up 5.1 percent from the prior year.

For guidance, the survey of the economic factors affecting the District's revenue base uses forecasts of the U.S. economy prepared by the Congressional Budget Office (CBO) and the Blue Chip Indicators, along with those of two forecasting services, Global Insight and Economy.com, that also make forecasts of the District's economy.

Highlights of the forecasts for the United States economy are:

- *Slower nominal GDP growth.* In real terms, economic growth in FY 2006 is forecast by both Blue Chip Indicators and the CBO to continue at about the same rate as FY 2005, declining slightly thereafter. In nominal terms, the increase for FY 2006 will also continue at about the FY 2005 level and decline somewhat in FY 2006. Growth rates in nominal GDP for the U.S. are expected by Blue Chip Indicators to be 6.3 percent in FY 2006 and 5.4 percent in FY 2007.
- *Slower wage and salary growth.* According to the CBO, wage and salary growth will be 5.6 percent and 5.5 percent, respectively, in FY 2006 and FY 2007, down from 6.9 percent in FY 2005.
- *Inflation will be modest.* According to the Blue Chip Indicators, the CPI is expected to increase at a 3.3 percent rate in FY 2006, the same as FY 2005, then decline to 2.5 percent in FY 2007, as energy prices recede somewhat and productivity gains and imports continue to moderate the price impact of wage increases.
- *Gradually rising interest rates.* The interest rates on 10-year Treasury securities are expected to rise somewhat from 4.2 percent in FY 2005. According to the Blue Chip Indicators, in FY 2006 and FY 2007 the rates are anticipated to be 4.8 percent and 5.1 percent, respectively. The Financial Plan assumes the interest rate on 10-year Treasury securities will be 4.8 percent in FY 2006 and 5.2 percent in FY 2007.

- *Moderate stock market gains.* Economy.com and Global Insight both expect the stock market to grow in FY 2006 at about the 7.9 percent rate that occurred in FY 2005. The two services forecast FY 2007 gains ranging from 2.1 percent to 5.1 percent. The Financial Plan assumes the market will gain 7.3 percent in FY 2006, the average of two forecasting service quarterly growth rates calculated from the S&P actual level in the quarter that ended December 31, 2005. The Financial Plan's 5.8 percent increase in FY 2007 is based on an historical relationship to GDP.

The D.C. Economy

The outlook for the District is favorable if things go well nationally. The growth in the District's economy for FY 2006 and FY 2007 is expected to outpace that of the U.S. economy just as it did in FY 2004 and FY 2005 (see tables 4-2 and 4-3 for key variables reflecting the District's economy).

The driving forces in expected gains in output, income, and employment in FY 2006 and FY 2007 are private sector services (professional and business services, health, education, retail, and hospitality) along with federal government spending. (Federal government employment will not increase, however.) The Financial Plan also assumes that inflation will decline in FY 2007. The value of real estate is expected to continue to increase in both FY 2006 and FY 2007, although the number of transactions will not. In FY 2006 and FY 2007 resident employment and the number of households are both expected to increase.

¹ GSP, the value added in production by the labor and property located in a state, is a measure of the gross output of all industries in a state.

² Personal income is a measure of before-tax income received by all persons in a state. It is the total of net earnings by place of residence, rental income, personal dividend income, personal interest income, and transfer payments. Wages and salaries are the biggest component of personal income. Health and other employee benefits are also a significant component.

³ In the table, the number of sales and average price of residential real estate is measured by the average selling price of single family and condominium units as reported by the Metropolitan Regional Information System (MRIS), as accessed through the Greater Capital Area Association of Realtors. The MRIS system reports only sales handled by brokers.

Highlights of the economic assumptions are:

- *Slower growth in nominal Gross State Product.*¹ Growth rates in FY 2006 and FY 2007 are 6.7 percent and 5.5 percent, respectively, somewhat less than the 7.4 percent growth for FY 2005. The slower growth rates in the next two years reflect a modest slowing down in the growth of federal spending. Major services, government spending, and retail and hospitality all contribute significantly to the increase in GSP.

- *Continued growth in jobs located in D.C.* The number of jobs in the District in FY 2006 is expected to show a net increase of 8,200 (1.2 percent), then increase another 7,400 (1.1 percent) in FY 2007, with all gains in private sector services. The percent gain in FY 2006 equals that in FY 2005.

Table 4-2

Estimated Key Variables for the D.C. Economy for the Forecast Period FY 2004 through FY 2010

	FY 2004 Actual	FY 2005 Actual	FY 2006 Est.	FY 2007 Est.	FY 2008 Est.	FY 2009 Est.	FY 2010 Est.
Gross State Product (nominal; \$ billions)	75.11	80.67	86.11	90.81	95.45	100.40	105.30
	7.7%	7.4%	6.7%	5.5%	5.1%	5.2%	4.9%
Personal Income (\$ billions)	27.80	29.84	31.62	33.48	35.35	37.33	39.38
	5.6%	7.3%	6.0%	5.9%	5.6%	5.6%	5.5%
Earnings of DC Residents (\$ billions)	20.41	22.10	23.48	24.74	26.10	27.48	28.93
	6.8%	8.3%	6.2%	5.4%	5.5%	5.3%	5.3%
Population (thousands)	554.2	550.5	553.9	557.6	561.5	565.5	569.2
	-0.6%	-0.7 %	0.6%	0.7%	0.7%	0.7%	0.7%
Household (thousands)	251.7	252.5	255.3	258.1	261.2	264.2	267.2
	0.9%	0.3%	1.1%	1.1%	1.2%	1.2 %	1.1%
At-place Employment (thousands)	671.4	679.7	687.9	695.3	702.4	709.1	715.7
	0.8%	1.2%	1.2%	1.1%	1.0%	1.0%	0.9%
Civilian Labor Force (thousands)	295.4	297.2	296.1	298.1	301.7	303.8	307.3
	-0.5%	0.6%	-0.4%	0.7%	1.2%	0.7%	1.1%
Resident Employment (thousands)	273.3	276.9	279.6	281.8	285.1	287.3	290.5
	-1.1%	1.3%	1.0%	0.8%	1.2%	0.7%	1.1%
Unemployment Rate (percent)	7.5	6.8	5.6	5.5	5.5	5.5	5.5
Housing Starts	4,548	4,548	4,775	4,775	4,775	5,000	5,000
Housing Stock (thousands)	276.6	277.7	280.8	284.0	287.3	290.7	294.0
Sale of housing units	13,300	14,214	12,866	11,850	11,637	11,493	11,677
	8.1%	6.9%	-9.5%	-7.9 %	-1.8 %	-1.2%	1.6 %
Average housing price (\$)	411,512	497,331	541,267	572,586	604,717	646,211	691,203
	17.9%	20.9%	8.8%	5.8%	5.6 %	6.7 %	7.0 %
Washington Area CPI (% change from prior year)	2.5	3.9	3.3	2.5	2.3	2.2	2.2
Interest Rate on 10-year Treasury Notes (%)	4.3	4.2	4.8	5.2	5.3	5.3	5.3
Change in S&P Index of Common Stock (%)	19.8	7.9	7.3	5.8	6.2	6.6	6.2

Note: Estimated by the D.C. Office of Revenue Analysis based on forecasts of the D.C. and national economies prepared by Global Insight (Spring 2006) and Economy.com (March 2006); on forecasts of the national economy prepared by the Congressional Budget Office (January 2006) and Blue Chip Economic Indicators (April 2006); on BLS labor market information from February 2006; on Bureau of Economic Analysis estimates of D.C. Personal Income (December 2005); and on D.C. housing sales data from Global Insight.

- *Slower personal income growth.*² Growth rates in FY 2006 and FY 2007 are 6.0 percent and 5.9 percent, respectively, down from 7.3 percent growth for FY 2005.
- *Lower inflation expected in FY 2007.* The Financial Plan assumes D.C. inflation will be 3.3 percent in FY 2006 and 2.5 percent in FY 2007. The rate in FY 2005 was 3.9 percent.
- *The number of housing sales projected to decline, while the average price continues to increase.*³ In FY 2006 the number of housing sales is expected to decrease

about 9.5 percent and another 7.9 percent in FY 2007. However, the average price of units sold is expected to increase 8.8 percent in FY 2006, and rise again in FY 2007 by another 5.8 percent. This increase in prices, down from the 20.9 percent increase experienced in FY 2005, is due to both supply and demand factors in the District's residential market. Comparable changes are expected in commercial sales as well.

Table 4-3

Revenue and Economic Indicators of the District of Columbia, FY 1999 through FY 2005

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Local Source Revenue ('000)	\$3,232,938	\$3,374,763	\$3,655,399	\$3,526,636	\$3,702,281	\$4,062,394	\$4,465,714
Growth	-0.4%	4.4%	8.3%	-3.5%	5.0%	9.7%	9.9%
Baseline Revenue (before tax policy changes) ('000)	\$3,232,938	\$3,465,843	\$3,825,936	\$3,743,584	\$3,969,595	\$4,128,038	\$4,336,757
Growth	--	7.2%	10.4%	-2.2%	6.0%	4.0%	5.1%
Employment							
No. of Employees in DC (Thousands)	620.6	645.2	654.4	661.8	665.9	671.4	679.6
Growth	1.0%	4.0%	1.4%	1.1%	0.6%	0.8%	1.2%
Employees in Gov't. (Thousands)	224.4	224.0	224.3	231.5	231.1	230.4	233.4
Growth	-2.2%	0.7%	0.1%	3.2%	-0.2%	-0.3%	1.3%
Population							
No. of DC Residents (Thousands)	570.2	571.0	569.3	564.6	557.8	554.2	550.5
Growth	NA	832	(1,724)	(4,697)	(6,778)	(3,607)	(3,718)
Single Family Housing Sales							
No. of Single Family Sales	NA	NA	5,340	5,488	5,700	5,867	5,372
Growth	NA	NA	NA	2.8%	3.9%	2.9%	-8.4%
S.F. Sales Prices							
Median (\$Thousands)	NA	NA	\$187	\$254	\$285	\$346	\$436
Growth	NA	NA	NA	35.9%	12.2%	21.4%	25.9%
Avg. (\$ Thousands)	NA	NA	\$233	\$372	\$397	\$470	\$571
Growth	NA	NA	NA	11.7%	6.8%	18.4%	21.5%
Condo Sales							
No. of Condo Sales	NA	NA	2,656	3,066	3,586	3,919	4,426
Growth	NA	NA	NA	15.4%	17.0%	9.3%	12.9%
Condo Sales Prices							
Median (\$Thousands)	NA	NA	\$166	\$204	\$246	\$300	\$356
Growth	NA	NA	NA	23.0%	20.4%	21.8%	18.7%
Avg. (\$ Thousands)	NA	NA	\$199	\$236	\$277	\$334	\$402
Growth	NA	NA	NA	18.2%	17.5%	20.6%	20.4%
Commercial Office Space							
Total Inventory (million sq. ft.)	NA	101.6	104.4	106.4	109.3	111.2	113.5
Growth	NA	NA	2.8%	1.9%	2.7%	1.8%	2.1%
Vacancy Rate (includes sublet)	NA	NA	5.2%	6.7%	6.7%	6.4%	6.1%

Table 4-4

Percent Change in Wage and Salary Employment in D.C., the Washington Metropolitan Area, and the U.S.: 2004.4 to 2006.1

(Percent change from same calendar year quarter of previous year unless noted)

	2004.4	2005.1	2005.2	2005.3	2005.4	2006.1
Total Employment						
DC	1.7	1.6	0.9	0.7	1.2	1.4
US	1.6	1.6	1.5	1.6	1.4	1.5
Metro Area	3.1	2.5	2.3	2.2	2.1	2.6
Private Sector						
DC	1.8	1.9	0.8	0.4	2.0	2.5
US	1.7	1.8	1.7	1.7	1.6	1.7
Metro Area	3.2	2.9	2.6	2.3	2.5	3.0

Source: BLS

Table 4-5

D.C. Wage and Salary Employment by Sector in the Quarter Ending March 31, 2006

Sector	Level	Change from one year ago	
		Amount	Percent
Government	229,700	-1,700	-0.7%
Private Sector	455,300	+11,400	+2.6%
Professional and all business*	203,200	+4,800	+2.4%
Education and health	97,000	+3,400	+3.6%
Trade and hospitality	77,200	+3,700	+5.0%
Organizations and other services	58,200	0	-0.1%
All other	19,700	-400	-2.2%
Total	684,900	+9,700	+1.4%

Source: BLS * Professional, business, information, and financial services

Note: Percent changes calculated from unrounded numbers.

Table 4-6

Hospitality Sector Indicators for the Quarter Ending March 31, 2006

	Level	Change from one year ago	
		Amount	Percent
Hotel occupancy rate (percent)	65.7	-3.5	-5.1%
Hotel room rate (\$)	\$188.96	\$8.10	4.5%
Amount spent for hotel stays (\$M)	\$294.3	-\$2.6	-0.9%

Source: Smith Travel

Note: Percent changes calculated from unrounded numbers.

Table 4-7

Growth in Wages and Salaries in D.C., the Washington Metropolitan Area, and the U.S.: FY 2003, FY 2004, and FY 2005

(Percent change from the prior year)

	FY 2003	FY 2004	FY 2005
Wages and Salaries			
DC	4.3	6.3	6.3
US	1.9	4.6	6.8
Washington Metropolitan Area	3.6	6.4	8.6

Source: Bureau of Economic Analysis, Personal Income by State, December 2005. Washington Metropolitan Area estimated by Global Insight

- Population and employment gains are projected.* In FY 2006 and FY 2007 the increases in housing construction and in the number of District households are expected to translate into gains in total population and employed residents as well. Accordingly, the Financial Plan assumes that FY 2005 will be the ending point for declines in population that occurred in prior years; the FY 2006 estimated population of 553,900 is up 3,400 (0.6 percent) from FY 2005. The unemployment rate is expected to decline from 6.8 percent in FY 2005 to 5.6 percent in FY 2006 and 5.5 percent in FY 2007, as the increase in D.C. resident employment outpaces the increase in the District's labor force.

Employment

The forecast of employment growth in FY 2006 is 1.2 percent—the same as FY 2005—and 1.1 percent in FY 2007. Of the increase in employment through FY 2007, 44 percent is expected to be in professional and business services (including finance and information services), with the remainder occurring in education, health, trade, and hospitality. Government employment is expected to decline by 1,000 jobs.

Employment in the District slowed during CY 2005, but rebounded in the last quarter of the year. (see table 4-4). As a result, FY 2006 began with a very strong employment picture. In the quarter ending March 31, 2006, District employment grew 1.4 percent from the same quarter of the prior year, and

the private sector increase was a robust 2.5 percent, close to the rate of the Washington Metropolitan Area. Of the 9,700 increase in employment that occurred in the quarter ending March 31, 2006, professional and all business services accounted for 49 percent of the gain. Significant increases also occurred in other segments of the District's private sector (see table 4-5).

Retail trade and hospitality are important sources of employment and tax revenue. In the quarter ending March 31, 2006, these two sectors added 3,700 jobs, a 5.0 percent gain. The new D.C. convention center and downtown revitalization are factors in the strength of the leisure and hospitality industry, as are events like the opening of the National Museum of the American Indian and the World War II Memorial. In the quarter ending March 31, 2006, hotel revenues were down 0.9 percent from a year earlier, a quarter which included the Presidential Inaugural (see table 4-6).

Wages and Salaries

Wages and salaries earned in the District of Columbia are expected to grow by 5.2 percent in FY 2006 and 5.0 percent during FY 2007, down from the 6.3 percent increase in FY 2005. During FY 2003 and FY 2004 wage growth has been stronger in the District than for the United States and was about the same as growth in the metropolitan area (see table 4-7). In FY 2006 and FY 2007, professional and all business services are expected to account for 48 percent of the increase in wages earned in the District of Columbia.

Table 4-8

D.C. Residential Real Estate Transactions: FY 2003, FY 2004, FY 2005, and FY 2006

	FY 2003	FY 2004	FY 2005	FY 2006 (Oct.-Mar.)
Level				
Sales	9,286	9,786	9,798	4,046
Value of Transactions (\$ million)	\$3,256.6	\$4,067.3	\$4,847.9	\$2,094.3
Percent change from prior year				
Sales	8.6%	5.4%	0.1%	-12.5%
Value of Transactions	17.9%	24.9%	19.1%	-3.0%

Source: Metropolitan Regional Information System (MRIS) accessed through the Greater Capital Area Association of Realtors (April 2006)

Table 4-9

Single Family and Condominium Home Sales for FY 2005

	Level	Change from one year ago	
		Amount	Percent
Single Family			
Units sold	5,372	-495	-8.4%
Average price	\$571,300	+\$101,100	+21.5%
Median price	\$435,900	+\$89,700	+25.9%
Total value of transactions (\$M)	\$3,068.8	+\$309.8	+11.2%
Condominium			
Units sold	4,426	+507	+12.9%
Average price	\$402,000	+\$68,100	+20.4%
Median price	\$356,000	+\$56,100	+18.7%
Total value of transactions (\$M)	\$1,780.0	+\$470.0	+36.0%

Source: MRIS, accessed through Greater Capital Area Association of Realtors, through December 2005 (median price is the weighted average of monthly values).

Table 4-10

Single Family and Condominium Home Sales for the First Half of FY 2006

	Level	Change from one year ago	
		Amount	Percent
Single Family			
Units sold	2,136	-444	-17.2%
Average price	\$603,408	+\$70,571	+13.2%
Median price	\$469,772	+\$69,909	+16.6%
Total value of transactions (\$M)	\$1,288.9	-\$85.8	-6.2%
Condominium			
Units sold	1,910	-134	-6.6%
Average price	\$421,668	+\$37,803	+9.8%
Median price	\$367,890	+\$26,811	+7.9%
Total value of transactions (\$M)	\$805.4	+\$20.8	+2.6%

Source: MRIS, accessed through Greater Capital Area Association of Realtors, through April 2006 (median price is the weighted average of monthly values).

D.C. Real Estate Markets

The assessed value of real estate will continue to increase during FY 2006 and FY 2007 because assessments for these years, which incorporate increases in value and new construction that have already occurred, are now substantially complete. Unless the market is hit with a shock, such as a sharp increase in interest rates or a slowdown in the District's economy, further gains in the value of property can be expected in FY 2008 and the years following, but at rates more in line with the overall growth in the economy. The value of residential and commercial sales over the next few years is expected to show little or no gain through FY 2007.

Residential Markets

Although the number of residential sales is expected to decline over the next several years, prices will continue to rise, although at a more moderate rate than over the past three years (see table 4-8). Gains in D.C. employment and wages, together with public confidence about safety and other city services,

make the D.C. location attractive for households that prefer not to be committed to a daily commute. Homeland security spending, outsourcing of government activities, and other changes to the federal government help fuel the demand for D.C. homes.

In FY 2005 price appreciation in the residential market was very strong, with average prices for single family homes and condominiums up 21.5 percent and 20.4 percent respectively. The total value of transactions increased by 11.2 percent and 36.0 percent, respectively (see table 4-9). In the first half of FY 2006, there was evidence of a slow down in the number of sales, even in condominiums; the decrease in the number of sales was sufficient to significantly reduce the value of transactions (see table 4-10).

The price appreciation in the residential market reflects high demand combined with limited supply. In FY 2005 there was an overall 8.4 percent decrease in single-family homes sold, while sales of single-family homes valued above \$300,000 rose 31.3 percent. In the condominium and cooperative

Table 4-11

Commercial Office Space in the District of Columbia: CY 2004.1, 2005.1, 2006.1

(Million square feet unless otherwise indicated)

	Mar 31, 2004	Mar. 31, 2005	Mar. 31, 2006
Inventory	110.27	113.11	114.34
Vacancy rate (no sublet)	5.9%	5.4%	5.1%
Vacancy rate (with sublet)	7.1%	6.4%	6.1%
Under construction	5.45	6.78	7.63
Net increase in leased space from prior year	+2.00	+3.24	+1.51

Source: Delta Associates

Note: Data is for the end of the quarter.

Table 4-12

DC Area Office Vacancy Rates for CY 2004.1, 2005.1, 2006.1

	D.C.	No. Virginia	Suburban MD	Metro
March 31, 2004	7.1%	13.0%	11.5%	10.7%
March 31, 2005	6.4%	10.3%	10.2%	9.0%
March 31, 2006	6.1%	9.1%	8.4%	8.0%

Source: Delta Associates (includes sublet space)

Note: Data is for the end of the quarter.

Table 4-13

Sales of Residential and Commercial Office Real Estate: 2004.4 to 2006.1

(Percent change from same calendar year quarter of previous year unless noted)

	2004.4	2005.1	2005.2	2005.3	2005.4	2006.1
Value of sales (\$ million)						
Residential	989.2	1,170.1	1,518.5	1,170.1	1,030.8	1,063.5
Commercial office space	246.9	1,385.0	1,406.0	1,251.0	534.0	874.0
Total	1,236.1	2,555.1	2,924.5	2,421.1	1,564.8	1,937.5
Percent change from prior year						
Residential	16.5	18.9	23.5	16.4	4.2	-9.1
Commercial office space	-59.3	-1.8	129.7	64.8	116.3	-37.0
Total	-15.1	6.7	58.8	37.3	26.6	-24.2

Source: Delta Associates and MRIS

Table 4-14

Labor Force, Resident Employment, and Unemployment in Quarter Ending March 31, 2006

	Level	Change from one year ago	
		Amount	Percent
Labor force	290,700	-5,600	-1.9 %
Resident employment	274,700	-200	-0.1 %
Resident unemployment	15,900	-5,500	-25.7%
Unemployment rate	5.5%	-1.8	--

Source: Bureau of Labor Statistics

sub sector there was a strong 12.9 percent increase for all condominium homes sold and for condominiums valued above \$300,000, the increase was 45.9 percent.

Should the supply of housing increase significantly, this might moderate future price increases. This is, however, likely to be a factor only in the upper price ranges and in the condominium market where a significant number of units are under construction. Delta Associates reports that as of March 31, 2006, there were 6,733 condominiums and 2,019 apartment units under construction in the District of Columbia, and approximately 4,700 additional new condominiums and 1,400 additional apartment units are likely to be built before the end of 2008. However, new residential construction totals do not represent a net increase in the District's total housing stock due to demolitions and the

impact of private actions which combine or subdivide existing units. With an accurate accounting of the net change in dwelling units unavailable, we have no definite assessment of the size of the city's housing stock.

Commercial Real Estate Markets

The Washington area commercial market remains strong and attractive to investors from around the world. Many new buildings are under construction or in the active planning stage. Within the Metropolitan area and the nation, D.C.'s vacancy rates for commercial office space remain low (see table 4-12). All of these factors suggest that the commercial property market will remain sound.

In the quarter ending March 31, 2006, the inventory of commercial office space was up by 1.23 million square feet (1.1 percent) from the prior year; the vacancy rate (including space for sublet) fell to 6.1 percent (very

low compared to the rest of the nation) from 6.4 percent. In the first half of FY 2006, the number of square feet sold (3.57 million square feet) represented an increase of 12.1 percent from the prior year, but a decrease in average price per square foot resulted in a 13.7 percent decrease in the value of transactions.

In FY 2005, the District was a top commercial office market in the nation as a result of a growing office tenant base comprised of the federal government, the legal sector and large associations. This tenant base has been a constant source of growth since 2001 for commercial office space demand and commercial real estate investment.

Population and D.C. Labor Market

The Financial Plan projects that households and resident employment will continue to increase in FY 2006, with gains continuing into FY 2007 and the years following. The projection is based in large measure on a judgment that housing construction and renovation, together with improvements in city services and amenities, are attracting more households, resulting in greater resident employment and increasing population.

The District's housing and employment markets are very active and continued construction should result in a net increase in the District's occupied housing stock, households, and probably population, labor force, and employed residents as well. We project that it is happening now and growth will be sustained by next year and beyond, but information about the dynamics of changes in the District's population, households (size and age distributions), housing stock (new units, units going out of existence), labor force, and resident employment is limited. At present, the federal statistics available for the District make it difficult to make definitive judgments.

The U.S. Bureau of the Census shows, in a report dated December 2005, that the District's population is continuing to decline, down 21,538 (3.7 percent) from the 2000 Census, and down 56,379 (9.3 percent) since 1990. The population in the District of

Columbia was 550,521 in July of 2005 as compared to the 2000 Census count of 572,059.

Longer Term (Fiscal Years 2008-2010)

In looking further ahead to FY 2008 to FY 2010, the consensus among forecasters of the U.S. economy is that, despite a recent rise in inflation, steady, low-inflationary growth will continue, with accompanying gains in employment and wages and modest increases in interest rates. Absent any disturbances arising from the national economy, the regional economy is expected to show strength over the long term as it benefits from continued high levels of federal government expenditures for both national and homeland defense. The continuing revitalization of the downtown area will draw metropolitan area residents to downtown restaurants, shops, and theaters. The new convention center that opened in FY 2003 should continue to boost the city's tourism industry, as will the addition of Major League Baseball which played its first season in D.C. in 2005. The housing market and commercial real estate markets are expected to remain quite strong, although neither the number of transactions or percentage increase in prices is expected to reach levels experienced in FY 2004 and FY 2005.

Revenues

The FY 2007 and revised FY 2006 estimates show General Fund revenues of \$5.234 billion and \$4.899 billion, respectively (see table 4-15). These amounts include local source General Purpose Tax, Non-Tax, and Special Purpose Revenues, and proposed tax policy changes. Table 4-15 reports estimated revenue by revenue source for the period FY 2006 to FY 2010, along with actual FY 2005 revenues. Table 4-16 provides estimates, over a similar time period, of the fiscal impact on District revenues of those tax policies that were enacted since FY 2004.

Specific Revenue Sources

Income taxes account for 34.4 percent of estimated local general fund revenues in FY 2006, followed by 25.6 percent in property tax revenues, 19.0 percent in sales tax revenues, and 21.0 percent from all other sources (see figure 4-1). The Other Taxes include Deed Taxes (Deed Recordation, Deed Transfer, Economic Interest), and the Estate Tax. These revenue sources are discussed below.

Real Property Tax

The District taxes real property based on 100 percent of assessed value and bills taxpayers twice annually like many other jurisdictions throughout the United States. The District, also like many other jurisdictions, divides properties into separate tax classes depending on the use of the real property. Each class is taxed at a different rate. The real property taxable class types in the District are residential, commercial and vacant/abandoned. The major difference, however, between the District and other jurisdictions is the extraordinarily large proportion of real property that is exempt from paying the District's real

property tax—amounting to roughly 57 percent of the city's land area and 33 percent of the total assessed value. Tax-exempt properties primarily include those owned by the federal government as well as properties owned by foreign governments, non-profit organizations, educational institutions, and the District government.

Real Property Tax Base

The value of all real property in the District grew 18.6 percent from \$109.7 billion in 2004 to \$130.1 billion in 2005. The total value of all taxable commercial properties amounted to \$36.9 billion or 28.4 percent of all property in the District. The total value of all residential properties amounted to \$50.0 billion or 38.4 percent of all property in the District. The total value of all exempt properties amounted to \$43.2 billion, 33.2 percent of all property in the District.

In 2005, the total value of taxable commercial properties grew 9.3 percent, taxable residential properties grew 52.8 percent. The value of all exempt property in 2005 was \$43.2 billion, approximately the same as in 2004. With only 66.8 percent of the value of all real property in the District being taxable

Figure 4-1
FY 2006 Local Fund Revenue

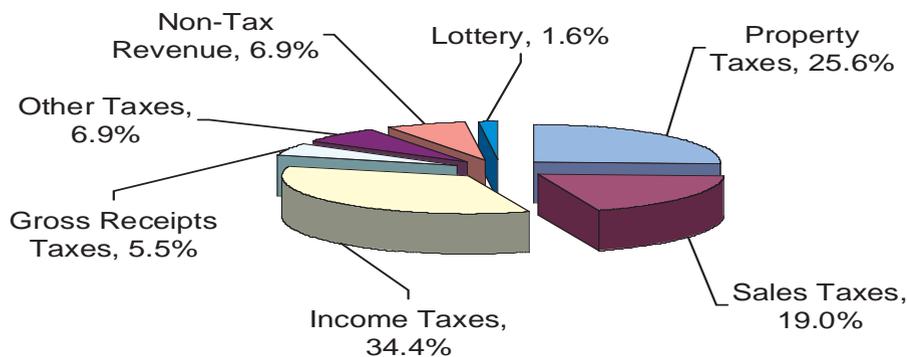


Table 4-15

General Fund Revenue by Source, Fiscal Year 2005 Actual, Fiscal Years 2006-2010 Estimates and Projections

(\$ thousands)

Revenue Source	FY 2005 Actual	FY 2006 Revised	FY 2007 Original	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Real Property	1,058,100	1,112,437	1,292,279	1,409,722	1,504,302	1,586,098
<i>Transfer to TIF</i>	-	(2,411)	(2,333)	(2,128)	(2,233)	(2,206)
Real Property	1,058,100	1,110,026	1,289,946	1,407,594	1,502,069	1,583,892
Personal Property	82,068	64,175	64,900	65,835	66,974	67,644
<i>Transfer to Neighborhood Investment Fund (10,000)</i>		(9,626)	(9,735)	(9,875)	(10,000)	(10,000)
Personal Property (net)	72,068	54,549	55,165	55,960	56,974	57,644
Public Space	15,628	17,077	17,381	17,676	17,964	18,233
<i>Transfer to DDOT</i>	-	(17,077)	(17,381)	(17,676)	(17,964)	(18,233)
Total Property	1,145,796	1,164,575	1,345,111	1,463,554	1,559,043	1,641,536
General Sales (gross)	854,345	923,151	976,033	1,029,187	1,078,634	1,132,294
<i>Convention Center Transfer</i>	(77,490)	(78,210)	(78,250)	(82,313)	(86,588)	(91,091)
<i>Transfer to TIF</i>	-	(11,044)	(10,617)	(9,733)	(9,628)	(9,653)
<i>Transfer to DDOT capital (parking tax)</i>	-	(30,000)	(30,300)	(30,603)	(30,909)	(30,909)
<i>Transfer to Ballpark Fund</i>	(8,547)	(11,348)	(12,500)	(19,808)	(18,596)	(18,301)
<i>Transfer to School Modernization Fund</i>	-	-	(100,000)	(106,000)	(112,360)	(119,102)
General Sales (net)	768,308	792,549	744,366	780,730	820,553	863,238
Alcohol	5,051	5,013	4,977	4,944	4,912	4,882
Cigarette	22,336	20,238	19,724	19,223	18,735	18,260
Motor Vehicle	42,380	44,359	46,431	48,599	50,869	53,245
Motor Fuel Tax	27,867	27,817	27,948	28,079	28,211	28,477
<i>Transfer to Highway Trust Fund</i>	(27,867)	(27,817)	(27,948)	(28,079)	(28,211)	(28,477)
Total Sales	838,075	862,159	815,498	853,496	895,069	939,625
Individual Income	1,160,074	1,218,705	1,218,743	1,286,202	1,363,215	1,445,051
Corporation Franchise	195,492	220,000	219,064	232,614	244,254	253,958
U. B. Franchise	116,866	126,999	138,264	151,915	166,561	182,511
Total Income	1,472,432	1,565,704	1,576,071	1,670,731	1,774,030	1,881,520
Public Utility (gross)	174,085	156,000	166,042	166,043	166,043	166,044
<i>Transfer to Ballpark Fund</i>	(8,046)	(9,184)	(9,303)	(9,424)	(9,546)	(9,546)
Public Utility (net)	166,039	146,816	156,739	156,619	156,497	156,498
Toll Telecommunication (gross)	55,485	54,607	54,612	54,721	54,742	54,760
<i>Transfer to Ballpark Fund</i>	(909)	(3,162)	(3,165)	(3,165)	(3,165)	(3,165)
Toll Telecommunication (net)	54,576	51,445	51,447	51,556	51,577	51,595
Insurance Premiums	48,888	51,600	53,000	45,000	45,000	45,000
Healthcare Provider Tax	0	8,000	11,000	11,000	11,000	11,000
<i>Transfer to Nursing Facility Quality of Care Fund</i>	-	(8,000)	(11,000)	(11,000)	(11,000)	(11,000)

Table 4-15 (continued)

General Fund Revenue by Source, Fiscal Year 2005 Actual, Fiscal Years 2006-2010 Estimates and Projections

(\$ thousands)

Revenue Source	FY 2005 Actual	FY 2006 Revised	FY 2007 Original	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Baseball Gross Receipts Tax	16,207	14,000	14,000	14,000	14,000	14,000
<i>Transfer to Ballpark Fund</i>	<i>(16,207)</i>	<i>(14,000)</i>	<i>(14,000)</i>	<i>(14,000)</i>	<i>(14,000)</i>	<i>(14,000)</i>
Total Gross Receipts	269,503	249,861	261,186	253,175	253,074	253,093
Estate	29,257	21,420	20,072	19,352	18,657	18,652
Deed Recordation (gross)	190,048	187,351	187,726	197,394	215,021	236,029
<i>Transfer to HPTF</i>	<i>(28,507)</i>	<i>(28,103)</i>	<i>(28,159)</i>	<i>(29,609)</i>	<i>(32,253)</i>	<i>(35,404)</i>
Deed Recordation (net)	161,541	159,248	159,567	167,785	182,768	200,625
Deed Transfer (gross)	146,929	149,194	149,522	157,641	172,333	190,670
<i>Transfer to HPTF</i>	<i>(22,039)</i>	<i>(22,379)</i>	<i>(22,428)</i>	<i>(23,646)</i>	<i>(25,850)</i>	<i>(28,601)</i>
Deed Transfer (net)	124,890	126,815	127,094	133,995	146,483	162,070
Economic Interests	10,593	8,000	8,000	8,000	8,000	8,000
Total Other Taxes	326,281	315,483	314,733	329,132	355,908	389,346
TOTAL TAXES	4,052,087	4,157,782	4,312,599	4,570,088	4,837,124	5,105,120
Licenses & Permits	74,010	68,408	70,845	68,604	71,661	68,705
Fines & Forfeits	108,012	110,637	107,336	103,221	99,990	96,497
Charges for Services	51,344	50,513	53,218	52,460	54,161	54,175
Miscellaneous	119,061	85,668	85,878	92,853	99,524	105,718
TOTAL NON-TAX	352,427	315,226	317,277	317,138	325,336	325,095
Lottery/Interfund Transfer	71,450	72,000	72,100	72,100	72,100	72,100
TOTAL LOCAL FUND REVENUE	4,475,964	4,545,008	4,701,976	4,959,326	5,234,560	5,502,315
Revenue Changes Triggered by May Revision	0	(908)	(276)	(307)	(346)	(388)
NET LOCAL FUND REVENUE	4,475,964	4,544,100	4,701,700	4,959,019	5,234,214	5,501,927
LOCAL FUNDS DEDICATED TO HOUSING PROD. TRUST FUND			50,587	563,255	58,103	64,005
SPECIAL PURPOSE REVENUE FUNDS	311,789	354,667	368,657	364,748	361,830	373,639
TOTAL GENERAL FUND WITHOUT POLICY PROPOSALS	4,787,753	4,898,768	5,120,944	5,377,022	5,654,147	5,939,571
TOTAL GENERAL FUND WITHOUT POLICY PROPOSALS PLUS REVENUE TRANSFERRED OUT	4,977,366	5,136,425	5,449,690	5,724,865	6,016,079	6,317,715
FY 2007 REVENUE ACTIONS						
LOCAL FUND REVENUE REVENUE ACTIONS:						
Increased Compliance Enforcement			49,000	70,000	66,000	64,250
FY 2007 LOCAL REVENUE POLICY PROPOSALS Income Tax Proposals						
Quality Teacher Incentive Act of 2006			(257)	(269)	(283)	(297)

Table 4-15 (continued)

General Fund Revenue by Source, Fiscal Year 2005 Actual, Fiscal Years 2006-2010 Estimates and Projections

(\$ thousands)

Revenue Source	FY 2005 Actual	FY 2006 Revised	FY 2007 Original	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Property Tax Proposals						
Unfoldment, Inc., Equitable Real Property Relief			(88)	0	0	0
Other Proposals						
Deed Tax Increase			101,007	106,666	116,949	129,469
<i>Transfer to Comp. Housing Strategy Fund</i>			(40,330)	(42,590)	(46,696)	(51,694)
<i>Transfer to Housing Prod. Trust Fund</i>			(15,151)	(16,000)	(17,542)	(19,420)
Net Local Fund Increase			45,526	48,076	52,711	58,355
Change Tax Treatment of CareFirst			3,500	3,500	3,500	3,500
DDOT Transfer from O-type to Local			436	0	0	0
Subtotal, Other Proposals			49,462	51,576	56,211	61,855
Subtotal, Local Fund Revenue Proposals			49,117	51,307	55,928	61,558
Subtotal, Local Fund Revenue Actions			98,117	121,307	121,928	125,808
NET LOCAL FUND REVENUES	4,475,964	4,544,100	4,701,700	4,959,019	5,234,214	5,501,927
TOTAL LOCAL FUND REVENUE WITH REVENUE ACTIONS	4,475,964	4,544,100	4,799,817	5,080,326	5,356,142	5,627,735
TOTAL LOCAL FUNDS TO HOUSING PROD. TRUST FUND WITH REVENUE ACTIONS			65,738	69,255	75,645	83,425
SPECIAL PURPOSE REVENUE FUNDS	311,789	354,667	368,657	364,748	361,830	373,639
TOTAL GENERAL FUND WITH POLICY PROPOSALS	4,787,753	4,898,768	5,234,212	5,514,329	5,793,617	6,084,799
TOTAL GENERAL FUND WITH POLICY PROPOSALS PLUS TAX REVENUES TRANSFERRED OUT	4,977,366	5,136,425	5,562,958	5,862,172	6,155,549	6,462,943
ADDENDUM						
Tax Revenues Transferred out of the General Fund	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Convention Center						
<i>Sales Tax</i>	77,490	78,210	78,250	82,313	86,588	91,091
Tax Increment Financing						
<i>Sales & Property Tax</i>		13,455	12,950	11,861	11,861	11,859
Ballpark Fund						
<i>Sales Tax</i>	8,547	11,348	12,500	19,808	18,596	18,301
<i>Public Utility</i>	8,046	9,184	9,303	9,424	9,546	9,546
<i>Toll Telecommunication</i>	909	3,162	3,165	3,165	3,165	3,165
<i>Gross Receipts</i>	16,207	14,000	14,000	14,000	14,000	14,000
Highway Trust Fund						
<i>Motor Fuel Tax</i>	27,867	27,817	27,948	28,079	28,211	28,477
DDOT Capital						
<i>Parking Tax</i>		30,000	30,300	30,603	30,909	30,909

Table 4-15 (continued)

General Fund Revenue by Source, Fiscal Year 2005 Actual, Fiscal Years 2006-2010 Estimates and Projections

(\$ thousands)

Revenue Source	FY 2005 Actual	FY 2006 Revised	FY 2007 Original	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
School Modernization Fund						
Sales Tax	-	-	100,000	106,000	112,360	119,102
Housing Production Trust Fund						
Deed Tax Revenue(a)	50,547	50,482	65,738	69,255	75,645	83,425
Comprehensive Housing Task Force Fund						
Deed Tax Revenue(b)	-	-	40,330	42,590	46,696	51,694
Total Transfers	189,613	237,658	394,484	417,098	437,577	461,568

(a) Includes additional revenue from deed tax rate increase.

(b) Revenue is from proposed deed tax rate increase.

Table 4-16					
Tax Reductions Enacted Since FY 2004					
(thousands of dollars)					
TAX REDUCTIONS TRIGGERED BY DECEMBER 2005 CERTIFICATION					
LETTER	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Triennial Group Taxable Assessment Disparity Correction Act of 2005		(19,151)	(21,035)	(22,802)	(24,410)
Disabled Person Tax Reduction Act of 2005		(3,630)	(3,680)	(3,780)	(3,780)
Disabled Property Owners Tax Reduction Act of 2005		(1,492)	(1,639)	(1,776)	(1,902)
TOTAL POLICY CHANGES		(24,273)	(26,354)	(28,358)	(30,092)
TAX REDUCTIONS TRIGGERED BY SEPTEMBER 2005 CERTIFICATION					
LETTER	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Residential Property Tax Rate and Cap Reduction Act of 2005		(20,908)	(22,964)	(24,894)	(26,649)
Limited Equity Cooperative Tax Fairness Act of 2005		(203)	(223)	(242)	(259)
Affordable Housing Preservation Tax Assessment Act of 2005		(415)	(456)	(494)	(529)
Total, Tax Reductions Triggered by September 2005 Certification		(21,526)	(23,643)	(25,630)	(27,437)
POLICY PROPOSALS IN FY 2006 BUDGET AFFECTING GENERAL PURPOSE REVENUE					
Budget Support Act Subtitles Impacting Revenue					
Catholic University of America Property Tax Exemption		(1,000)	-	-	-
Carver 2000 Low-Income and Senior Housing Tax Exemption		(50)	(50)	(50)	(50)
Dupont Commons Low-Income Housing Tax Exemption		(100)	0	0	0
The Way of the Cross Church of Christ Tax Exemption		(10)	0	0	0
Appalachian State University Tax Exemption		(20)	(20)	(20)	(20)
Family Property Recordation and Transfer Tax Exemption		(44)	(44)	(44)	(44)
American Psychological Association Tax Exemption Continuation		(940)	(970)	(1,010)	(1,040)
Recyclable Materials Sales Tax Clarification		(373)	(100)	(100)	(100)
Subtotal, Budget Support Act Subtitles		(2,537)	(1,184)	(1,224)	(1,254)
Income Tax Relief Proposals					
Expand Local EITC Match to 35%		(7,125)	(9,500)	(10,100)	(10,600)
Extend EITC Benefits to Non-Custodial Parents		(300)	(300)	(300)	(300)
Increase the Standard Deduction to \$2,500		(3,375)	(4,600)	(4,800)	(4,900)
Increase the Personal Exemption to \$1,500		(3,525)	(4,800)	(5,000)	(5,100)
Subtotal, Income Tax Proposals		(14,325)	(19,200)	(20,200)	(20,900)
Property Tax Relief Proposals					
Increase the Homestead Deduction to \$60,000		(18,700)	(19,600)	(20,600)	(21,600)
Low-Income Property Tax Deferral		(2,000)	(2,300)	(2,100)	(1,900)
Subtotal, Property Tax Proposals		(20,700)	(21,900)	(22,700)	(23,500)
Total, Tax Reductions in FY 2006 Budget		(37,562)	(42,284)	(44,124)	(45,654)
FISCAL IMPACT OF TAX POLICIES ENACTED IN FY 2004					
Lowering of Property Tax Cap (from 25% to 12%)	(18,846)	(20,269)	(23,259)	(26,231)	(30,100)
Increase in Homestead Exemption (from \$30K to \$38K)	(6,553)	(6,553)	(6,553)	(6,553)	(6,553)
Tax Parity Restart	(24,000)	(77,129)	(141,000)	(141,000)	(141,000)
Deed Tax Rate Reduction (from 1.5% to 1.1%)	(89,525)	(102,273)	(114,209)	(126,282)	(138,147)
Trigger Activated PUTT Gross Receipts Tax Rate Reduction (from 11% to 10%)	(15,432)	(20,864)	(21,162)	(21,244)	(21,244)
Total, Tax Reductions Enacted in FY 2004	(154,356)	(227,088)	(306,183)	(321,310)	(337,944)
Total, Tax Reductions Enacted since FY 2004	(154,356)	(310,449)	(398,464)	(419,422)	(440,227)

Table 4-17

Real Property Tax Classes and Rates

Real Property Tax Class	Tax Rate
Class 1 (Residential)	\$0.92 per \$100 of assessed value
Class 2 (Commercial/ Non Class 1 & 3 Properties)	\$1.85 per \$100 of assessed value
Class 3 (Vacant/Abandoned)	\$5.00 per \$100 of assessed value

in 2005, the commercial sector accounted for 42.5 percent of the 2005 tax base, down from 50.8 percent in 2004, and the residential sector accounted for 57.5 percent of the 2005 tax base, up from 49.2 percent in 2004. In FY 2005, the District's total taxable real property had an assessed value of \$86.9 billion.

Real Property Tax Rates

As mentioned earlier, the District's real property tax system divides taxable properties into three separate tax classes depending on the use of the real property, and each class is taxed at a different rate. Class 1 properties are residential properties, of which there are approximately 158,000. These properties are taxed at the residential rate of \$0.92 per \$100 of assessed value after applying the homestead deduction where appropriate. Class 2 properties are commercial properties, of which there are approximately 12,000. These properties are taxed at the commercial rate of \$1.85 per \$100 of assessed value. Class 3 properties are vacant and/or abandoned properties, of which there are approximately

7,400. These properties are taxed at a rate of \$5.00 per \$100 of assessed value. The significantly higher Class 3 tax rate is intended to prevent the proliferation of such properties, while simultaneously not being overly onerous for all potential Class 3 property owners. For example, Class 3 legislation provides a host of exemptions—15 for residential property and 16 for commercial property—for buildings that are, for example, under construction, for sale, or have been damaged by flood or fire.

**Real Property Tax Assessments
Annual Assessments**

The District operated under a triennial assessment system from FY 1999 to FY 2003. In FY 2004 all real property in the District was assessed on an annual basis for the first time since 1998. The return to annual assessments has meant that assessed values are more indicative of market values. But, the return to annual assessments, combined with the continuously strong demand to own real property in the District, has helped bring about increases in annual property tax liability.

Table 4-18

Property Tax Revenue, Fiscal Years 2005-2010

(\$ thousands)

Revenue Source	FY 2005 Actual	FY 2006 Revised	FY 2007 Original	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Real Property	1,058,100	1,112,437	1,292,279	1,409,722	1,504,302	1,586,098
<i>Transfer to TIF</i>	-	(2,411)	(2,333)	(2,128)	(2,233)	(2,206)
Real Property (net)	1,058,100	1,110,026	1,289,946	1,407,594	1,502,069	1,583,892
Personal Property	82,068	64,175	64,900	65,835	66,974	67,644
<i>Transfer to Neighborhood Invest.Fund</i>	(10,000)	(9,626)	(9,735)	(9,875)	(10,000)	(10,000)
Personal Property (net)	72,068	54,549	55,165	55,960	56,974	57,644
Public Space	15,628	17,077	17,381	17,676	17,964	18,233
<i>Transfer to DDOT</i>	-	(17,077)	(17,381)	(17,676)	(17,964)	(18,233)
Total Property Taxes	1,145,796	1,164,575	1,345,111	1,463,554	1,559,043	1,641,536

Table 4-19

Value of Property Sold as a Percentage of Total Taxable Property

FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
5.75%	8.97%	10.07%	9.38%	12.77%	10.76%	12.68%	14.53%	13.07%

ity of 30 percent and higher for some properties in FYs 2004 to 2006. In an effort to ameliorate the rapidly escalating financial burden of real property tax bills for residential tax payers, the Mayor and the Council enacted the Real Property Tax Relief Act of 2005 and the Residential Property Tax Rate and Cap Reduction Act of 2005. The former increases the annual homestead deduction by \$22,000 to \$60,000. The latter lowers the tax rate for all residential properties from \$0.96 per \$100 of assessed value to \$0.92 per \$100 of assessed value, and it stipulates that annual property taxes for District homeowners will increase no more than 10 percent annually. The legislation does not limit the assessed value determined by the Office of Tax and Revenue. These tax relief initiatives are effective beginning in FY 2006

Real Property Revenue

In FY 2005, collections under the real property tax constituted 23.7 percent of local revenue, making the real property tax the second largest source of local revenue after the individual income tax. In FY 2006, real property tax revenue collections are expected to account for 24.4 percent of Local Fund revenue. Real property tax revenue increased by 11.7 percent in FY 2005 over the prior year, and FY 2006 revenue is expected to increase 4.9 percent over FY 2005. The decline in the revenue growth in FY 2006 compared to FY 2005 is primarily the consequence of the Real Property Tax Relief Act of 2005 and the Residential Property Tax Rate and Cap Reduction Act of 2005 that went into effect at the start of FY 2006.

Notwithstanding these two pieces of recent legislation, which are estimated to reduce real property revenue in FY 2006 by \$56.6 million, the FY 2006 growth rate in

real property tax revenue is still quite robust and is the direct result of the enormously vibrant real property market and the return to an annual assessment system.

The total growth in the residential sector of the real property market does not only stem from the growth in annual assessments for the housing stock that has existed for several years, but also from new housing construction in recent years. The U.S. Census Bureau reports that in 2005, there were more than 2,294 permits issued to build new housing units in the District. This is an increase of 917 units over 2004. Furthermore, Delta Associates reports that at the close of 2005 there were more than 5,000 condominiums and nearly 1,500 apartments under construction in the District of Columbia, and approximately 6,000 additional new condominiums and more than 1,800 additional apartment units are likely to be built before 2009. Because no evidence exists to suggest that the number of housing units eliminated from the city's housing stock in recent and forthcoming years is greater than the number of recently built and under construction units, a growing housing stock along with a strong demand to own residential property in the city will only buttress strong annual growth in real property tax revenue in coming years.

Commercially-owned real estate in the District is the other major real property sub-sector. And it is this real property sub-sector that accounts for more than 60 percent of real property tax collections. The commercial office market is the primary component of this sub-sector, and it has had a vacancy rate of 5.1 percent in both the fourth quarters of CYs 2004 and 2005. This vacancy rate is among the lowest in the nation among large office markets in central cities. Moreover, for the third year in a row, the Association of

Foreign Investors in Real Estate (AFIRE) ranked the District as the best city for commercial real estate investment for 2005. However, the District fell to the number two position, behind London, as the best city globally for commercial real estate investment. The District's slight slip on the global front is a reflection of increased competitiveness of world markets and not an indication of weakening local area market fundamentals. Rounding out the top five U.S. cities are New York, Los Angeles, San Francisco and San Diego. Rounding out the top five global cities are New York, Paris and Tokyo.

As mentioned earlier, the District's "hot" real estate market has produced increased tax revenue as a result of rising property values for several years. In FY 2005, OTR's Real Property Tax Administration (RPTA) billed and collected over \$1.1 billion in real property taxes through a combination of timely billings, fair and equitable valuations and aggressive enforcement activity. Simultaneously, however, OTR has faced a general shortage of resources in its real property administration. This has resulted in well-documented out-of-date property information and lost revenue. Beginning in FY 2004, a major effort began within OTR to significantly increase RPTA's technical, human and administrative support resources. At the start of FY 2006 many of RPTA's planned program enhancements have been implemented, and this has allowed for a significant modernization of its assessment program, a reduction in the average parcel case-loads per assessor to industry norms and the instituting of a comprehensive training and certification program for assessors. Consequently, all of these measures by RPTA have allowed for the expansion and increased protection of the city's tax revenue stream from real property primarily by improving the property assessment data collection process during an important time period in the city's economic cycle. This administrative effort by OTR/RPTA is expected to produce a notable one-time increase revenue in FY 2007.

In FY 2007, all recently enacted real property tax relief initiatives are expected to amount to approximately \$97 million. This includes the "Calculated Residential Property Tax Rate Establishment Act of 2005", which limits the growth in revenue from all Class 1 real property in 2007 to 9 percent over the prior year. However, as of the end of CY 2005 there has been a seemingly interminable demand for the District's residential and commercial properties taking place in all parts of the city. When these market dynamics are combined with the marked improvements to the administration and efficiency of OTR's RPTA, real property tax revenue is expected to grow by 4.9 percent in 2006 and 16.2 percent in 2007. The total increase in real property tax revenue in FY 2007 over the prior year's revenue is the result of not only strong market dynamics but also an adjustment to a markedly improved administration of the city's real property tax base. The annual rate of growth for the real property market in the District is expected to continuously moderate back to its long term growth rate of about 6 percent by FY 2010.

General Obligation Bond - Debt Service

Each year the District dedicates a percentage of its real property tax collections to pay off the principal and interest on its General Obligation Bonds. For FY 2006, the percentage of real property tax collections dedicated to the repayment of principal and interest on the District's General Obligation Bonds is 40 percent.

Personal Property Tax

The District's personal property tax is levied on the depreciated value of all tangible personal property used in a trade or business, including computers, vehicles, plant and equipment but excluding inventories held for sale. The strength of the District's economy in recent years has resulted in greater investment in personal property used for commercial purposes.

Table 4-20

Estimated Sales Tax Base and Payments by Tax Type, FY 2005

(In Millions)

	Retail	Liquor	Restaurant	Parking	Hotel	Total
Base	6,492.4	218.4	2,461.0	289.3	1,186.3	10,674.7
Rate	5.75%	9%	10%	12%	14.5%	
Collections	373.3	19.7	246.1	34.7	172.0	845.8
Convention Center Transfer	NA	NA	24.6	NA	52.9	77.5
General Fund	373.3	19.7	221.5	34.7	119.2	768.3

In 2005, gross total personal property tax collections totaled \$82.1 million, a 29.1 percent increase over 2004 collections. This unexpectedly large increase in annual revenue may be due to many local businesses significantly increasing their net investments in machinery and equipment in response to the sustained vibrant local economic growth that has taken place in the city for the past three years. However, an increase of this magnitude in private local business investment is not expected to reoccur in FY 2006. Instead, total personal property tax collections are expected to amount to only \$64.2 million in FY 2006 and grow an additional 1.1 percent to \$64.9 million in FY 2007. Thereafter, the annual growth in personal property tax collections is expected to be under two percent per annum for FYs 2008 to 2010, which is closer to the average annual growth rate in recent years. This forecast is predicated on lower annual growth rates for local gross state product and District employment.

In 2004 District legislation created a

Neighborhood Investment Fund and a Neighborhood Investment Program which dedicates approximately \$10 million annually from personal property tax revenue to pay for a variety of community revitalization development purposes, including commercial, residential, and civic uses for twelve priority neighborhoods. With the initial implementation of this program beginning in 2005, actual net personal property tax collections going to the General Fund was \$72.1 million, 13.4 percent more than in 2004. Net personal property tax collections expected to go to the General Fund in 2006 is \$54.5 million, a 24.3 percent decrease compared to FY 2005. Net personal property tax collections expected to go to the General Fund in 2007 are \$55.2 million, a 1.1 percent increase compared to FY 2006.

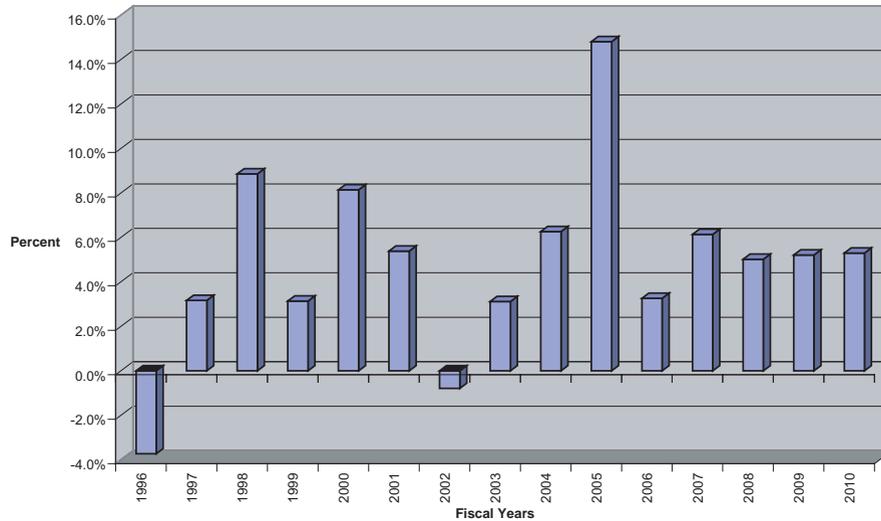
Table 4-21

General Sales and Use Tax Revenue, Fiscal Years 2005-2010

(\$ thousands)

Revenue Source	FY 2005 Actual	FY 2006 Revised	FY 2007 Original	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
General Sales and Use	854,345	923,151	976,033	1,029,187	1,078,634	1,132,294
<i>Convention Center Transfer</i>	(77,490)	(78,210)	(78,250)	(82,313)	(86,588)	(91,091)
<i>Transfer to TIF</i>	-	(11,044)	(10,617)	(9,733)	(9,628)	(9,653)
<i>Transfer to DDOT capital (parking tax)</i>	-	(30,000)	(30,300)	(30,603)	(30,909)	(30,909)
<i>Transfer to Ballpark Fund</i>	(8,547)	(11,348)	(12,500)	(19,808)	(18,596)	(18,301)
<i>Transfer to School Modernization Fund</i>			(100,000)	(106,000)	(112,360)	(119,102)
General Sales (net)	768,308	792,549	744,366	780,730	820,553	863,238

Figure 4-2
District Sales Tax Revenue, Change Over Previous Year, FY 1996-FY 2005 and FY 2006-FY 2010 Projections



Note: In order to show the underlying trend in economic activity, the FY 2007 through FY 2010 transfer to the School Modernization Fund has been excluded from this figure.

Public Space Rental

There are three categories of public space rentals: sidewalks/surfaces, vaults and fuel tanks. Public space rental of sidewalks/surfaces includes enclosed cafes, unenclosed cafes, and merchandise display areas (including used car lots). Vaults are underground areas that extend wider than an owner’s property to spaces beneath the surface of public real property. For public space rental purposes, fuel oil tanks are areas used for tanks that hold heating fuel.

In FY 2005, revenue from public space rentals amounted to \$15.6 million, a 6.6 percent decrease from FY 2004. Recent legislation will also affect the impact of Public Space Rental tax collections on total General Fund revenue beginning in FY 2006. The

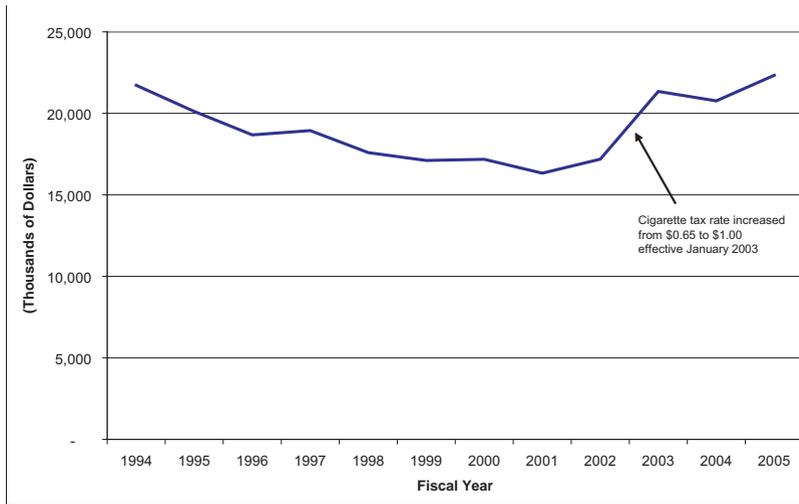
“Highway Trust Fund and District Department of Transportation Emergency Amendment Act of 2005” require that all revenue from the public space rentals be deposited annually into the District Department of Transportation Operating Fund beginning in FY 2006. Although, this tax is expected to produce annual revenues at growth rates between 1.5 and 2.0 percent per annum from FY 2007 to FY 2010, the deposited revenue will no longer be available to the General Fund but is to be used for local road construction and maintenance and related debt servicing.

Table 4-22
Sales Tax Forecast for the Convention Center Fund, Fiscal Years 2005-2010
 (\$ thousands)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY2010
Restaurant Sales Tax	24,597	23,463	23,475	24,694	25,976	27,327
Hotel Sales Tax	52,893	54,747	54,775	57,619	60,612	63,764
Total	77,490	78,210	78,250	82,313	86,588	91,091

Figure 4-3

Cigarette Tax Revenue Was Declining Until 2003 Rate Increase



Sales and Excise Taxes

General Sales and Use Tax

Revenue from the District's sales and use tax is collected using a five-tier structure. Sales of tangible personal property and certain specified services are taxed at 5.75 percent. Sales of alcoholic beverages for consumption outside the premises are taxed at 9 percent (increased January 1, 2003 from 8 percent). Sales of food and drink for immediate consumption, the rental or leasing of motor vehicles and sales of prepaid phone cards are taxed at 10 percent (with one percent supporting the Convention Center Authority). Parking and storing of vehicles are taxed at 12 percent. Transient accommodations are taxed at 14.5 percent (with 4.45 percent supporting the Convention Center Authority).

From a policy perspective, the multiplicity of rates achieves many goals, including revenue generation from visitors to the District and support for the hospitality industry via the Convention Center transfer. Administratively, the multiplicity of rates, with special exemptions provided in each category, complicates the administration of the tax for the Office of Tax and Revenue and adds to compliance costs for businesses such as hotels and food stores, where transactions may involve several tax categories.

Revenue collected under the sales and use tax in FY 2005 was \$768 million (see table 4-21), net of the convention center transfer of \$77 million. For FY 2006, sales and use tax collections are projected to be the third largest source of District General Fund revenue, comprising 17.4 percent of total local-source revenue. The sales and use tax applies to businesses on their purchases of supplies and equipment as well as to a wide range of ordinary consumer purchases.

The average growth rate for FY 1998 through FY 2000 was above 5 percent. In FY 2001, growth slowed to about 3 percent, reflecting the general economic slowdown nationally and in the District. In FY 2002, sales tax revenue declined by 3 percent. The decline in FY 2002 was attributed to the District's hospitality industry suffering considerably because of the events of September 11. FY 2003 saw a modest recovery from the events of September 11; and this recovery continued in FY 2004 (annual sales and use tax revenue grew by 6.3 percent in FY 2004 from FY 2003). Collections from sales and use taxes grew 14.5 percent for FY 2005. This growth is likely due to: a) additional spending from the January 2005 presidential inauguration, b) the Convention Center being fully online, and c) the added spending from the ACC basketball tournament in March 2005.

Table 4-23

Selective Sales and Excise Tax Revenue, Fiscal Years 2005-2010

(\$ thousands)

	FY2005 Actual	FY2006 Revised	FY 2007 Original	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Alcoholic Beverages	5,051	5,013	4,977	4,944	4,912	4,882
Cigarette	22,336	20,238	19,724	19,223	18,735	18,260
Motor Vehicle Excise	42,380	44,359	46,431	48,599	50,869	53,245
Total Selective Sales and Excise	69,767	69,610	71,132	72,766	74,516	76,387

The general U.S. economy grew at a rate of 6.5 percent in FY 2005 and a 6.3 percent rate is expected for FY 2006 (nominal GDP). U.S. personal income increased 6.2 percent in FY 2005 and is expected to increase 5.8 percent for FY 2006. When people have rising income they tend to spend a portion of this increase on vacation spending. Thus, the District is expected to see the tourism spending, which picked up in FY 2005, to continue growing but at a slower rate in FY 2006. This provides a basis for increased sales tax revenues for FY 2006. The growth rates in both sales tax revenue and personal income will slowly decline for the out years. We are expecting continuous positive growth from the hospitality industry, which will contribute to increases in the sales tax revenue for the District over the next five years. Figure 4-2 shows the annual change from the previous year in the District's sales tax revenue from FY 1996 to FY 2005 and projections for FY 2006 to FY 2010.

Convention Center Transfer

After recovering from the FY 2002 drop, the Convention Center transfer grew by approximately 4.6 million or 8.5 percent in FY 2003 over FY 2002. The Convention Center transfer continued its growth in FY 2004, expanding 5.2 percent from FY 2003; and 25.0 percent increase for FY 2005 over FY 2004. This growth in the Convention Center transfer can be attributed to the facility coming completely online in FY 2005 and the center's target occupancy rate of 75 percent for FY 2004 through FY 2006. A 0.9 percent increase is expected for FY 2006 over FY 2005.

Restaurant Sales Tax

FY 2006 restaurant sales tax is expected to be \$23.5 million and FY 2007 is forecast to be \$23.5 million.

Hotel Sales Tax

The FY 2006 hotel sales tax revenues are estimated to be \$54.7 million and FY 2007 is forecast at \$54.8 million.

Parking Tax Transfer

As part of the FY 2006 budget, the parking tax revenue stream was transferred out of the general fund to the Department of Transportation to fund capital expenditures. In FY 2007, the parking tax revenue is estimated to be \$30.3 million.

Sales Tax TIF Transfer

The District utilizes an economic development tool called Tax Increment Financing (TIF) to assist in financing economic development projects. TIF allows the incremental future revenue stream from a development project to be pledged to pay back bonds issued to help finance the development. In FY 2007, an estimated \$10.6 million in sales tax revenue is projected to be transferred to the TIF program.

Transfer to Ballpark Fund

Stadium related sales tax streams are dedicated to the Ballpark Fund to pay the debt service on the baseball stadium revenue bonds. These revenue streams included taxes on tickets sold, taxes on parking at the stadium, taxes on stadium concessions and taxes on food and beverages sold in the stadium. For more information, see the separate section on the Ballpark Fund.

Table 4-24

Income Tax Revenue, Fiscal Years 2005-2010

(\$ thousands)

	FY2005 Actual	FY2006 Revised	FY 2007 Original	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Individual Income	1,160,074	1,218,705	1,218,743	1,286,202	1,363,215	1,445,051
Corporate Franchise	195,492	220,000	219,064	232,614	244,254	253,958
U.B. Franchise	116,866	126,999	138,264	151,915	166,561	182,511
Total Income Taxes	1,472,432	1,565,704	1,576,071	1,670,731	1,774,030	1,881,520

Transfer to School Modernization Fund

In FY 2006, the District enacted the School Modernization Financing Act of 2006 which establishes the Public School Capital Improvement Fund for the purpose of funding capital improvements throughout the District of Columbia school system. The revenue source for this fund, beginning in FY 2007, is the first \$100 million of non-dedicated sales tax revenue. Beginning in FY 2008, the amount of funds transferred to the Public School Capital Improvement Fund is increased by the Construction Cost Index.

Selective Sales and Use Taxes

In addition to the multi-rate general sales and use tax, the District imposes excise taxes on alcoholic beverages, cigarettes, motor vehicles, and motor fuel. The motor fuel tax is deposited directly to a special account (the Highway Trust Fund) to match federal funds for the construction, repair and management of eligible District roadways. As a result, motor fuel tax revenue is not considered part of the general fund for budgetary purposes.

Alcoholic Beverage Tax

The alcoholic beverage tax is levied on wholesale sales of beer, wine, and liquor in the District. The tax rates vary by type of product. Alcohol consumption has been declining in the United States since 1990, a trend reflected in the District's tax collections for alcoholic beverages. Alcohol tax collections are expected to be \$5.0 million in FY 2007 (see table 4-23), a 1.5 percent decrease from FY 2005. Alcohol tax collections are expected to decrease moderately

throughout the FY 2007 through FY 2010 projection period because alcohol consumption is expected to decrease moderately. After a peak in the first half of FY 2004, tax collected from alcoholic beverages declined and appears to be moderating since then. There has been no change in the tax rate since 1990, which suggests the change in tax collected is directly linked to consumption patterns.

Cigarette Tax

The cigarette tax is levied on the sale or possession of all cigarettes in the District with the exception of sales to the military and Congress. Cigarette consumption has been declining in recent years and is expected to continue declining. Anti-smoking efforts, a greater awareness of health risks, an increase in wholesale prices (as a result of the settlement between tobacco companies and states and the District of Columbia), and an increase in taxes on cigarettes are likely factors contributing to this decline. Because of the elasticity of demand, an increase in the cost of cigarettes is expected to result in a decrease in number of cigarettes sold.

Effective January 2003, the cigarette tax rate in the District was increased from the previous rate of \$0.65 per pack to \$1.00 per pack. There was no immediate negative effect of the tax increase noted — \$4.2 million more was collected in FY 2003 compared to the FY 2002. However in FY 2004 revenues were \$20.8 million, a decline of \$0.6 million or 2.7 percent compared to FY 2003. The reduction in sales may not be completely attributed to the smoking rate decreasing. With each increase in cigarette

Table 4-25

Individual Income Tax Filers, by Filer Type, TY 2004

These returns represent 262,328 filers and an estimated 400,000 residents

Type of Filer	Est. Size Filer Household	Ave. No. of Income Earners	Ave Household Income	Est. Ave. Inc Per Person	% Part-Year Residents	Total Number of Returns	Est Total No. People	Pct Returns <\$30,000 DCAGI	Pct Returns <\$50,000 DCAGI
All Filers	1.5	\$59,617	\$38,529	18%	262,328	393,840	50%	71%	
Single	1.0	1	\$45,745	\$45,745	24%	145,433	145,433	51%	73%
Single/Head of Household	2.2	1	\$30,891	\$14,028	4%	57,197	125,951	63%	87%
Combined Separate	2.6	2	\$201,060	\$77,027	8%	14,825	38,697	6%	17%
Married Joint	2.7	2	\$116,802	\$43,847	14%	27,829	74,132	29%	46%
Married Separate	1.2	1	\$58,631	\$48,736	15%	8,003	9,628	43%	67%
Dependent Returns	NA					9,041			

Source: DC Statistics of Income, TY2004

tax in the District, some sales are likely lost due to a cross-border effect (purchases made in a less expensive nearby jurisdiction). The tax on a pack of 20 cigarettes in neighboring Maryland was raised to \$1.00 in July 2002, before it was raised to a similar rate in the District. However, the tax remains much lower in neighboring Virginia. The tax was raised to \$0.30 in July 2005. The District may also be losing cigarette sales to internet sales.

Revenue collected in FY 2005 compared to FY 2004 grew by \$1.5 million to \$22.3 million. Revenues are estimated to be lower in FY 2007 at \$19.7 million. We project revenue to decline 7.4 percent between FY 2007 and FY 2010 (see table 4-23).

Figure 4-4

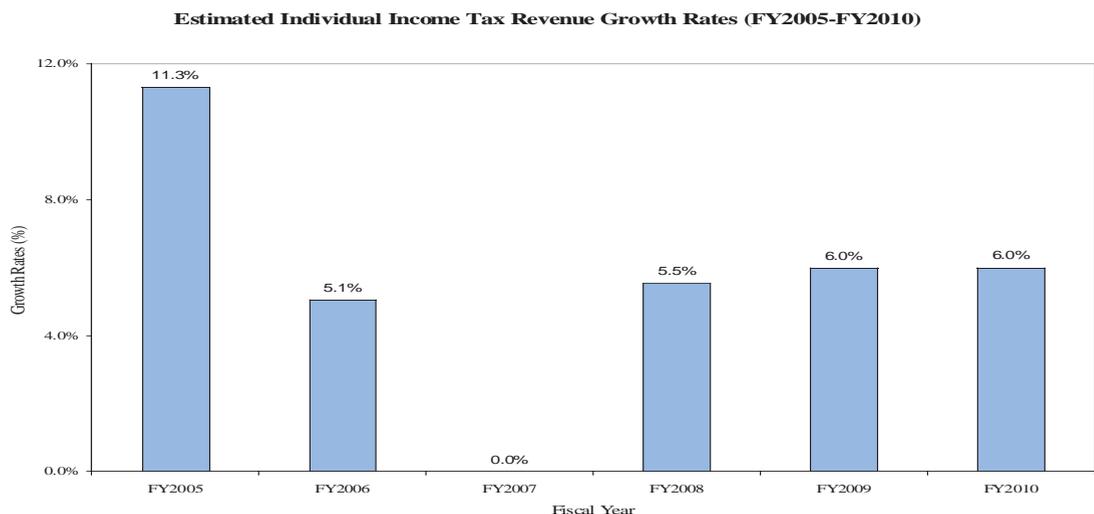
Estimated Individual Income Tax Revenue Growth Rates (FY 2005-FY2010)

Table 4-26

Aggregate Tax Return Data for 1999 to 2003

Tax Year	Returns (IN)	Returns (OUT)	(-) net outflow (+) net inflow	AGI per Return (IN)	AGI per Return (OUT)	(-) net outflow (+) net inflow	Exemptions per Return (IN)	Exemptions per Return (Out)
1999	23,954	23,831	123	\$37,007	\$44,478	-\$7,471	1.44	1.67
2000	23,881	24,353	-472	\$45,331	\$50,460	-\$5,129	1.44	1.66
2001	25,243	23,754	1,489	\$47,604	\$51,653	-\$4,049	1.41	1.63
2002	23,484	24,648	-1,164	\$44,395	\$51,832	-\$7,437	1.42	1.64
2003	23,914	24,074	-160	\$42,989	\$51,906	-\$8,916	1.38	1.63

Source: IRS Statistics of Income, files submitted from Washington, D.C.

Motor Vehicle Excise Tax

The motor vehicle excise tax is imposed on the issuance of every original and subsequent certificate of title on motor vehicles and trailers. The tax is 6 percent of fair market value for vehicles 3,499 pounds or less, 7 percent of fair market value for vehicles 3,500 pounds to 4,999 pounds, and 8 percent for vehicles weighing more than 5,000 pounds. The 8 percent rate was introduced in April 2005. Collections from motor vehicle excise taxes totaled \$ 42.4 million in FY 2005, a 5 percent increase in collections from FY 2004. This tax is largely dependent on car purchases by District residents. Soaring car sales in the late 1990s and early 2000s gave way to the fall-out from a slow economy following September 11. Automakers attempted to curtail this decline starting in FY 2002 by incentives such as zero percent financing and cash rebates. During FY 2003, auto sales seemed to recover from September 11, levels.

The District's Department of Motor Vehicles (DMV) has reported that there have been improvements in the administration of imposing the excise tax on all newly titled

vehicles. The Department has programmed computers to ensure the application of the correct excise tax rate on a more consistent method of Fair Market Valuation. This improvement may have contributed to the increase in collections in FY 2005. Collections are projected to increase by 15 percent between FY 2007 and FY 2010 (see table 4-23). The measured growth rate is a combination of continued moderate growth in a) numbers of cars sold, b) price of cars sold, and c) percentage of cars sold that are in the heavier category. This has been the trend since about 2001.

Income Taxes

The individual income, the corporate franchise and the unincorporated business franchise taxes are significant sources of District revenue. Collectively these taxes represent 32.9 percent of FY 2005 local source revenue. Revenue from these sources is summarized in Table 4-24.

Table 4-27

Income Tax Rates, Fiscal Years 2005-2010

Net Taxable Income	FY2005	FY2006	FY 2007	FY 2008	FY 2009	FY 2010
\$0 - \$10,000	5.0%	4.5%	4.0%	4.0%	4.0%	4.0%
\$10,001 - \$30,000	7.5%	7.0%	6.0%	6.0%	6.0%	6.0%
\$30,001 - \$40,000	9.0%	7.0%	6.0%	6.0%	6.0%	6.0%
\$40,001 and above	9.0%	8.7%	8.5%	8.5%	8.5%	8.5%

Individual Income Tax Base and Rate

The individual income tax base consists of the income of individuals who maintain a permanent residence in the District at any time during the tax year and individuals who maintain a residence for a total of 183 or more days during the tax year. The District's tax base also includes the income of individuals that were members of the armed forces who listed the District as their home of record for either a part of or the full taxable year, as well as the spouse of an exempt military person or of any other exempt person such as a nonresident presidential appointee or an elected official. Those individuals that are exempt from income tax in the District (and as such whose income is not included in the tax base) include elected officials of the federal government, presidential appointees subject to confirmation by the U.S. Senate, United States Supreme Court justices that are not domiciled in the District, employees of legislative staffs who are residents of the state of their elected official, and all persons who are employed in the District but live outside of the District.

D.C.'s tax-filing population reflects the varied demographic and economic composition of our overall population. More than half of D.C.'s income tax filers (55 percent) are single with no dependents, about 22 percent are single heads-of-households who have dependents, and 19 percent are married (see table 4-25). Married filers include those filing jointly (usually one-earner households); those filing as-if separate but on one, combined return (usually two-earner households); and those filing separately. Dependents account for the remaining tax payers.

Income per person varies widely and by filer type, with the best-off generally found in two-earner married households and the least-well-off in the households of single people who have dependents. The latter category is also the most stable group, with only 4 percent of filers as part year residents, compared to 24 percent for singles and 18 percent over all. The group of single heads-of-household is most likely to receive certain income tax

credits such as the earned income tax credit (EITC) and low income tax credit.

Not all D.C. residents are in income tax paying households. Some students, members of the military, the deeply poor, certain federal employees, successful tax evaders, and others are in non-filing households.

Migration of households affects the number of D.C. income tax filers and potential tax revenue. In- and out-migration, on net, produced a loss in gross income per return in each of the five years TY 1999-2003, when measured using IRS data based on federal filers from a D.C. address (See table 4-26). In each of these years D.C. appears also to have lost population, as the average number of exemptions per return was smaller for in-migrants than for out-migrants. In three years (TY 2000, TY 2002, and TY 2003) the District lost filer-households to net out-migration; in TY 1999 and TY 2001 we gained filers from net in-migration.

In tax year 2003 approximately 60 percent of D.C.'s out-migrants moved either to Maryland (41 percent) or Virginia (19 percent), while about 45 percent of in-migrants came from these two states (Maryland 28 percent and Virginia 17 percent). Households moving in to D.C. appear to be smaller than households moving out to either state. But households moving in are better-off in the sense that the income per person of in-migrants generally exceeds the income per person of out-migrants to either state. In total, net migration from each state reduced D.C.'s gross income in each of the five years except for Virginia in 2001 which experienced a net inflow of income.

The individual income tax, the District's largest single source of tax revenue, accounted for 26 percent of total local source revenue in FY 2005. Table 4-27 reports the tax rates and brackets scheduled to be applied to net taxable income across the planning period. Rates are decreasing, and the size of the middle bracket is growing, as a result of the Tax Parity Act passed in FY 1999. Because tax rates increase as income rises, Table 4-27 suggests that the District has a progressive tax system.

The Tax Parity Act of 1999 sought to reduce tax rates in the District of Columbia starting in FY 2000 and was to be fully implemented in FY 2004. However, it was temporarily suspended in FY 2003-2004 after the economic downturn that started in FY 2002. With the recovery of the District's economy and revenues in FY 2004, the automatic triggers to restart were activated for FY 2005 at a cost of \$24 million. It continues in FY 2006 with an additional cost of \$53 million bringing the cumulative decline in revenue to \$77 million. It is expected to be fully implemented by FY 2007 with a revenue reduction of \$117 million; an identical drop in revenue is expected by FY 2008.

A number of tax policy initiatives (enacted in June 2005) will reduce revenue beginning in FY 2006. One increases the standard deduction from \$2,000 to \$2,500 (from \$1,000 to \$1,250 for a married person filing separately) and reduces individual income tax revenue by roughly \$3.4 million in FY 2006, by \$4.6 million in FY 2007 and \$4.8 million in FY 2008. Under the same initiatives, the increase in the personal exemption from \$1,370 to \$1,500 would reduce revenue by about \$3.5 million in FY 2006, \$4.8 million in FY 2007 and \$5 million in FY 2008. Other FY 2006 policy initiatives include expanding the Earned Income Tax Credit (EITC) to 35 percent and extending the EITC to non-custodial parents. The expansion of the credit is expected to reduce revenue by about \$7.1 million in FY 2006, by \$9.5 million in FY 2007 and by \$10.1 million in FY 2008; while the extension to non-custodial parents is expected to reduce tax revenue by \$300,000 in FY 2006 and FY 2007, as well as in FY 2008.

FY 2005

In FY 2005, individual income tax revenue grew by approximately 11 percent; a slightly smaller increase than the 12 percent growth that was experienced in FY 2004, and unlike the decline of 2 percent that was experienced in FY 2003. The FY 2004 recovery in the individual income tax reflects a combination

of strong growth in earnings of District residents as well as the stock market rebounding in the second half of FY 2003. The earnings of District residents increased by slightly more than 8 percent in FY 2005, after experiencing a smaller increase (6.8 percent) in FY 2004. In FY 2005, the wages and salaries of the District's residents increased by approximately 7 percent, while in FY 2004 they increased by just under 6 percent. The withholding component of the individual income tax, which is tied directly to wages and salaries, grew by approximately 5 percent in FY 2005, which was down from the slightly more than 7 percent increase that was experienced in FY 2004.

The declarations component (also called estimated payments) of total revenue from individual income increased by slightly more than 15 percent in FY 2005 as well as in FY 2004. A 4 percent increase in property income (interest, dividends and rents) was experienced in FY 2005 versus the almost 2 percent that was experienced in FY 2004. The stock market had a strong performance in FY 2005 and FY 2004 after a slow start in the first half of FY 2003. Also contributing to the growth in revenue was growth in payments accompanying returns in FY 2005 of 12 percent which was down from the increase of the 29 percent that was experienced in FY 2004. The capital gains from the strong stock market performance boosted revenue from the declarations (estimated payments) and final payments components of the individual income tax. Overall, the increase in revenue from the individual income tax increased by approximately 11 percent in FY 2005, which was slightly lower than the 12 percent increase in FY 2004, but an improvement over the 2 percent decline that was experienced in 2003.

FY 2006-FY 2010

In FY 2006 the District anticipates \$1,219 million in individual income tax revenue. In FY 2007 it is anticipated that there would be almost zero growth in individual income tax revenue. For FY 2008-2010, revenue is pro-

jected to be \$1,286 million, \$1,363 million and \$1,445 million respectively. The roughly 5 percent revenue increase in FY 2006 is expected to be followed by almost no growth in revenue in FY 2007— although both years are affected by the stages of Tax Parity. For FY 2008-2010, revenue grows by 5.5 percent in FY 2008 and 6 percent in FY 2009 and FY 2010. Figure 4-4 shows the anticipated growth rates.

As the national and regional economies continue to strengthen and the District population becomes wealthier, as recent Census figures indicate, we expect continued strong revenue growth in the individual income tax. However, the individual income tax revenue will continue to be a major source of volatility in the District's revenue system because its growth is so closely tied to the stock market. As the District's population becomes wealthier we expect the volatility in this revenue source to increase, as a greater share of taxable income will be tied to capital gains.

Corporate Franchise and Unincorporated Business Franchise Taxes

The District's franchise tax is imposed on all corporations and unincorporated businesses having nexus in the District of Columbia. The tax liability is determined by multiplying the rate of 9.975 percent (9.5 percent rate plus a surtax of 5 percent of the base rate) by the net taxable business income that is apportioned to the District of Columbia. Business income is apportioned to the District of Columbia based on a three-factor formula—sales, payroll, and property—with each factor weighted equally. When this apportionment formula does not fairly represent the extent of the taxpayer's business activities in the District, that taxpayer may petition for (or the Office of Tax and Revenue may require) consideration of a different formula.

Corporate franchise tax revenue as a share of total local fund revenues has declined as a percentage of total revenues from 5.4 percent in FY 1999 to 4.4 percent in FY 2005. Corporations have increasingly found methods to take deductions lowering their taxable income. As a result, many corporations,

regardless of the amount of their gross profits, have only a minimum tax liability. This situation exists nationwide. Some state taxing authorities have attempted to disallow specific types of deductions through the courts (for example: *Geoffrey, Inc. v. South Carolina Tax Commission*). The District watches these cases with interest in order to benefit from legal events and interpretations that may help to improve corporate franchise tax collections.

Corporate franchise tax revenue is a small share of total revenues both because approximately 65 percent of the District's corporate franchise taxpayers pay the minimum tax liability and because the minimum tax liability is \$100. The minimum amount is unchanged since 1983. If the minimum tax had grown with inflation since 1983, the minimum tax amount would be about \$200. Growth rates of net incomes and taxes from them since 1983 are not reflected in minimum tax payments. Over the years, other categories of tax collections have therefore shown more growth when compared to the growth of corporate franchise tax collections.

Income from unincorporated businesses with annual gross receipts of \$12,000 or less is excluded from the tax base. Also excluded from the tax base is income from nonresident-owned unincorporated businesses that provide professional services (e.g. law firms). For taxable unincorporated businesses, owners are allowed a 30 percent salary allowance along with a \$5,000 exemption. When 80 percent or more of the entity's income is derived from personal services, the unincorporated business income is taxed under the individual income tax.

The Tax Parity Act enacted in 1999 was intended to reduce franchise tax rates from the current effective rate of 9.975 percent to 9.0 percent in FY 2003 and to 8.5 percent in FY 2004 and thereafter. These reductions were suspended in FY 2003 because of budget constraints. Franchise tax rates currently remain at 9.975 percent.

Table 4-28

Gross Receipts Tax Revenue, Fiscal Years 2005-2010

(\$ thousands)

Revenue Source	FY 2005 Actual	FY 2006 Revised	FY 2007 Revised	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Public Utility (gross)	174,085	156,000	166,042	166,043	166,043	166,044
<i>Transfer to Ballpark Fund</i>	<i>(8,046)</i>	<i>(9,184)</i>	<i>(9,303)</i>	<i>(9,424)</i>	<i>(9,546)</i>	<i>(9,546)</i>
Public Utility (net)	166,039	146,816	156,739	156,619	156,497	156,498
Toll Telecommunication (gross)	55,485	54,607	54,612	54,721	54,742	54,760
<i>Transfer to Ballpark Fund</i>	<i>(909)</i>	<i>(3,162)</i>	<i>(3,165)</i>	<i>(3,165)</i>	<i>(3,165)</i>	<i>(3,165)</i>
Toll Telecommunication (net)	54,576	51,445	51,447	51,556	51,577	51,595
Insurance Premiums	48,888	51,600	53,000	45,000	45,000	45,000
Healthcare Provider Tax	-	8,000	11,000	11,000	11,000	11,000
<i>Transfer to Nursing Facility</i>						
<i>Quality of Care Fund</i>	-	<i>(8,000)</i>	<i>(11,000)</i>	<i>(11,000)</i>	<i>(11,000)</i>	<i>(11,000)</i>
Baseball gross receipts tax	16,207	14,000	14,000	14,000	14,000	14,000
<i>Transfer to Ballpark Fund</i>	<i>(16,207)</i>	<i>(14,000)</i>	<i>(14,000)</i>	<i>(14,000)</i>	<i>(14,000)</i>	<i>(14,000)</i>
Total Gross Receipts Taxes	269,503	249,861	261,186	253,175	253,074	253,093

Corporate Franchise

The District estimates approximately \$219.1 million of corporate franchise tax revenue in FY 2007, a 0.4 percent decrease over FY 2006, and revenue of \$220.0 million in FY 2006. We project growth of approximately 15.9 percent from FY 2007 to FY 2010. Our estimate is based partly on recent record growth in productivity—corporations have been able to do more with fewer workers, and on the recovery of the stock market since the latter half of 2003. Franchise tax revenues lag the stock market by about a year. We expect the growth in revenue from the corporate franchise tax to be less than the stock market's growth because the relationship between the stock market and corporate franchise tax is not one to one. In FY 2002 and FY 2003, legal rulings and changes to the applicable tax code resulted in larger refunds than expected. As a result, actual collections were less than estimated collections.

Unincorporated Business Franchise

The District estimates approximately \$138.3 million in unincorporated business franchise tax revenue in FY 2007, an 8.9 percent

increase over FY 2006. We project growth of approximately 32 percent between FY 2007 and FY 2010.

Many District unincorporated business tax filers who pay taxes on unincorporated business income are real estate investors. Collections from this revenue source, which are based on profits from unincorporated businesses located in the District, are linked to factors such as personal income growth, the local commercial real estate sector, and collections in the transfer and recordation taxes. In FY 2003 and FY 2004 the real estate market in the District saw real estate investors' profits substantially increase from sales and leases of commercial and residential property. As a result, the strong growth in unincorporated business collections in recent years is largely due to the strong growth in the real estate industry. Although the industry is expected to remain strong, the growth rate is expected to slow somewhat during the FY 2007 to FY 2010 period.

Private consultants also pay the unincorporated business tax. As a result of increased federal contracting because of Homeland Security projects, we anticipate growth from this sector of unincorporated business filers

to be strong. In addition, with an expected rebound in the stock market, we forecast strong growth in collections from unincorporated business in FY 2007 and the following years.

In March 2006, a decision on franchise taxes of a DC unincorporated business owned by non-residents was given in the case of *Bender, et al v. District of Columbia*. The decision went against the District. The District expects to win on appeal. Should the District lose, the impact could be significant. An estimated 60 percent of current filers for unincorporated business tax are non-resident. Assuming that this category of filers pays 60 percent of the tax collected, the District stands to lose \$80 million of estimated revenue in FY 2007.

Gross Receipts Taxes

Taxes in this category include a tax of 10 percent on the gross receipts of public utilities and toll-telecommunications companies operating in the District, a tax of 1.7 percent on the gross receipts of insurance companies, and a tax of 6 percent on nursing home providers, and a sliding scale tax on D.C. gross receipts over \$5,000,000 with this revenue dedicated to the Ballpark Fund. The rate on public utilities and toll telecommunication services changed effective January 2005 triggered by revenue estimates in the summer of FY 2004. Rates were reduced to 10 percent, the pre-January 2003 rate. Subsequent decisions supporting the Major League Baseball Ballpark have re-established 11 percent as the rate for non-residential users of public utilities and toll telecommunications services; revenue generated from this rate change will not be general fund revenue.

Companies that pay the gross receipts tax include heating oil companies, gas companies, electricity providers, subscription television, video and radio service providers, and telephone companies. The District taxes long distance and wireless telecommunications providers for the privilege of providing toll telecommunication service in the District.

Collections from this category of taxes are included in the "Toll Telecommunications Tax." Table 4-28 shows actual revenue in FY 2005, estimates for FY 2006 and FY 2007 and projected revenue from public utilities, toll telecommunications and insurance premiums for fiscal years 2008 through 2010.

Public Utility Taxes

The public utility tax is imposed on the gross receipts of gas, electric and local telephone companies. Washington Gas and Pepco are the leading suppliers of natural gas and electricity to customers in the Washington area. As a result of electricity deregulation, Pepco has lost some of its market share, but remains the dominant electricity distributor. Between September 2001 and September 2003, Pepco's market share declined from 97 percent to 88 percent. In buildings in the District, electricity is used more to cool and natural gas is used more to heat. Cold winters tend to result in an increase in collections from Washington Gas and hot, humid summers tend to result in higher collections from Pepco.

During FY 2003, as part of an effort to avert a potential budget shortfall, public utility tax rates were increased from 10 percent to 11 percent effective January 1, 2003. The legislation authorizing the rate increase included a trigger that restored the 10 percent rate "if the annual revenue estimate forecast in the fourth quarter of a fiscal year exceeds the annual revenue estimate incorporated in the approved financial and budget plan for that fiscal year by at least \$105 million."

The conditions to restore the 10 percent rate were met and the tax was lowered effective January 1, 2005. However, a charge of 1 percent was placed on gross receipts from utilities of non-residential customers effective January 1, 2005. The proceeds from this new charge will be dedicated to the baseball stadium funding.

In FY 2000, as part of the process of deregulation of the electricity market and Pepco's transformation from an electric

power producer to an electric power distribution company, the District replaced the gross receipts tax imposed on electric utilities with a unit tax on electricity distribution companies. This “distribution” tax revenue is included with the city’s gross receipts tax collections. The tax is imposed on electricity distributors who operate in the District. The tax rate was \$0.007 per kilowatt-hour. This rate was equivalent to the gross receipts tax at the time of conversion. Effective January 1, 2003, the rate was changed to \$0.0077 per kilowatt-hour. Because of the current tax structure, the tax collected is closely related to energy use. Therefore tax collections from electricity are more closely linked to weather extremes rather than to the fuel cost of the electricity. During the forecast period, we assume average weather patterns.

Fuel costs play a larger role in gross receipts revenues from natural gas use. Fuel costs have been extremely volatile in recent years. Washington Gas attempts to reduce price fluctuations by storing fuel and purchasing financial contracts for future supply of fuel at a specified rate. For example, it was reported in the press that during the 2003/2004 winter, Washington Gas purchased and stored 35 percent of the natural gas the company expected to deliver during the winter. The company had also purchased an additional 12 percent of its normal winter supply through financial contracts.

We estimate revenue from public utilities taxes (net of the 1 percent charge to baseball stadium funding) to be \$156.7 million in FY 2007. Revenue from public utility taxes is estimated to decline slightly at less than 1 percent from FY 2007 through FY 2010.

Toll Telecommunication Taxes

The toll telecommunications tax is levied on long distance and wireless telecommunications companies for the privilege of providing toll telecommunication service in the District. In the first quarter of FY 2003, the tax rate was 10 percent. During FY 2003, as part of an effort to avert a potential budget shortfall, public utility tax rates increased

from 10 percent to 11 percent effective January 1, 2003. The legislation authorizing the rate increase included a trigger that restores the 10 percent rate “if the annual revenue estimate forecast in the fourth quarter of a fiscal year exceeds the annual revenue estimate incorporated in the approved financial and budget plan for that fiscal year by at least \$105 million.”

The conditions to restore the 10 percent rate were met and the tax was lowered effective January 1, 2005. However, a charge of 1 percent was placed on gross receipts from toll telecommunications effective January 1, 2005. The proceeds from this new charge will be dedicated to the baseball stadium funding.

Effective August 2002, the District enacted legislation to conform to the federal Mobile Telecommunications Sourcing Act (MTSA). The legislation simplifies the billing process and ensures that calls from mobile phones are exempt from multiple taxation. The legislation defines and designates a user’s place of primary use (PPU) as either the user’s residence or business address. The District both lost and gained revenue as a result. Some cell phone users who use their cell phones in the District and thus used to pay D.C. taxes on their long distance calls, selected the District as their PPU and some cell phone users selected other jurisdictions.

The telecommunications industry has faced challenges in recent years. Changes in regulation, over capacity of lines, and stiff competition to long distance providers (such as AT&T, MCI, Sprint) by local telephone companies such as Verizon are among these challenges. Long distance providers are also suffering because of the growth of the wireless telephone industry. Most wireless telephone companies now include inexpensive long-distance calling plans as a standard feature.

A relatively new technology known as Voice Over Internet Protocol (VOIP), may reduce the toll telecommunications tax related to overseas calls in the coming years. We

Table 4-29

Other Tax Revenue, Fiscal Years 2005-2010

(\$ thousands)

Revenue Source	FY 2005 Actual	FY 2006 Revised	FY 2007 Revised	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Estate	29,257	21,420	20,072	19,352	18,657	18,652
Deed Recordation (gross)	190,048	187,351	187,726	197,394	215,021	236,029
<i>Transfer to HPTF</i>	<i>(28,507)</i>	<i>(28,103)</i>	<i>(28,159)</i>	<i>(29,609)</i>	<i>(32,253)</i>	<i>(35,404)</i>
Deed Recordation (net)	161,541	159,248	159,567	167,785	182,768	200,625
Deed Transfer (gross)	146,929	149,194	149,522	157,641	172,333	190,670
<i>Transfer to HPTF</i>	<i>(22,039)</i>	<i>(22,379)</i>	<i>(22,428)</i>	<i>(23,646)</i>	<i>(25,850)</i>	<i>(28,601)</i>
Deed Transfer (net)	124,890	126,815	127,094	133,995	146,483	162,070
Economic Interests	10,593	8,000	8,000	8,000	8,000	8,000
Total Other Taxes	326,281	315,483	314,733	329,132	355,908	389,346

expect the capacity of lines locally to be reduced in the coming years. We also expect the telecommunications sector to recover at a moderate pace. We estimate revenue from the Toll Telecommunications tax (net of the 1 percent charge to baseball stadium funding) to be \$51.4 million in FY 2007. We project revenue to grow very moderately (less than 1 percent) from FY 2007 through FY 2010.

Insurance Premiums Tax

The District's insurance premiums tax rate is 1.7 percent of gross premium receipts. Annuities are tax-exempt. The insurance premiums tax is levied on insurance policies taken out by District residents as well as on property that is registered in the District, regardless of where the policies are written or initiated. Approximately 50 percent of the revenue from the insurance premiums tax comes from life insurance policies, with other premiums (including business, health, property and motor vehicle) making up the other half. Since September 11 insurance rates have risen nationally. Insurers had begun to either substantially increase the price for terrorism coverage or drop the coverage completely. However, District regulators reached an agreement that would cap premium increases for terrorism coverage at 24 percent.

Insurance costs rose in 2002 and 2003 with the declining stock market. Investments that had previously helped offset underwriting losses for many insurance companies have turned into losses themselves. As a result of the increased premium charges and the reduction in insurance investment income, premiums rose by \$6.2 million or 15 percent in FY 2004. In FY 2005, growth moderated and collections were \$1.4 million or 3 percent above tax collected from premiums in FY 2004. Collections from taxes on insurance premiums are estimated to be \$53.0 million in FY 2007, and then remain stable at \$45 million in FY 2008 to FY 2010, unless there is another external jolt to the insurance industry.

Healthcare Provider Tax

The healthcare provider tax imposes a 6 percent tax on the District's nursing homes. The legislation was passed during 2004. The tax is estimated to generate \$11 million in general fund revenue in FY 2007 through FY 2010. All of the funds raised are designated to go to the Nursing Facility Quality of Care Fund.

Table 4-30

Estimated Deed Tax Receipts Transferred to the Housing Production Trust Fund, Fiscal Years 2005-2010

(\$ thousands)

Revenue Source	FY 2005 Actual	FY 2006 Revised	FY 2007 Revised	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Deed Recordation Transfer to HPTF	28,507	28,103	28,159	29,609	32,253	35,404
Deed Transfer Transfer to HPTF	22,039	22,379	22,428	23,646	25,850	28,601
Total	50,546	50,482	50,587	53,255	58,103	64,005

Other Taxes

Deed Recordation and Deed Transfer Taxes

While the real property tax is an annual tax on all existing taxable properties in the District, deed taxes are levied only when taxable properties are sold. More specifically, the deed recordation tax is imposed on the recording of all deeds to real estate in the District, and the deed transfer tax is imposed on each transfer of real property at the time the deed is submitted for recordation. The deed recordation tax must also be paid on the increased value when commercial property is refinanced. Prior to FY 2003, deed recordation and deed transfer taxes were each calculated as 1.1 percent of the fair market value of every arms-length property sale. The Deed Recordation Tax Amendment Act of 2002 increased both the deed recordation and deed transfer tax rates from 1.1 percent to 1.5 percent, effective January 1, 2003. This measure was intended to be a short-term revenue enhancement as growth in the local economy slowed as a result of the national economic recession. However, the Fiscal Year 2005 Budget Support Act of 2004 decreased both the deed recordation and deed transfer tax rates from 1.5 percent back to 1.1 percent, effective October 1, 2004 as a result of the ending of the national economic recession.

Given the series of recent changes to the deed tax rates, the following analysis of deed tax revenue trends uses normalized deed tax collection data, which nullifies the effect of the rate changes so to better ascertain an understanding of the underlying economic activity that is represented by total deed tax collections.

There are three component sources of deed tax revenue: the commercial real estate sector, the housing sector and commercial refinancing.

In FY 2005, it is estimated that the commercial real estate sector accounted for 55.3 percent of deed tax collections, the housing sector accounted for 32.0 percent, and the commercial refinancing sector accounted for 12.7 percent. Deed tax revenue from commercial property sales was 63.0 percent higher in 2005 than 2004, while deed tax revenue from residential property sales was 21.4 percent higher and commercial refinancing was 12.6 percent higher. Refinancing activity is measured by the difference between deed recordation and deed transfer taxes.

The deed recordation tax collections grew by 32.5 percent, and the deed transfer tax collections grew by 38.1 percent in FY 2005 over FY 2004. However, for the first seven months of FY 2006, market conditions have changed. The city's property market is still strong, and this is evidenced by the fact that total deed collections for this time period totaled \$160.4 million. But this amount is 4.8 percent lower than the amount collected in the same time period in FY 2005. According to the residential brokerage firm of Coldwell Banker, "the market is still strong in many areas, as long as properties are priced well and buyers feel they are getting value for their money. Since the first of the year, buyers and sellers have been making adjustments in their expectations." And, this adjustment period appears likely to continue for the rest of this fiscal year. Given rising interest rates, which

increases borrowing costs, and the recent developments in the commercial and residential sectors, it is expected that FY 2006 deed recordation tax collections will be 1.4 percent lower than in FY 2005, and the deed transfer tax collections will grow by only 1.5 percent in FY 2006. It is expected that collections for both deed taxes will grow by only 0.2 percent in FY 2007. It is expected that the deed recordation tax collections will grow by 5.2 percent, and the deed transfer tax collections will grow by 5.4 percent in FY 2008. The annual growth rates are expected to gradually increase on an annual basis in FYs 2009 and 2010.

This pattern of growth rates is based on the expectations that job growth in the District will remain positive on an annual basis. But also, the realization of exorbitantly escalating property sales prices, 11,400 new expected condominiums over three years, and nearly 8.0 million square feet of office space under construction. This recent burst of new development is expected to significantly help to meet market demand for District real estate for the coming years. In short, it appears that FY 2005 was the peak year for annual growth rates in terms of price appreciations, and FY 2006 appears to be the year in which the "red hot" property market cools down to a less feverous, more balanced one in which trend annual growth rates of deed tax collections gradually come back into play.

However, the overall strong demand for and limited supply of real estate in the District will continue to provide the key impetus for the growth in deed taxes from FY 2005 to FY 2010. This factor is reflected in the value of property sold as a percentage of total taxable property since 1997. In years 2003 to 2005, the percent of the District's property sold, in terms of value, was more than double that in 1997 (see table 4-19).

The Housing Production Trust Fund Second Amendment Act of 2002 requires that 15 percent of the District's deed recordation and transfer tax revenue be transferred to the Housing Production Trust Fund annu-

ally. The Housing Production Trust Fund provides funds for the acquisition, construction and rehabilitation of affordable multi-family housing projects. Funds newly dedicated to housing production will be \$50.5 million in FY 2006 and \$50.6 million in FY 2007. In FY 2006, \$159.2 million is expected for net deed recordation collections to the general fund, and \$126.8 million is expected for net deed transfer collections to the general fund. In FY 2007, \$159.6 million is expected for net deed recordation collections to the general fund, and \$127.1 million is expected for net deed transfer collections to the general fund. The FY 2007 Budget includes a policy proposal to increase deed transfer and recordation tax rates. For more information on this increase see the Policy Proposals section towards the end of this chapter and see the Policy Proposals section of Table 4-15.

Economic Interests Tax

The economic interest transfer tax is triggered by the sale of a controlling interest in a business entity that includes one or two of the following elements: 1) 80 percent or more of the assets of the entity consist of real property located in the District of Columbia; or 2) more than 50 percent of the gross receipts of the entity are derived from ownership or disposition of real property in the District. If either of these two elements is present, then the tax rate is 2.2 percent of the consideration. This tax is generally paid by real estate investment trusts and similar partnerships.

Economic interest transfers are normally very large and infrequent. There can be a long period of time leading up to the final payment of the economic interest tax, as corporate lawyers and the Recorder of Deeds determine exemptions and liabilities for the tax. The value of transactions subject to the economic interest tax reached record proportions and revenue amounting to \$16.3 million in FY 2004. This appears to be related to the heightened level of activity in the

District's real property market. Collections totaled \$10.6 million in FY 2005 (see table 4-29) representing a 34.9 percent decline. This decline may be representative of fewer commercial real estate transactions in 2005. However, given the high degree of volatility and unpredictability in annual collections, it is expected that on average the District will receive \$8.0 million annually from the economic interest tax for FY 2006 through 2010.

The Estate Tax

Prior to 2002, the District of Columbia piggybacked on the federal estate tax system, using the federal "state death tax credit" as the starting point for the District's estate tax computation. Under this system, District taxpayers received a dollar-for-dollar credit against their federal estate tax payments for any estate tax due to the District of Columbia. District estate taxes, therefore, imposed no additional burden on decedent estates and did not increase the total estate tax payment beyond what would have been paid under federal law. This revenue-sharing approach provided for a system of uniformity across all states and the District of Columbia in the collection of death taxes. It resulted in minimal estate tax administration on the part of the District and minimized the impacts of "death shopping" to reduce estate taxes at death.

The federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 changed this situation. This legislation gradually eliminates the federal estate tax over the next several years, with full repeal taking effect in year 2010. However, the estate tax elimination is only temporary with the full estate tax scheduled to return in 2011. The major aspects of the EGTRRA legislation:

- Lowers tax rates for the largest estates;
- Raises the current exemption level from \$1.5 million to \$2 million in 2006, and \$3.5 million in 2009; and
- Eliminates the state credit.

District law, however, stipulates that existing District estate tax laws are automatically decoupled from the recent and forthcoming federal estate tax law changes. For example, while the federal threshold is \$2.0 million in FY 2006, the Estate and Inheritance Tax Clarification Temporary Act of 2004 raised the estate tax filing threshold from \$675,000 to \$1 million to decedents whose death occurs on or after January 1, 2003. Hence, some District estate tax payers may be required to file and pay District estate taxes even when no federal filing or tax is due. This divergence in thresholds for the District and federal estate taxes increases the complexity for applicable District tax payers and is more likely to adversely affect collections in terms of tax compliance.

From the Government of the District of Columbia's perspective, it is important to note that the current estate tax is primarily a federal tax that is overwhelmingly governed by complex federal legislation. The federal estate tax return takes at least nine months to complete and practically compels affected decedent estates to hire lawyers to ensure compliance. Also, federal estate tax forms must be filled-out completely in order to calculate District estate tax liability, even when no federal estate tax is due but District estate tax is due. Essentially, the District does not have a stand-alone estate tax structure. District estate tax legislation is a diminutive appendage to a complicated set of unwieldy federal rules and regulations.

The District has attempted, however, on several occasions to minimize the impact of federal legislative changes that would adversely affect the level of estate tax revenues that are due to the District. But, the intent of the recent EGTRRA and the scope of legislation are designed to eliminate the federal estate tax (and consequently the District estate tax) by 2009. Therefore, no District legislative action, short of creating an entirely stand-alone estate tax system, will completely offset the effect of EGTRRA, which results in annually declining estate tax revenues at the federal and District levels.

Figure 4-31

General Purpose Non-Tax Revenue, by Source, Fiscal Year 2005-2007

(\$ thousands)

Comptroller Object Code	Object Title	Actual 2005	Estimate FY 2006	Estimate FY 2007
BUSINESS LICENSES AND PERMITS				
3001	INSURANCE LICENSE	12,812	6,168	9,532
3002	ELECTRIC LICENSE	3	2	-
3003	NATURAL GAS LICENSE	2	2	-
3006	HACKERS LICENSE	421	365	365
3007	SECURITY BROKER DEALER LICENSE	1,636	1,904	1,901
3007	SECURITIES REGISTRATION FEE	7,760	7,760	8,000
3009	SELF (TRUCK) UNLOADING PERMIT	816	750	750
3010	OTHER BUSINESS LICENSE	347	-	-
3010	OTHER BUSINESS LICENSE	99	83	83
3011	BUSINESS LICENSE & PERMIT	74	-	-
3012	BUILDING STRUCTURES & EQUIPMENT	14,169	12,766	11,651
3013	CERTIFICATE OF OCCUPANCY	347	450	450
3014	REFRIGERATION & PLUMBING PERMIT	5,259	2,600	2,600
3015	ELECTRICAL PERMIT	2,662	2,250	2,250
3016	PUBLIC SPACE EXCAVATION PERMIT	639	600	600
3021	VENDOR BONDS (NET OF REFUNDS)	870	1,500	1,500
3023	OTHER LICENSE FEES	11	11	11
3024	BANKING LICENSE AND FEES	9	10	11
TOTAL BUSINESS LICENSES AND PERMITS		47,936	37,221	39,704
NONBUSINESS LICENSES AND PERMITS				
3100	HACK AND LIMO LICENSES & FEES	50	55	55
3101	DRIVERS LICENSE	3,169	3,100	3,100
3106	CHANGE OF ADDRESS FEE	2	2	2
3120	BOAT REGISTRATION	184	165	165
3141	RECIPROCITY PERMIT	734	750	750
3145	PERSONALIZED TAGS	87	95	94
3147	DCTC ISSUANCE	179	180	180
3148	TEMPORARY DEALER TAGS	29	28	28
3149	TRANSFER OF TAGS	56	67	67
3150	VEHICLE REGISTRATION	21,584	26,745	26,700
TOTAL NONBUSINESS LICENSES AND PERMITS		26,074	31,187	31,141
TOTAL LICENSES AND PERMITS		74,010	68,408	70,845
FINES AND FORFEITURES				
5010	TRAFFIC FINES - RED LIGHT CAMERAS	5,101	4,903	4,255
5010	TRAFFIC FINES - 1501	73,022	71,407	72,275
5011	PHOTO RADAR ENFORCEMENT	21,848	31,866	28,216
5020	SALE OF ABANDONED PROPERTY	6,243	900	911
5030	BOOTING FEES	495	510	546
5040	TOWING FEES - RSC 1505	206	225	253
5050	IMPOUNDMENT FEES - RSC 1506	326	360	405
5060	FINES AND FORFEITURES - OTHER	771	466	475
TOTAL FINES AND FORFEITURES		108,012	110,637	107,336

Figure 4-31 (continued)

General Purpose Non-Tax Revenue, by Source, Fiscal Year 2005-2007

(\$ thousands)

MISCELLANEOUS				
5300	WASA - PILOT	11,207	10,035	11,109
5600	INTEREST INCOME	26,052	38,000	41,000
5700	UNCLAIMED PROPERTY	29,240	17,900	18,000
6100	SALE OF SURPLUS PROPERTY	436	436	436
6101	BUS SHELTER ADVERTISEMENT	1,697	-	-
6102	REIMBURSEMENTS-OTHER	33	-	-
6103	REIMBURSEMENTS - USMS	24,869	-	-
6106	OTHER REVENUE	3,019	1,159	1,159
6107	CIVIL INFRACTIONS	214	100	100
6108	COCOT REGISTRATION	6	2	-
6111	OTHER REVENUE - OTHER	2,666	8,181	5,121
6118	PRIOR YEAR COST RECOVERY	14,828	5,000	5,000
6129	CONSUMER PROTECTION FUND	3	-	-
6301	SSI PAYBACK	8	-	-
9205	SODA COMMISSIONS	1	4	4
9206	PAY PHONE COMMISSIONS	1	-	-
	TOBACCO RESIDUALS	4,781	4,851	3,949
TOTAL MISCELLANEOUS		119,061	85,668	85,878
CHARGES FOR SERVICES				
53200	TELECO REGISTRATION	11	11	10
3201	HOME OCCUPATION LICENSE	60	65	68
3202	BOILER INSPECTION PERMITS	119	50	52
3204	ELEVATOR INSPECTION	30	265	279
3206	FINGERPRINTS, PHOTOS	425	292	307
3207	REINSTATEMENT INSURANCE FEES	3,717	2,246	2,366
3207	OTHER SERVICE CHARGES	2,184	4,165	4,388
3208	REPRODUCTION OF REPORTS	2,371	2,421	2,550
3210	TRANSCRIPT OF RECORDS	336	363	382
3210	TAX CERTIFICATES	423	218	230
3211	FIREARM USER FEE	343	143	150
3214	MOTOR VEHICLE INSPECTION FEE	5,312	6,050	6,374
3215	VEHICLE TITLES	2,377	2,917	3,073
3216	RE-INSPECTION FEES	15	1	1
3217	INSPECTION LATE FEE	1	1	1
3219	WHARVES AND MARKETS	426	396	418
3220	SURVEYOR FEES	489	405	427
3221	DEED RECORDATION FEES	10,504	10,966	11,553
3222	CORP RECORDATION	8,984	7,023	9,334
3223	PARKING FEES/PERMITS	2,534	3,223	3,395
3228	CONDO REGISTRATION	179	22	23
3235	SPECIAL PURPOS REVENUES	59	8,859	7,400
3236	RE-INSPECTION FEES	8	-	-
3310	INVESTMENT ADVISORS ACT	325	411	437
3400	PARKING METERS - RESC 1256	10,112	-	-
TOTAL CHARGES FOR SERVICES		51,344	50,513	53,218

Figure 4-31 (Continued)

General Purpose Non-Tax Revenue, by Source, Fiscal Year 2005-2007

(\$ thousands)

Comptroller Object Code	Object Title	Actual 2005	Estimate FY 2006	Estimate FY 2007
TOTAL NON TAX REVENUE		352,427	315,226	317,277
OTHER FINANCING SOURCES				
6104	LOTTERY TRANSFER	71,450	72,000	72,100
TOTAL OTHER FINANCING SOURCES		71,450	72,000	72,100
TOTAL NON-TAX AND OTHER FINANCING SOURCES		423,877	387,226	389,377

There is evidence many wealthy District residents, potentially subject to the estate tax, have enhanced their wealth positions in recent years. And this is believed to have been a factor in \$29.3 million being collected in FY 2005, a 10.5 percent increase over the prior year. However, given that national and local economic growth is slow in coming years beginning in FY 2006 and a strong recovery in the stock market does not appear to be on the horizon, estate tax collections are expected to gradually decline for FYs 2006 to 2010.

In FY 2006, \$21.4 million is expected for estate tax collections, a 26.8 percent decline over 2005 revenue (see table 4-29). In FY 2007, \$20.1 million is expected, representing a 6.3 percent further decline over 2006.

Non-Tax Revenues

General Purpose Non-Tax Revenues

Total general purpose non-tax collections are estimated to be \$315 million in FY 2006. This is \$37.2 million or 10.6 percent less than FY 2005 estimated non-tax revenue collections. Factors contributing to this decrease in general purpose non-tax revenue in FY 2006 include the following:

Collections from licenses and permits are estimated to be 7.6 percent lower than FY 2005 estimated revenues. This is due to the fact that some insurance licenses are renewed every other year, creating a cyclical trend in annual collections.

Collections from fines and forfeitures are estimated to be 2.4 percent higher in FY 2006 than in FY 2005 due to a \$10 million increase in photo radar enforcement collections in FY 2006.

Collections from charges for services are estimated to be 1.6 percent lower in FY 2006 than in FY 2005 due to a \$2.0 million decrease in corporate recordation, and a \$10.1 million decrease in parking meter collections shifting to special purpose funds.

Collections from miscellaneous revenues are estimated to be 28 percent lower in FY 2006 than in FY 2005 due to a \$25 million shift in U.S. Marshal's Service (USMS) reimbursements out of non-tax revenues to a special purpose revenue fund.

Special Purpose

Non-Tax Revenue

Special purpose non-tax revenues, often times referred to as O-Type or Other revenues, are funds generated from fees, fines, assessments, or reimbursements that are dedicated to the District agency that collects the revenues to cover the cost of performing the function. The "dedication" of the revenue to the collecting agency is what distinguishes this revenue from the general-purpose non-tax revenues. The legislation that creates the fee, fine or assessment must stipulate its purpose-designation and must also state whether any unspent funds are to retain designation at the

Table 4-32

Motor Fuel Tax Dedicated to the Highway Trust Fund, Fiscal Years 2004-2009

(\$ thousands)

Revenue Source	FY 2005 (Actual)	FY 2006 (Estimate)	FY 2007 (Estimate)	FY 2008 (Projected)	FY 2009 (Projected)	FY 2010 (Projected)
Motor Fuel Tax	\$27,867	\$27,817	\$27,948	\$28,079	\$28,211	\$28,477

conclusion of the fiscal year or revert to general-purpose funds. Unspent revenue in certain funds cannot revert to general purpose funds. Dedicated revenues limit the use of the District's General Fund revenue by earmarking a portion of the revenue for special purposes. Prior to FY 2002 dedicated non-tax revenues were not considered local revenues and as such were reported differently in the Comprehensive Annual Financial Report (CAFR) and reported with the District's federal and private grants in the Financial Plan.

In FY 2007 the District is anticipating \$368.7 million in revenue and use of fund balance of \$109.9 million for a total of \$478.5 million to cover the cost of performing the functions associated with these resources. The use of fund balance is a one-time revenue

source and as such is not projected for future years. Table 4-40 (at the end of this chapter) shows the dedicated non-tax revenue by source.

Special Funds

The District operates several special funds financed by tax revenues. These revenues are not available to the general fund and the Appropriated Budget.

Convention Center Fund. Beginning in FY 1999, the formula financing the Convention Center Fund includes only sales tax revenue from hotels, restaurants, rental vehicles, and sale of pre-paid phone cards. Prior to FY 1999, revenues from a 5 percent surtax on franchise taxes and a \$1.50 tax on each hotel room-night were dedicated to the

Table 4-33

Ballpark Fee Schedule

Gross Receipts	Fee	Approximate # of Feepayers
\$5,000,000 - \$8,000,000	\$5,500	486
\$8,000,001 - \$12,000,000	\$10,800	300
\$12,000,001 - \$16,000,000	\$14,000	155
Greater than \$16,000,001	\$16,500	359

Table 4-34

Ballpark Fund Revenue, Fiscal Years 2005-2010

(\$ thousands)

Revenue Source	FY 2005 (Actual)	FY 2006 (Revised)	FY 2007 (Original)	FY 2008 (Projected)	FY 2009 (Projected)	FY 2010 (Projected)
Ballpark Fee	16,207	14,000	14,000	14,000	14,000	14,000
Utility Taxes Dedicated to Ballpark	8,955*	12,346	12,468	12,589	12,711	12,711
Stadium Revenue	8,547	11,348	12,500	19,808	18,596	18,301
Rent Payment**	0	0	0	3,500	3,750	4,000
Total Ballpark Fund Revenue	33,709	37,694	38,968	49,897	49,057	49,012

*NOTE: Utility tax collections for FY 2005 were for a nine-month period (January 2005 – September 2005).

**NOTE: Rent Payments paid by the team in FY 2005, FY 2006, and FY 2007 are not deposited into the Ballpark Revenue Fund. The rent payments are deposited with the District of Columbia Sports and Entertainment Commission for the operations at RFK Stadium.

Table 4-35

Neighborhood Investment Fund, Fiscal Years 2005-2010

(\$ thousands)

Revenue Source	FY 2005 (Actual)	FY 2006 (Revised)	FY 2007 (Original)	FY 2008 (Projected)	FY 2009 (Projected)	FY 2010 (Projected)
Personal Property Tax	10,000	9,626	9,735	9,875	10,000	10,000

Convention Center Fund. These funding sources were eliminated and replaced by a larger share of the hotel sales tax dedicated to that purpose. The hotel tax rate is 14.5 percent—a 4.45 percent rate dedicated to the Convention Center Fund and a 10.05 percent rate to the District's general fund. The 10 percent restaurant sales tax is divided so that a 1 percent rate is dedicated to the Convention Center Fund and a 9 percent rate to the General Fund. (See table 4-22 for more information.)

Highway Trust Fund. The motor fuel tax is assessed at \$0.20 per gallon. Motor vehicle fuel tax revenue is deposited directly into a special account, the Highway Trust Fund, and is not general fund revenue. The Highway Trust Fund uses both local-source and federal matching funds to construct, repair and manage eligible District roads and bridges. Approximately 400 of the 1,020 miles (or 39.2 percent) of streets and highways, as well as 229 bridges in the District, are eligible for federal aid.

The motor fuel tax is levied on fuel wholesalers, and yearly variations in tax collections are primarily a function of fuel consumption. District fuel tax cash collections for FY 2005 were \$27.7 million, 4.2 percent more than in FY 2004. The U.S. Energy Information Agency has forecasted national fuel demand to grow an average of 2.2 percent in 2006 and 2007 under assumptions of continued economic growth. This forecast was dated February 2006, before consumer motor fuel prices began to settle near record levels in the spring of 2006. This recent development, which does not appear to be reversing itself, is likely to temper the EIA's current forecast. District fuel demand, and consequent fuel tax revenue, is also expected to grow but modestly. With the forecast for the local

economy remaining relatively strong and based on a time series analysis of recent fuel tax revenue trends, fuel tax revenues are forecasted to grow approximately 0.47 percent per year beginning in FY 2006. This amounts to \$27.8 million in FY 2006 and \$27.9 million in FY 2007.

Beginning in FY 2007, the following additional revenue sources will be dedicated to the Highway Trust Fund:

- The incremental revenue from a 20 percent increase in the right-of-way fees paid by utility companies, which is estimated to generate \$6.5 million in FY 2007.
- The incremental revenue from a 20 percent increase in the public space rental fees paid on underground vaults, which is estimated to generate \$3.0 million in FY 2007.
- The incremental revenue from charging cable companies 20 percent of the revised right-of-way fee rates paid by utility companies, which is estimated to generate \$4.1 million in FY 2007.

Ballpark Fund. The Ballpark Omnibus Financing and Revenue Act of 2004 (the "Ballpark Act") provides for the creation of a Ballpark Revenue Fund, into which the Chief Financial Officer of the District (the "CFO") is required to deposit "all receipts from those fees and taxes specifically identified by any provision of District of Columbia law to be paid into the fund and any rent paid pursuant to a lease of the ballpark." Those fees and taxes are described below (see table 4-34), and include the Ballpark Fee, utility taxes, stadium revenue and rent. The Ballpark Revenue Fund will be established within the District's General Fund, and will be pledged to pay debt service on the District's baseball stadium revenue bonds (the "Baseball Stadium Bonds").

The Ballpark Fee is a gross receipts fee that is levied on businesses within the District with over \$5 million in gross receipts, (see table 4-33 for the fee schedule).

On or before December 1 of each year, the CFO is required to compute the amount of the Ballpark Fee collected in the prior fiscal year and the amount estimated to be collected in the current fiscal year. If the estimate for the current fiscal year is less than \$14 million, the CFO must calculate an adjustment of the schedule to provide for an estimated receipt of \$14 million in the next fiscal year. This adjusted schedule will then take effect on the following October 1. The fees are due in a single payment on June 15th annually. The District expects to receive about \$14 million annually from the Ballpark Fee.

The District collects a fee of 11 percent of the gross receipts from sales for nonresidential customers of telephone companies, heating oil companies, and gas companies. One-eleventh of this fee is deposited into the Ballpark Revenue Fund to be used for debt service on the Baseball Stadium Bonds. The District also collects a tax of \$0.007 for each kilowatt-hour of electricity delivered to non-residential end-users in the District of Columbia. \$0.0007 out of every \$0.007 is deposited into the Ballpark Revenue Fund to be used for debt service on the Baseball Stadium Bonds. Taxes are remitted to the District monthly. The District expects to receive about \$12 million in 2006 from these utility taxes, increasing at approximately 1 percent per year.

The stadium-related sales tax streams include:

- Taxes on tickets sold. In addition to the 5.75 percent generally applicable tax, there is an additional 4.25 percent Stadium-specific tax.
- Taxes on parking at the stadium for baseball games. This tax is a 12 percent generally applicable tax.

- Taxes on stadium concessions (excluding food and beverages). In addition to the 5.75 percent generally applicable tax, there is an additional 4.25 percent Stadium-specific tax.
- Taxes on food and beverages sold in the stadium. This tax is a 10 percent generally applicable tax, less one-tenth that must be transferred to the Washington Convention Center Authority Fund for payment of debt service on Washington Convention Center bonds.

The stadium rent payment amount is based on a schedule of payments agreed upon in the Baseball Stadium Agreement signed by the team, the Mayor, and the District of Columbia Sports and Entertainment Commission on September 29, 2004. The payments in FY 2005 through FY 2007 are not deposited in the Ballpark Revenue Fund. Those rent payments are deposited with the District of Columbia Sports and Entertainment Commission for the operations at RFK Stadium.

Neighborhood Investment Fund. In 2004 District legislation created a Neighborhood Investment Fund and a Neighborhood Investment Program which dedicates approximately \$10 million annually from personal property tax revenue to pay for a variety of community revitalization development purposes, including commercial, residential, and civic uses for twelve priority neighborhoods (see Table 4-35).

Housing Production Trust Fund. The Housing Production Trust Fund Second Amendment Act of 2002 requires that 15 percent of the District's deed recordation and transfer tax revenue be transferred to the Housing Production Trust Fund annually. The Housing Production Trust Fund provides funds for the acquisition, construction and rehabilitation of affordable multifamily housing projects. Funds newly dedicated to housing production will be \$50.5 million in FY 2006 and \$50.6 million in FY 2007 (see table 4-30).

The FY 2007 Budget includes a policy proposal to increase deed transfer and recordation tax rates which will increase the revenue going to the Housing Production Trust Fund. For more information on this increase and its impact on the Housing Production Trust Fund see the Policy Proposals section of this chapter and see the Policy Proposals section of Table 4-15.

School Modernization Fund. In FY 2006, the District enacted the School Modernization Financing Act of 2006 which establishes the Public School Capital Improvement Fund for the purpose of funding capital improvements throughout the District of Columbia school system. The revenue source for this fund, beginning in FY 2007, is the first \$100 million of non-dedicated sales tax revenue. Beginning in FY 2008, the amount of funds transferred to the Public School Capital Improvement Fund is increased by the Construction Cost Index. (See Table 4-21 for the amount of sales tax transferred to the Public Capital Improvement Fund in each year of the Financial Plan).

Comprehensive Housing Task Force Fund. The Fiscal Year 2007 Budget Support Act of 2006 establishes the Comprehensive Housing Task Force Fund. This fund will support a number of affordable housing initiatives including rent supplements, workforce housing and energy assistance. The funding source for this fund is a portion of the increase in the deed transfer and recordation tax rates. In FY 2007 the estimated amount being transferred to the fund is \$40.3 million. (See the Policy Proposals portion of Table 4-15 for the amount of deed taxes transferred to the Comprehensive Housing Task Force Fund in each year of the Financial Plan).

Policy Proposals

The Fiscal Year 2007 Budget Support Act contains a number of policy proposals that affect District of Columbia revenues:

- Change the tax treatment of CareFirst,
- Deed tax increase,
- Quality Teacher Incentive Act,

- Unfoldment, Inc. Equitable Real Property Relief Act,
- Transfer DDOT O-type revenue,
- Increased compliance enforcement.

Change the Tax Treatment of CareFirst

Under current law, the insurance premiums tax rate charged to CareFirst is 1.0 percent, instead of the full 1.7 percent insurance premiums tax rate. This lower rate was contingent upon CareFirst establishing an open enrollment program and depositing the revenue from the 1.0 percent tax into a Rate Stabilization Fund. However, the open enrollment program has not been established to the full satisfaction of the District. In fact, in FY 2004, at the request of the Department of Insurance, Securities and Banking, CareFirst returned \$2.776 million in insurance premiums taxes to the District's General Fund.

The proposed change in law would increase the insurance premiums tax rate on CareFirst to the full 1.7 percent and deposit the entire amount into an Affordable Health Coverage fund, which will be used by the Department of Health to fund health coverage programs for District residents. The revenue increase from this proposed change in law is \$3.5 million.

Deed Tax Rate Increase

This proposal increases the deed recordation and transfer tax rates on commercial sales and on residential sales above \$400,000 from 1.1 percent to 1.45 percent. The proposal, in effect, implements a two-tiered tax rate system for residential deed recordation and transfer taxes- a combined 2.2 percent on home sales of \$400,000 and below and 2.9 percent for home sales above \$400,000. This proposal will generate gross revenue of \$101 million in FY 2007 with \$15.1 million (15 percent of the gross) transferred to the Housing Production Trust Fund and \$40.3 million dedicated to the Comprehensive Housing Task Force Fund. The remainder of the revenue, \$45.5 million, is local fund revenue.

Quality Teacher Incentive Act

This legislation would allow District teachers to deduct from gross income expenses paid for class room materials and supplies as well as tuition paid for post-graduate education and professional development. This proposal will reduce revenue by \$0.257 million in FY 2007.

Unfoldment, Inc. Equitable Real Property Tax Relief Act of 2006

This legislation would waive real property taxes, interest and penalties on Unfoldment, Inc. and refund taxes paid by Unfoldment, Inc. for property located on lot 804, square 5984 in Ward 8 and on lot 826, square 6129 in Ward 8. Unfoldment, Inc. is a community-based non-profit organization that provides residential group home services for older teenage boys in the District foster care system. The waiver and refunds are for the period of time from FY 2002 through the first half of FY 2006 when the District stored property and client records on the site, making it unusable to Unfoldment. At present, Unfoldment, Inc. is renovating the properties and has reapplied for tax exempt status. This proposal will reduce revenue by \$0.088 million in FY 2007.

Transfer of Department of Transportation O-Type Revenue to the Local Fund

This proposal reflects the one-time transfer of anticipated unspent Department of Transportation O-type revenue in the amount of \$436,000 to the local fund.

Increased Compliance Enforcement

This proposal comprises several initiatives by the Office of Tax and Revenue to increase compliance in the reporting and paying of District taxes. The initiatives include: full implementation of the Clean Hands by all DC agencies issuing licenses; reducing the rate of fraud associated with Schedule C filings, the earned income tax credit (EITC), and the sales and use tax; greater auditing of the District's Homestead program; and stepping up the identification and review of vacant properties to reduce the number of exceptions. The increased compliance enforcement efforts are

estimated to generate \$49.0 million in FY 2007.

Procedures for Estimating Revenue

The process of estimating revenue begins a year in advance. The estimates for FY 2007, for instance, were begun in September 2005.

In September we issue a revenue call to all agencies requesting reports and projections on the amount of user fees, fines, and other types of non-tax income agencies expect to generate.

Economic forecasting assumptions for the District are received from two nationally known economic analysis and forecasting firms, Global Insight, Inc. (formerly DRI-WEFA) and Economy.com, in late summer or late fall. These assumptions help us build the base for growth over the forecast horizon.

During the late summer and throughout the fall, analysts maintain contact with people throughout the District government who are knowledgeable of the collection of all tax and non-tax revenues. This includes the Office of Tax and Revenue and agencies that have user fees or that impose fines. This gives us a good feel for progress in meeting the current year's goals and for understanding likely trends in the near future.

Analysts follow the year-end closing to be aware of accounting issues that might affect revenues – for instance, changes in accounts receivable or reserves that might impact revenue numbers.

Two advisory groups help us understand the economy:

- The first, a technical advisory group, meets in December and June and is composed of experts in revenue forecasting. Membership includes representatives from the Congressional Budget Office (CBO), the Richmond Federal Reserve, the Commonwealth of Virginia, the State of Maryland, and other jurisdictions and related organizations.
- The second advisory group, composed of knowledgeable local business representatives, advises us about current economic trends and helps us understand where the

private sector thinks things are heading. This group meets with us in February and July. Members of this group represent the hotel and tourism industry, real estate and housing, banking and finance, neighborhood groups, downtown development interests, the education sector, and other interests.

Updated economic assumptions are received from forecasting firms in January. This allows us to fine-tune our projections based on the most recent data available before the final forecasts are released.

At the end of January, CBO releases its Winter Report. This provides recent and valuable guidance on where the national economy is expected to go over the next ten years. As the national economy has a great deal of impact on the D.C. economy, this report is a valuable tool in the final stages of the revenue estimation process.

Subsequent steps in revenue estimating are part technical and part investigative.

The technical part of revenue estimating involves using econometric methods to find statistically valid models that replicate past collections and project confidence intervals for future collections. The models use explanatory variables to account for revenue collections over time relying on relationships between (a) the money collected by the District in a given tax type, and (b) economic variables that track the underlying tax base. For example, in the unincorporated business tax, one model shows a strong lagged relationship between employment in construction and activity in the real estate market (as measured by collections in the transfer tax). This makes sense given that much of the activity that is taxed by the unincorporated business franchise tax is in the real estate and construction segments of the D.C. economy. The economic forecasting variables are used directly in these methodologies.

The rest of the process is where the investigating comes into play. The next step is to incorporate the revenue impact of legislation and additional factors that cannot be captured by econometric models. For instance,

when we were developing revenue projections prior to the opening of the new convention center we knew there would be an impact in the amount of revenue generated by the sales tax, particularly at the restaurant and hotel sales tax rates. No econometric model can capture this impact. However, an estimate of the impact must be included in our revenue projections.

The final step is to run a reality check on the numbers produced. To do this, we compare the projected trends with those of the Congressional Budget Office and neighboring jurisdictions. If our projections are substantially different for individual income tax collections than what CBO is projecting, for example, we need to explain the difference. This helps ensure that our understanding and knowledge of the fundamentals of a tax type are consistent with those of other professionals in the field. The pattern of changes over the projection horizon is also scrutinized in this phase of the process. A dramatic jump or drop from one period to the next needs to be understood.

For the FY 2003 estimates, we contracted with KPMG to review our data and estimating methodologies, determine whether the methodologies are correctly implemented, and recommend changes where they find areas of weakness. Overall, they concluded that ORA uses sound methodologies and implements them competently. They also found that the greatest cause of uncertainty in the estimates is the quality of the data.

Additional Information on D.C. Revenues

Table 4-36 through 4-40 provide additional detail on what the District taxes and collects, at what rates, and how much revenue these taxes and non-tax revenues yield. Table 4-41 identifies legislation that was a) enacted subject to appropriation, or inclusion in the Budget and Financial Plan, and b) enacted with a fiscal impact and not included in the FY 2006 baseline. All legislation included in this table is accounted for in the FY 2007 Budget and Financial Plan, except for D.C. Law 16-98.

Table 4-36

Percentage Changes in General Fund, Local Revenue by Source

(percentage changes from prior FY, except where noted)

Revenue Source (\$ thousands)	FY 2004 (Actual)	FY 2005 (Actual)	FY 2006 (Rev.)	FY 2007 (Rev.)	FY 2008 (Proj.)	FY 2009 (Proj.)	FY 2010 (Proj.)
Real Property	947,690	11.7%	5.1%	16.2%	9.1%	6.7%	5.4%
<i>Transfer to TIF</i>	-	NA	NA	-3.2%	-8.8%	4.9%	-1.2%
Real Property (net)	947,690	11.7%	4.9%	16.2%	9.1%	6.7%	5.4%
Personal Property	63,558	29.1%	-21.8%	1.1%	1.4%	1.7%	1.0%
<i>Transfer to Neighborhood Investment Fund</i>	-	NA	-3.7%	1.1%	1.4%	1.3%	0.0%
Personal Property (net)	63,558	13.4%	-24.3%	1.1%	1.4%	1.8%	1.2%
Public Space	16,728	-6.6%	9.3%	1.8%	1.7%	1.6%	1.5%
<i>Transfer to DDOT</i>	-	NA	NA	1.8%	1.7%	1.6%	1.5%
Total Property	1,027,976	11.5%	1.6%	15.5%	8.8%	6.5%	5.3%
General Sales (gross)	732,994	16.6%	8.1%	5.7%	5.4%	4.8%	5.0%
<i>Convention Center Transfer</i>	(61,977)	25.0%	0.9%	0.1%	5.2%	5.2%	5.2%
<i>Transfer to TIF</i>	-	NA	NA	-3.9%	-8.3%	-1.1%	0.3%
<i>Transfer to DDOT capital (parking tax)</i>	-	NA	NA	1.0%	1.0%	1.0%	0.0%
<i>Transfer to Ballpark Fund</i>	-	NA	32.8%	10.2%	58.5%	-6.1%	-1.6%
<i>Transfer to School Modernization Fund</i>	-	NA	NA	NA	6.0%	6.0%	6.0%
General Sales (net)	671,017	14.5%	3.2%	-6.1%	4.9%	5.1%	5.2%
Alcohol	5,090	-0.8%	-0.8%	-0.7%	-0.7%	-0.6%	-0.6%
Cigarette	20,765	7.6%	-9.4%	-2.5%	-2.5%	-2.5%	-2.5%
Motor Vehicle	40,437	4.8%	4.7%	4.7%	4.7%	4.7%	4.7%
Motor Fuel Tax	32,256	-13.6%	-0.2%	0.5%	0.5%	0.5%	0.9%
<i>Transfer to Highway Trust Fund</i>	(32,256)	-13.6%	-0.2%	0.5%	0.5%	0.5%	0.9%
Total Sales	737,309	13.7%	2.9%	-5.4%	4.7%	4.9%	5.0%
Individual Income	1,042,309	11.3%	5.1%	0.0%	5.5%	6.0%	6.0%
Corporation Franchise	168,353	16.1%	12.5%	-0.4%	6.2%	5.0%	4.0%
U. B. Franchise	88,347	32.3%	8.7%	8.9%	9.9%	9.6%	9.6%
Total Income	1,299,009	13.4%	6.3%	0.7%	6.0%	6.2%	6.1%
Public Utility (gross)	169,494	2.7%	-10.4%	6.4%	0.0%	0.0%	0.0%
<i>Transfer to Ballpark Fund</i>	-	NA	14.1%	1.3%	1.3%	1.3%	0.0%
Public Utility (net)	169,494	-2.0%	-11.6%	6.8%	-0.1%	-0.1%	0.0%
Toll Telecommunication (gross)	54,951	1.0%	-1.6%	0.0%	0.2%	0.0%	0.0%
<i>Transfer to Ballpark Fund</i>	-	NA	247.9%	0.1%	0.0%	0.0%	0.0%
Toll Telecommunication (net)	54,951	-0.7%	-5.7%	0.0%	0.2%	0.0%	0.0%
Insurance Premiums	47,452	3.0%	5.5%	2.7%	-15.1%	0.0%	0.0%
Healthcare Provider Tax	0	NA	NA	37.5%	0.0%	0.0%	0.0%

Table 4-36 (continued)

Percentage Changes in General Fund, Local Revenue by Source

(percentage changes from prior FY, except where noted)

Revenue Source (\$ thousands)	FY 2004 (Actual)	FY 2005 (Actual)	FY 2006 (Rev.)	FY 2007 (Rev.)	FY 2008 (Proj.)	FY 2009 (Proj.)	FY 2010 (Proj.)
<i>Transfer to Nursing Facility Quality of Care Fund</i>	-	NA	NA	37.5%	0.0%	0.0%	0.0%
Baseball gross receipts tax	-	NA	-13.6%	0.0%	0.0%	0.0%	0.0%
<i>Transfer to Ballpark Fund</i>	-	NA	-13.6%	0.0%	0.0%	0.0%	0.0%
Total Gross Receipts	271,897	-0.9%	-7.3%	4.5%	-3.1%	0.0%	0.0%
Estate	26,466	10.5%	-26.8%	-6.3%	-3.6%	-3.6%	0.0%
Deed Recordation (gross)	193,555	-1.8%	-1.4%	0.2%	5.2%	8.9%	9.8%
<i>Transfer to HPTF</i>	<i>(29,033)</i>	<i>-1.8%</i>	<i>-1.4%</i>	<i>0.2%</i>	<i>5.2%</i>	<i>8.9%</i>	<i>9.8%</i>
Deed Recordation (net)	164,522	-1.8%	-1.4%	0.2%	5.2%	8.9%	9.8%
Deed Transfer (gross)	143,232	2.6%	1.5%	0.2%	5.4%	9.3%	10.6%
<i>Transfer to HPTF</i>	<i>(21,485)</i>	<i>2.6%</i>	<i>10.0%</i>	<i>9.8%</i>	<i>9.8%</i>	<i>9.8%</i>	<i>9.8%</i>
Deed Transfer (net)	121,747	2.6%	1.5%	0.2%	5.4%	9.3%	10.6%
Economic Interests	16,269	-34.9%	-24.5%	0.0%	0.0%	0.0%	0.0%
Total Other Taxes	329,004	-0.8%	-3.3%	-0.2%	4.6%	8.1%	9.4%
TOTAL TAXES	3,665,195	10.6%	2.6%	3.7%	6.0%	5.8%	5.5%
Licenses & Permits	61,505	20.3%	-7.6%	3.6%	-3.2%	4.5%	-4.1%
Fines & Forfeits	99,478	8.6%	2.4%	-3.0%	-3.8%	-3.1%	-3.5%
Charges for Services	53,705	-4.4%	-1.6%	5.4%	-1.4%	3.2%	0.0%
Miscellaneous Revenue	109,011	9.2%	-28.0%	0.2%	8.1%	7.2%	6.2%
TOTAL NON-TAX	323,699	8.9%	-10.6%	0.7%	0.0%	2.6%	-0.1%
Lottery/Interfund Transfer	73,500	-2.8%	0.8%	0.1%	0.0%	0.0%	0.0%
TOTAL LOCAL FUND REVENUE	4,062,394	10.2%	1.5%	3.5%	5.5%	5.5%	5.1%
Revenue Changes							
Triggered by May Revision	0	NA	NA	-69.6%	11.2%	12.7%	12.1%
NET LOCAL FUND REVENUE	4,062,394	10.2%	1.5%	3.5%	5.5%	5.5%	5.1%

Table 4-37

Changes in General Fund, Local Revenue by Source

(\$ thousands change from prior FY, except where noted)

Revenue Source	FY 2004 Actual Level	FY 2005 Actual	FY 2006 Revised	FY 2007 Revised	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Real Property	947,690	110,410	54,337	179,842	117,443	94,580	81,796
<i>Transfer to TIF</i>	-	-	(2,411)	78	205	(105)	27
Real Property (net)	947,690	110,410	51,926	179,920	117,648	94,475	81,823
Personal Property	63,558	18,510	(17,893)	725	935	1,139	670
<i>Transfer to Neighborhood Investment Fund</i>	-	(10,000)	374	(109)	(140)	(125)	-
Personal Property (net)	63,558	8,510	(17,519)	616	795	1,014	670
Public Space	16,728	(1,100)	1,449	304	295	288	269
<i>Transfer to DDOT</i>	-	-	(17,077)	(304)	(295)	(288)	(269)
Total Property	1,027,976	117,820	18,779	180,536	118,443	95,489	82,493
General Sales (gross)	732,994	121,351	68,806	52,882	53,154	49,447	53,660
<i>Convention Center Transfer</i>	(61,977)	(15,513)	(720)	(40)	(4,063)	(4,275)	(4,503)
<i>Transfer to TIF</i>	-	-	(11,044)	427	884	105	(25)
<i>Transfer to DDOT capital (parking tax)</i>	-	-	(30,000)	(300)	(303)	(306)	-
<i>Transfer to Ballpark Fund</i>	-	(8,547)	(2,801)	(1,152)	(7,308)	1,212	295
<i>Transfer to School Modernization Fund</i>	-	-	-	(100,000)	(6,000)	(6,360)	(6,742)
General Sales (net)	671,017	97,291	24,241	(48,183)	36,364	39,823	42,685
Alcohol	5,090	(39)	(38)	(36)	(33)	(32)	(30)
Cigarette	20,765	1,571	(2,098)	(514)	(501)	(488)	(475)
Motor Vehicle	40,437	1,943	1,979	2,072	2,168	2,270	2,376
Motor Fuel Tax	32,256	(4,389)	(50)	131	131	132	266
<i>Transfer to Highway Trust Fund</i>	(32,256)	4,389	50	(131)	(131)	(132)	(266)
Total Sales	737,309	100,766	24,084	(46,661)	37,998	41,573	44,556
Individual Income	1,042,309	117,765	58,631	38	67,459	77,013	81,836
Corporation Franchise	168,353	27,139	24,508	(936)	13,550	11,640	9,704
U. B. Franchise	88,347	28,519	10,133	11,265	13,651	14,646	15,950
Total Income	1,299,009	173,423	93,272	10,367	94,660	103,299	107,490
Public Utility (gross)	169,494	4,591	(18,085)	10,042	1	-	1
<i>Transfer to Ballpark Fund</i>	-	(8,046)	(1,138)	(119)	(121)	(122)	-
Public Utility (net)	169,494	(3,455)	(19,223)	9,923	(120)	(122)	1
Toll Telecommunication (gross)	54,951	534	(878)	5	109	21	18
<i>Transfer to Ballpark Fund</i>	-	(909)	(2,253)	(3)	-	-	-
Toll Telecommunication (net)	54,951	(375)	(3,131)	2	109	21	18
Insurance Premiums	47,452	1,436	2,712	1,400	(8,000)	-	-
Healthcare Provider Tax	0	0	8,000	3,000	0	0	0
<i>Transfer to Nursing Facility Quality of Care Fund</i>	-	-	(8,000)	(3,000)	-	-	-
Baseball gross receipts tax	-	16,207	(2,207)	-	-	-	-
<i>Transfer to Ballpark Fund</i>	-	(16,207)	2,207	-	-	-	-
Total Gross Receipts	271,897	(2,394)	(19,642)	11,325	(8,011)	(101)	19

Table 4-37(Continued)

Changes in General Fund, Local Revenue by Source

(\$ thousands change from prior FY, except where noted)

Revenue Source	FY 2004 Actual Level	FY 2005 Actual	FY 2006 Revised	FY 2007 Revised	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected
Estate	26,466	2,791	(7,837)	(1,348)	(720)	(695)	(5)
Deed Recordation (gross)	193,555	(3,507)	(2,697)	375	9,668	17,627	21,008
<i>Transfer to HPTF</i>	<i>(29,033)</i>	<i>526</i>	<i>405</i>	<i>(56)</i>	<i>(1,450)</i>	<i>(2,644)</i>	<i>(3,151)</i>
Deed Recordation (net)	164,522	(2,981)	(2,293)	319	8,218	14,983	17,857
Deed Transfer (gross)	143,232	3,698	2,265	328	8,119	14,692	18,337
<i>Transfer to HPTF</i>	<i>(21,485)</i>	<i>(555)</i>	<i>(340)</i>	<i>49)</i>	<i>(1,218)</i>	<i>(2,204)</i>	<i>(2,751)</i>
Deed Transfer (net)	121,747	3,143	1,925	279	6,901	12,488	15,586
Economic Interests	16,269	(5,676)	(2,593)	0	0	0	0
Total Other Taxes	329,004	(2,723)	(10,798)	(750)	14,399	26,776	33,438
TOTAL TAXES	3,665,195	386,892	105,695	154,816	257,489	267,036	267,997
Licenses & Permits	61,505	12,505	(5,602)	2,437	(2,241)	3,057	(2,956)
Fines & Forfeits	99,478	8,534	2,625	(3,301)	(4,115)	(3,231)	(3,493)
Charges for Services	53,705	(2,361)	(831)	2,705	(758)	1,701	14
Miscellaneous	109,011	10,050	(33,393)	210	6,975	6,671	6,194
TOTAL NON-TAX	323,699	28,728	(37,201)	2,051	(139)	8,198	(241)
Lottery/Interfund Transfer	73,500	(2,050)	550	100	0	0	0
TOTAL LOCAL FUND REVENUE	4,062,394	413,570	69,044	156,967	257,350	275,234	267,756
Revenue Changes							
Triggered by May Revision	0	-	(908)	632	(31)	(39)	(42)
NET LOCAL FUND REVENUE	4,062,394	413,570	68,136	157,599	257,319	275,195	267,714

Table 4-38

Summary of Major Taxes in the District of Columbia, Fiscal Year 2006

PART A—GENERAL FUND TAXES

TAX	DESCRIPTION OF WHAT IS TAXED	RATE	FY 2005 ACTUAL REVENUE (\$ in thousands)										
REAL PROPERTY TAX	<p>All real property, unless expressly exempted, is subject to the real property tax and is assessed at 100% of market value. With the property tax year beginning October 1, 2002, the District of Columbia increased the number of property classes from two to the following three classifications of property: Class I—improved residential real property that is occupied and is used exclusively for nontransient residential dwelling purposes; Class II—commercial property; Class III—unimproved or abandoned property. The District's Real Property Tax Year is October 1 through September 30.</p> <p><i>D.C. Code Citation: Title 47, Chapter 7 - 14.</i></p>	<p>The District's Real Property Tax Year is October 1 through September 30.</p> <table border="1"> <thead> <tr> <th>Property Class</th> <th>Tax Per \$100 of Value</th> </tr> </thead> <tbody> <tr> <td>Class I</td> <td>\$0.92/1</td> </tr> <tr> <td>Class II</td> <td>\$1.85</td> </tr> <tr> <td>Class III</td> <td>\$5.00</td> </tr> </tbody> </table> <p>/1 For owner occupied residential real property, the first \$60,000 of Assessed Value is exempt from the tax.</p>	Property Class	Tax Per \$100 of Value	Class I	\$0.92/1	Class II	\$1.85	Class III	\$5.00	\$1,058,100		
Property Class	Tax Per \$100 of Value												
Class I	\$0.92/1												
Class II	\$1.85												
Class III	\$5.00												
PERSONAL PROPERTY TAX	<p>All tangible property, except inventories, used or available for use in a trade or business.</p> <p><i>D.C. Code Citation: Title 47, Chapter 15-17.</i></p>	<p>\$3.40 per \$100 of assessed value</p> <p><i>Note: As of July 31, 2000, both an accelerated depreciation schedule for computer equipment; and a \$50,000 taxable value threshold on personal property are adopted.</i></p>	\$72,068										
SPACE RENTAL	<p>Commercial use of publicly owned property between the property line and the street.</p> <p><i>D.C. Code Citation: Title 7, Chapter 10.</i></p>	<p>Various rates for the following: Vault, Sidewalk (Enclosed and Unenclosed cafes). Surface, and Fuel Oil Tank</p> <p><i>Note: All revenue will be dedicated to DOT as Special Purpose Revenue</i></p>	\$15,628										
SALES AND USE TAX	<p>All tangible personal property and certain selected services, sold or rented to businesses or individuals at retail in the District. Groceries, prescription and non-prescription drugs, and residential utility services are among those items exempt from the sales tax.</p> <p>The use tax is imposed at the same rates sales tax rate on purchases made outside the District and then brought into the District to be used, stored or consumed, providing that the purchaser has not paid the sales tax on the purchases to another jurisdiction.</p> <p><i>D.C. Code Citation: Title 47, Chapters 20 and 22.</i></p>	<p>A five-tier rate structure is presently in effect:</p> <table border="1"> <tbody> <tr> <td>5.75%</td> <td>General rate for tangible personal property and selected services,</td> </tr> <tr> <td>9%</td> <td>Liquor sold for off the premises consumption</td> </tr> <tr> <td>10%</td> <td>Restaurant meals, liquor for consumption on the premises, rental vehicles</td> </tr> <tr> <td>12%</td> <td>Parking motor vehicles in commercial lots</td> </tr> <tr> <td>14.5%</td> <td>Transient accommodations</td> </tr> </tbody> </table> <p><i>Note: The following portions of the sales tax go to the Convention Center Fund: 1% of sales tax from restaurant meal etc., and 4.45% of transient accommodations. Sales tax on internet access is eliminated. In addition, 50% of the 12% parking in commercial lots will be dedicated to DOT as Special Purpose Revenue, and 50% to capital fund.</i></p>	5.75%	General rate for tangible personal property and selected services,	9%	Liquor sold for off the premises consumption	10%	Restaurant meals, liquor for consumption on the premises, rental vehicles	12%	Parking motor vehicles in commercial lots	14.5%	Transient accommodations	\$768,308 (a)
5.75%	General rate for tangible personal property and selected services,												
9%	Liquor sold for off the premises consumption												
10%	Restaurant meals, liquor for consumption on the premises, rental vehicles												
12%	Parking motor vehicles in commercial lots												
14.5%	Transient accommodations												

ALCOHOLIC BEVERAGE TAX	Alcoholic beverages manufactured by a holder of a manufacturer's license and beverages brought into D.C. by the holder of a wholesaler's or a retailer's license. <i>D.C. Code Citation: Title 25, Chapter 1.</i>	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 gallon	\$5,051
CIGARETTE TAX	The sale or possession of cigarettes in the District. Cigarettes sold to the military and to Federal Government are exempt. <i>D.C. Code Citation: Title 47, Chapter 24..</i>	\$1.00 per package of twenty cigarettes	\$22,336
MOTOR VEHICLE EXCISE TAX	Issuance of every original and subsequent certificate of title on motor vehicles and trailers. <i>D.C. Code Citation: Title 50, Chapter 22.</i>	Based on manufacturer's shipping weight 6% of fair market value-3, 499 lbs or less 7% of fair market value-3, 500 lbs to 4,999 lbs 8% of fair market value-over 5,000 lbs	\$42,380
INDIVIDUAL INCOME TAX	The taxable income of an individual who is domiciled in the District at any time during the tax year, or who maintains an abode in the District for 183 or more days during the year. <i>D.C. Code Citation: Title 47, Chapter 18</i>	For Calendar Year 2004: Taxable Income Tax Rate First \$10,000 4.5% Over \$10,000, but Not over \$40,000 \$450 + 7.0% of excess over \$10,000 Over \$40,000 \$2,100 + 8.7% of Excess over \$40,000	\$1,160,074
CORPORATE FRANCHISE TAX	Net income of corporations having nexus in the District. All corporations engaging in a trade, business or profession in the District of Columbia must register. <i>D.C. Code Citation: Title 47, chapter 18.</i>	The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surtax equal to 5 percent of the base rate...	\$195,492
U. B. FRANCHISE TAX	Net income of unincorporated businesses with gross receipts over \$12,000. A 30% salary allowance for owners and a \$5,000 exemption are deductible from net income to arrive at taxable income. A business is exempt if more than 80% of gross income is derived from personal services rendered by the members of the entity and capital is not a material income-producing factor. A trade, business or professional organization which by law, customs or ethics cannot be incorporated is exempt. <i>D.C. Code Citation: Title 47, chapter 18.</i>	The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surtax equal to 5 percent of the base rate.	\$ 116,866
PUBLIC UTILITY TAX	Gross receipts of gas, electric and local telephone companies. <i>D.C. Code Citation: Title 47, Chapter 25</i>	10% of gross charges - residential 11% of gross charges – non-residential <i>Note: 1% of non-residential is dedicated to financing construction of new baseball stadium.</i>	\$166,039(b)
TOLL TELECOM-MUNICATIONS TAX	Gross receipts of companies providing toll telecommunication service in the District. <i>D.C. Code Citation: Title 47, Chapter 38..</i>	10% of gross charges - residential 11% of gross charges – non-residential <i>Note: 1% of non-residential is dedicated to financing construction of new baseball stadium.</i>	\$54,576 (b)
INSURANCE PREMIUMS TAX	Gross insurance premiums received on risks in the District, less premiums received for reinsurance assumed, returned premiums and dividends paid to policyholders. The tax is in lieu of all other taxes except real estate taxes and fees provided for by the District's insurance law. <i>D.C. Code Citation: Title 35; Title 47, Chapter 26.</i>	1.7% on policy and membership fees and net premium receipts	\$48,888

ESTATE TAX	The estate of every decedent dying while a resident of the District, and on the estate of every nonresident decedent owning property and having a taxable situs in the district at the time of his or her death. <i>D.C. Code Citation: Title 47, Chapter 19.</i>	Tax due is determined by using Form DC Estate Tax Computation Worksheet after computing the exempted amounts..	\$29,257
DEED RECORDATION TAX	The recording of all deeds to real estate in the District. The basis of the tax is the value of consideration given for the property. Where there is no consideration or where the consideration is nominal, the tax is imposed on the basis of the fair market value of the property. <i>D.C. Code Citation: Title 45, Chapter 9.</i>	1.1% of consideration or fair market value <i>Note: 15% of real estate transfer tax will be deposited into the Housing Production Trust Fund.</i>	\$161,541 (c)
DEED TRANSFER TAX	Each transfer of real property at the time the deed is submitted for recordation. The tax is based upon the consideration paid for the transfer. Where there is no consideration or where the amount is nominal, the basis of the transfer tax is the fair market value of the property conveyed. <i>D.C. Code Citation: Title 47, Chapter 9.</i>	1.1% of consideration or fair market value <i>Note: 15% of real estate transfer tax will be deposited into the Housing Production Trust Fund.</i>	\$124,890 (c)
ECONOMIC INTEREST TAX	The economic interest transfer tax is triggered by either one of the following two (2) elements: 1) 80% or more of the assets of the entity consist of real property located in the District of Columbia; or 2) more than 50% of the controlling interest of the corporation is being transferred. The consideration is what is paid for the interest being transferred. If there is no tangible consideration, then the tax basis will be the assessed value of the property owned by the corporation. <i>D.C. Code Citation: Title 42, Chapter 11.</i>	2.2% of consideration or fair market value	\$10,593
TOTAL GENERAL FUND TAXES:			\$4,052,087 (a) (b) (c)

PART B—OTHER SELECTED TAXES

TAX	DESCRIPTION OF WHAT IS TAXED	RATE	FY 2005 REVENUE
MOTOR VEHICLE FUEL TAX	Every importer of motor fuels including gasoline, diesel fuel, benzol, benzene, naphtha, kerosene, heating oils, all liquefied petroleum gases and all combustible gases and liquids suitable for the generation of power for the propulsion of motor vehicles. <i>D.C. Code Citation: Title 47, Chapter 23</i>	20 cents per gallon (entire tax dedicated to Highway Trust Fund)	\$25,912

Source of General Fund Revenue amounts: Government of the District of Columbia Comprehensive Annual Financial Report, Year Ended September 30, 2005.

Notes:

(a) Amount excludes transfers to the Convention Center Fund.

(b) Amount excludes portion of revenue dedicated to financing construction of a new baseball stadium.

(c) Amount excludes transfers to the Housing Production Trust Fund.

Table 4-39

Local General Fund Revenues, FY1995-FY2005

(\$ thousands)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Real Property	654,284	624,382	617,694	616,935	597,566	610,896	633,172	726,014	822,845	947,689	1,058,100
Personal Prop.(a)	61,305	65,201	60,392	68,475	73,928	70,133	64,144	65,208	67,294	63,558	72,068
Public Space	14,754	12,052	9,513	10,030	8,056	11,752	10,107	12,167	11,749	16,728	15,628
Total Property	730,343	701,635	687,599	695,440	679,550	692,781	707,423	803,389	901,888	1,027,975	1,145,796
General Sales and Use (b)	485,651	467,527	482,354	525,067	541,573	595,688	617,217	612,354	631,465	671,017	768,308
Alcohol	4,930	5,100	5,460	4,702	4,821	4,779	4,743	4,721	4,619	5,090	5,051
Cigarette	20,117	18,676	18,946	17,592	17,107	17,177	16,329	17,189	21,344	20,765	22,336
Motor Vehicle Fuel	34,617	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Motor Vehicle Excise	30,440	31,668	30,271	29,838	31,329	36,693	38,825	34,573	37,066	40,437	42,380
Hotel Occupancy	8,352	7,420	3,806	5,369	(26)	0	25	0	0	0	0
Total Selective Sales	98,456	39,088	58,483	57,501	53,231	58,649	59,922	56,483	63,029	66,292	69,757
Ind. Income	643,676	689,408	753,475	861,505	952,156	1,077,346	1,098,188	949,175	928,968	1,042,309	1,160,074
Corp. Franchise	121,407	123,114	144,563	174,729	163,699	190,594	233,237	142,647	156,777	168,353	195,493
U.B. Franchise	39,272	31,031	38,942	46,888	53,896	70,624	68,812	68,602	81,707	88,347	116,866
Total Income	804,355	843,553	936,980	1,083,102	1,169,751	1,338,564	1,400,237	1,160,424	1,167,452	1,299,009	1,472,432
Insurance Premiums	34,703	33,121	42,625	37,096	26,944	30,882	33,356	35,502	41,281	47,452	48,888
Public Utility	131,012	144,842	141,901	141,069	128,472	132,849	149,125	140,931	166,743	169,494	166,039(c)
Toll Tele. Tax	44,554	45,464	52,994	56,732	51,874	48,280	51,259	55,353	53,324	54,951	54,576(c)
Health Care Prov. Fee	175	11,530	(8,278)	1,740	0	0	0	0	0	0	0
Public Safety Fee	468	0	0	0	0	0	0	0	0	0	0
Total Gross Receipts	210,912	234,957	229,242	236,637	207,230	212,011	233,740	231,786	261,348	271,897	269,503

Table 4-39 (continued)

Local General Fund Revenues, FY1995-FY2005

(\$ thousands)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Estate	16,807	32,175	27,314	32,256	26,247	35,992	51,072	125,889	29,944	26,466	29,257
Deed Recordation	2,691	33,099	30,821	53,863	70,398	60,418	75,936	89,951	134,262	164,522 (d)	161,541 (d)
Deed Transfer	21,826	26,701	27,162	42,597	47,001	44,660	62,086	62,228	99,052	121,747	124,890 (d)
Economic Interests	0	10	10,081	11,166	3,687	540	1,640	5,078	4,934	16,269	10,593
Total Other Taxes	61,324	91,985	95,378	139,892	147,333	141,610	190,734	283,146	268,192	329,004	326,281
TOTAL TAXES	2,391,041	2,402,521	2,490,036	2,737,644	2,798,728	3,029,303	3,209,273	3,147,582	3,293,374	3,665,194	4,052,067
Business Licenses & Permits	29,943	29,663	28,268	31,050	28,607	24,929	21,767	29,875	35,195	35,470	47,936
Non-Business Licenses & Permits	17,640	19,737	17,221	17,073	17,927	18,825*	19,627	20,320	24,566	26,035	26,074
Total Licenses & Permits	47,583	49,400	45,489	48,123	46,534	43,754	41,394	50,195	59,761	61,505	74,010
Fines and Forfeitures	42,447	40,792	51,664	53,177	47,688	53,216	57,052	86,539	88,455	99,478	108,012
Parking Meters	12,889	9,681	5,766	7,082	12,784	11,721	11,721	14,031	14,019	13,715	10,112
Other Charges	39,798	36,353	38,044	27,670	18,271	25,536	52,229	41,441	51,717	39,990	41,232
Total Charges for Services	52,667	46,034	43,810	34,762	31,055	37,257	63,950	55,472	65,736	53,705	51,344

Table 4-39 (continued)

Local General Fund Revenues, FY1994-FY2004

(\$ thousands)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Interest Income	17,994	13,917	18,599	32,478	41,289	12,779	33,317	9,645	9,906	7,889	36,000
Unclaimed Property	13,856	16,230	17,688	25,908	31,511	28,042	19,006	16,148	20,308	25,626	29,771
Other Revenues	21,984	11,870	34,642	40,750	13,940	61,337	87,963	54,762	59,691	75,496	53,290
Total Misc. Revenues	53,834	42,017	70,929	99,136	86,740	102,158	140,286	80,555	89,905	109,011	119,061
TOTAL NON-TAX REVENUES	196,551	178,243	211,892	255,188	212,017	236,385	302,692	272,759	303,857	323,699	352,427
TOTAL TAX & NON-TAX REVENUES	2,587,592	2,580,764	2,701,928	2,972,837	3,010,745	3,265,688	3,511,955	3,420,341	3,597,231	3,988,883	4,404,514
Tobacco Settlement	0	0	0	0	0	16,049	13,289	0	0	0	0
Lottery Transfer	85,100	75,250	69,200	81,300	64,225	69,450	84,000	63,000	72,050	73,500	71,200
Federal Payment/Contribution	660,000	660,000	665,702	198,000	0	0	0	0	0	0	0
Federal Project Funds	0	0	0	0	157,968	23,576	43,295	43,295	33,000	0	0
TOTAL LOCAL GENERAL FUND REVENUE	3,332,692	3,316,014	3,468,630	3,252,137	3,232,988	3,374,763	3,652,541	3,526,636	3,702,281	4,062,393	4,475,964

Note: (a) Amount excludes transfer to Neighborhood Investment Fund.

(b) Amounts exclude transfers to the Convention Center Fund, TIF, DDOT Capital, Ballpark Fund, School Modernization Fund.

(c) Amount excludes portion of revenue dedicated to financing construction of a new baseball stadium.

(d) Amount excludes transfers to the Housing Production Trust Fund.

Table 4-40 Special Purpose (O-type) Revenue Funds, by Source: May 2006 Certifications

	FY 2005 End of Year Fund Balance	FY 2006 Certified Revenues 5/06 Cert.	FY 2006 Certified Fund Balance Use 5/06 Cert.	FY 2006 Certified Resources 5/06 Cert.	FY 2007 Certified Revenues 5/06 Cert.	FY 2007 Certified Fund Balance Use 5/06 Cert.	FY 2007 Certified Resources 5/06 Cert.	FY 2008 Certified Revenues 5/06 Cert.	FY 2009 Certified Revenues 5/06 Cert.	FY 2010 Certified Revenues 5/06 Cert.
A. Government Direction and Support										
Office of the City Administrator (AEO)										
0620	19,570,129	0	17,161,331	17,161,331	0	8,150,529	8,150,529	0	0	0
	Crime Victim Assistance Fund									
Office of Property Management (AM0)										
1450	56,393	2,946,918	0	2,946,918	4,498,427	0	4,498,427	4,522,420	4,612,869	4,705,125
	Facility Operations: Parking Fees									
1459	0	375,000	0	375,000	559,000	0	559,000	570,180	581,584	593,215
	Asset Management/Lease Management: Rent									
1460	56,393	2,571,918	0	2,571,918	3,874,745	0	3,874,745	3,952,240	4,031,285	4,111,910
	Eastern Market Enterprise Fund									
		0	0	0	64,682	0	64,682	0	0	0
Office of Finance and Resource Management (AS0)										
1150	472,685	847,513	0	847,513	3,041,114	0	3,041,114	3,041,114	3,041,114	3,041,114
	Utilities Payment for Non-DC Agencies									
Office of Chief Financial Officer (AT0)										
0602	4,099,703	15,848,223	0	15,848,223	30,760,000	1,768,454	32,528,454	17,560,000	17,780,000	18,011,000
	Payroll Service Fees									
0603	0	350,000	0	350,000	350,000	0	350,000	350,000	350,000	350,000
	Service Contracts									
0605	0	1,020,000	0	1,020,000	1,020,000	0	1,020,000	1,020,000	1,020,000	1,020,000
	Dishonored Check Fees									
0606	4,019,703	650,000	0	650,000	650,000	0	650,000	650,000	650,000	650,000
	Recorder of Deeds Surcharge									
0610	0	900,000	0	900,000	900,000	1,768,454	2,668,454	1,000,000	1,000,000	1,000,000
	Bank Fees									
0611	0	3,600,000	0	3,600,000	3,600,000	0	3,600,000	4,600,000	4,600,000	4,600,000
	Tax Collection Fees									
0613	0	900,000	0	900,000	15,900,000	0	15,900,000	900,000	900,000	900,000
	Unclaimed Property Contingency Fund									
0614	0	3,500,000	0	3,500,000	3,500,000	0	3,500,000	3,500,000	3,500,000	3,500,000
	Defined Contribution Plan Administration									
0615	0	40,000	0	40,000	40,000	0	40,000	40,000	40,000	40,000
	Federal Retirement Benefits Processing									
0617	80,000	88,223	0	88,223	0	0	0	0	0	0
	Baseball Financing Review Fund									
0618	0	3,700,000	0	3,700,000	3,700,000	0	3,700,000	4,400,000	4,620,000	4,851,000
	Tax Compliance Fees									
0619	0	1,100,000	0	1,100,000	1,100,000	0	1,100,000	1,100,000	1,100,000	1,100,000
	DC Lottery Reimbursement									
Office of the Secretary (BA0)										
1243	0	415,901	0	415,901	415,901	0	415,901	415,901	415,901	415,901
	Distribution Fees									
D.C. Office of Personnel (BE0)										
0615	0	542,858	0	542,858	577,085	0	577,085	590,358	603,936	617,827
	Defined Benefits Retirement Program									
1555	0	370,389	0	370,389	496,968	0	496,968	508,398	520,091	532,054
	Reimbursables from Other Governments									
		172,469	0	172,469	80,117	0	80,117	81,960	83,845	85,773
Office of the Attorney General (CB0)										
0601	8,428,318	3,280,000	3,333,710	6,613,710	2,780,000	3,283,534	6,063,534	2,780,000	2,780,000	2,780,000
	Driving Under the Influence (DUI) Fund									
0602	0	100,000	0	100,000	100,000	0	100,000	100,000	100,000	100,000
	Anti-Trust Fund									
0603	749,666	600,000	0	600,000	200,000	267,606	467,606	200,000	200,000	200,000
	Child Support - TANF/AFDC Collections									
0604	5,485,101	2,100,000	2,904,902	5,004,902	2,100,000	2,303,870	4,403,870	2,100,000	2,100,000	2,100,000
	Child Support - Reimbursements & Fees									
0611	96,149	30,000	0	30,000	30,000	0	30,000	30,000	30,000	30,000
	Consumer Protection Fund									
0612	822,031	350,000	353,808	703,808	250,000	288,933	538,933	250,000	250,000	250,000
	Anti-Fraud Fund									
		100,000	75,000	175,000	100,000	423,125	523,125	100,000	100,000	100,000
Office of Contracting and Procurement (PO0)										
4010	447,138	1,000,000	350,000	1,350,000	950,000	500,000	1,450,000	975,000	1,000,000	1,000,000
	D.C. Surplus Personal Property Sales Fund									
6102	56,286	600,000	50,000	650,000	500,000	100,000	600,000	500,000	500,000	500,000
	D.C. Supply Schedule Sales Discount									
		400,000	300,000	700,000	450,000	400,000	850,000	475,000	500,000	500,000

Table 4-40 Special Purpose (O-type) Revenue Funds, by Source (continued)

	FY 2005 End of Year Fund Balance	FY 2006 Certified Revenues 5/06 Cert.	FY 2006 Certified Fund Balance Use 5/06 Cert.	FY 2006 Certified Resources 5/06 Cert.	FY 2007 Certified Revenues 5/06 Cert.	FY 2007 Certified Fund Balance Use 5/06 Cert.	FY 2007 Certified Resources 5/06 Cert.	FY 2008 Certified Revenues 5/06 Cert.	FY 2009 Certified Revenues 5/06 Cert.	FY 2010 Certified Revenues 5/06 Cert.
Office of Planning (BD0)										
2001 Historic Landmark & District Application Fees	0	15,000	0	15,000	15,000	0	15,000	15,000	15,000	15,000
Dept. of Employment Services (CF0)										
0610 Workers' Compensation - Special Fund	20,318,497	25,333,653	1,200,000	26,533,653	26,999,614	200,000	27,199,614	27,000,000	27,000,000	27,000,000
0611 Workers' Compensation - Administration	6,341,737	7,000,000	0	7,000,000	7,000,000	0	7,000,000	7,000,000	7,000,000	7,000,000
0612 UI Interest/Penalties	11,319,020	13,616,039	0	13,616,039	15,398,226	0	15,398,226	15,400,000	15,400,000	15,400,000
0614 UI Surcharge Funds	468,110	717,614	0	717,614	601,388	0	601,388	600,000	600,000	600,000
0623 DOES Reoperation Fund	1,433,379	0	1,000,000	1,000,000	0	0	0	0	0	0
0624 UI Administrative Assessment Tax	756,251	0	200,000	200,000	0	200,000	200,000	0	0	0
	0	4,000,000	0	4,000,000	4,000,000	0	4,000,000	4,000,000	4,000,000	4,000,000
Dept. of Consumer and Regulatory Affairs (CR0)										
6005 Condo Conversion	17,727,080	13,563,533	10,681,283	24,244,816	9,091,898	4,205,672	13,297,570	13,879,416	8,966,435	13,879,416
6006 Nuisance Abatement	7,478,924	5,320,965	5,997,351	11,318,316	2,367,975	1,500,000	3,867,975	5,230,426	2,367,975	5,230,426
6008 Real Estate Guarantee and Education Fund	2,235,794	600,000	0	600,000	1,029,481	0	1,029,481	600,000	1,000,000	600,000
6009 Real Estate Appraisal Fund	980,239	1,983,794	0	1,983,794	55,000	0	55,000	97,000	55,000	97,000
6010 OPLA Special Fund	0	30,000	0	30,000	1,635,264	0	1,635,264	1,983,794	1,635,264	1,983,794
6011 Special Events Fund	0	70,000	0	70,000	30,000	0	30,000	30,000	30,000	30,000
6012 Boxing and Wrestling Fund	0	0	0	0	60,000	0	60,000	70,000	60,000	70,000
6013 Basic Business License Fund	4,964,522	4,522,501	4,683,932	9,206,433	3,022,178	2,000,000	5,022,178	4,923,196	2,923,196	4,923,196
6014 Fire Protection Fund	0	100,000	0	100,000	100,000	0	100,000	100,000	100,000	100,000
6020 Board of Engineers Fund	771,437	225,000	0	225,000	172,000	0	172,000	225,000	175,000	225,000
6025 Construction/Zoning Compliance Mgmt. Fund	1,296,164	594,273	0	594,273	600,000	705,672	1,305,672	600,000	600,000	600,000
Office of Cable Television (CT0)										
0600 Franchise Fees & Tape Sales	4,637,811	5,121,475	0	5,121,475	5,503,000	65,000	5,568,000	5,000,000	5,000,000	5,000,000
	4,637,811	5,121,475	0	5,121,475	5,503,000	65,000	5,568,000	5,000,000	5,000,000	5,000,000
Dept. of Housing and Community Development (DB0)										
0602 Home Purchase Assistance Program Repayment	114,914,522	56,305,274	66,202,176	122,507,450	7,319,516	55,868,377	63,187,893	8,358,448	8,683,610	8,937,692
0603 Land Acquisition for Housing Dev. Opportunities	21,319,478	3,500,000	2,722,350	6,222,350	5,801,543	322,673	6,124,216	6,309,707	6,563,789	6,817,871
0605 Multi-Family/Rehabilitation Repayment	2,296,997	150,000	266,000	416,000	222,464	193,536	416,000	274,312	274,312	274,312
0607 Low Income Housing Tax Credit Program	3,468,617	200,000	200,000	400,000	400,000	0	400,000	378,920	460,000	460,000
0623 Home Again Revolving Fund	671,784	1,213,499	0	1,213,499	849,509	0	849,509	849,509	849,509	849,509
1261 Housing Production Trust Fund	87,167,646	50,482,000	63,013,826	113,495,826	0	671,784	671,784	500,000	500,000	500,000
1980 Portal Site	0	46,000	0	46,000	46,000	0	46,000	46,000	46,000	46,000
	488,714	7,726,547	0	7,726,547	7,726,547	0	7,726,547	7,726,547	7,726,547	7,726,547
Public Services Commission (DH0)										
0631 Utilities Regulation	372,670	7,726,547	0	7,726,547	7,726,547	0	7,726,547	7,726,547	7,726,547	7,726,547
0641 Auditors Assessment Fund	35,393	0	0	0	0	0	0	0	0	0
0651 Copy Fund	80,651	0	0	0	0	0	0	0	0	0
Office of People's Counsel (DJ0)										
0631 Advocate for Consumers	198,080	4,306,461	0	4,306,461	4,596,020	0	4,596,020	4,596,020	4,596,020	4,596,020
	198,080	4,306,461	0	4,306,461	4,596,020	0	4,596,020	4,596,020	4,596,020	4,596,020

B. Economic Development and Regulation

Table 4-40 Special Purpose (O-type) Revenue Funds, by Source (continued)

		FY 2005	FY 2006	FY 2006	FY 2006	FY 2007	FY 2007	FY 2007	FY 2008	FY 2009	FY 2010
		Year End of	FY 2006	FY 2006	FY 2006	FY 2007	FY 2007	FY 2007	FY 2008	FY 2009	FY 2010
		Balance	Revenues	Certified Fund	Resources	Certified Revenues	Certified Fund	Certified Resources	Certified Revenues	Certified Revenues	Certified Revenues
		5/06 Cert.	5/06 Cert.	5/06 Cert.	5/06 Cert.	5/06 Cert.	5/06 Cert.	5/06 Cert.	5/06 Cert.	5/06 Cert.	5/06 Cert.
B. Economic Development and Regulation (continued)											
Office of the Deputy Mayor for Econ. Develop. (EBO)											
0609	Industrial Revenue Bond Program	12,849,176	25,626,000	4,572,510	30,198,510	65,165,000	7,095,768	72,260,768	67,715,000	71,946,000	76,944,000
0622	Commercial Trust Fund	1,341,871	2,000,000	128,510	2,128,510	2,100,000	487,268	2,587,268	2,250,000	2,250,000	2,250,000
1011	Neighborhood Investment Fund	1,505,245	1,000,000	900,000	1,900,000	0	1,343,500	1,343,500	0	0	0
2003	Business Improvement Districts	10,000,000	9,626,000	3,544,000	13,170,000	9,735,000	5,265,000	15,000,000	9,875,000	10,000,000	10,000,000
	Comprehensive Housing Strategy Fund	2,060	13,000,000	0	13,000,000	13,000,000	0	13,000,000	13,000,000	13,000,000	13,000,000
		0	0	0	0	40,330,000	0	40,330,000	42,590,000	46,696,000	51,694,000
Alcoholic Beverage Regulation Admin. (LO0)											
6017	ABC Import and Class License Fees	3,767,252	3,476,623	1,225,000	4,701,623	4,000,000	550,000	4,550,000	4,000,000	4,000,000	4,000,000
6018	ABC Keg Registration Fees	3,655,024	3,476,623	1,225,000	4,701,623	4,000,000	550,000	4,550,000	4,000,000	4,000,000	4,000,000
		112,228	0	0	0	0	0	0	0	0	0
Dept. of Insurance, Securities and Banking (SR0)											
2100	HMO Assessment Fee	1,914,065	25,088,830	0	25,088,830	28,267,535	0	28,267,535	28,267,535	28,267,535	28,267,535
2200	Insurance Assessment Fee	98,992	852,100	0	852,100	1,010,000	0	1,010,000	1,010,000	1,010,000	1,010,000
2300	Securities/Broker Dealer Licenses Fees	1,815,092	7,836,730	0	7,836,730	9,440,000	0	9,440,000	9,440,000	9,440,000	9,440,000
2500	Investment Advisors Licenses Fees	0	4,300,000	0	4,300,000	4,800,000	0	4,800,000	4,800,000	4,800,000	4,800,000
2600	Securities Registration Fees	0	340,000	0	340,000	540,000	0	540,000	540,000	540,000	540,000
2800	Captive Insurance Premium	0	7,760,000	0	7,760,000	7,760,000	0	7,760,000	7,760,000	7,760,000	7,760,000
2900	Banking Fees	0	1,500,000	0	1,500,000	2,217,535	0	2,217,535	2,217,535	2,217,535	2,217,535
		0	2,500,000	0	2,500,000	2,500,000	0	2,500,000	2,500,000	2,500,000	2,500,000

Table 4-40 Special Purpose (O-type) Revenue Funds, by Source (continued)

	FY 2005	FY 2006	FY 2006	FY 2006	FY 2007	FY 2007	FY 2007	FY 2008	FY 2009	FY 2010
	End of Year Fund Balance	Certified Revenues 5/06 Cert.	Certified Fund Balance Use 5/06 Cert.	Certified Resources 5/06 Cert.	Certified Revenues 5/06 Cert.	Certified Fund Balance Use 5/06 Cert.	Certified Resources 5/06 Cert.	Certified Revenues 5/06 Cert.	Certified Revenues 5/06 Cert.	Certified Revenues 5/06 Cert.
C. Public Safety and Justice										
Metropolitan Police Dept. (FA0)										
1431	1,975,092	12,887,275	0	12,887,275	12,588,961	852,000	13,440,961	12,620,000	12,734,400	12,853,376
	0	130,804	0	130,804	150,000	0	150,000	150,000	150,000	150,000
1555	0	650,000	0	650,000	650,000	0	650,000	676,000	703,040	731,162
1607	278,053	392,106	0	392,106	392,106	210,000	2,100,000	250,000	250,000	250,000
1614	0	2,100,000	0	2,100,000	2,100,000	0	2,100,000	2,184,000	2,271,360	2,362,214
1660	0	7,941,509	0	7,941,509	7,941,509	0	7,941,509	8,000,000	8,000,000	8,000,000
2531	703,719	792,266	0	792,266	595,346	0	595,346	600,000	600,000	600,000
2532	0	19,565	0	19,565	10,000	0	10,000	10,000	10,000	10,000
7278	993,319	861,025	0	861,025	750,000	642,000	1,392,000	750,000	750,000	750,000
Fire and Emergency Medical Services (FB0)										
1613	0	2,000	0	2,000	20,000	0	20,000	20,000	20,000	20,000
	0	2,000	0	2,000	20,000	0	20,000	20,000	20,000	20,000
Dept. of Corrections (FL0)										
0600	0	25,755,491	0	25,755,491	25,755,491	0	25,755,491	26,700,000	26,700,000	26,700,000
0601	0	25,055,491	0	25,055,491	25,055,491	0	25,055,491	26,000,000	26,000,000	26,000,000
	0	700,000	0	700,000	700,000	0	700,000	700,000	700,000	700,000
Office of Administrative Hearings (FS0)										
0614	0	193,443	0	193,443	195,000	0	195,000	195,000	195,000	195,000
0614	0	183,443	0	183,443	185,000	0	185,000	185,000	185,000	185,000
	0	10,000	0	10,000	10,000	0	10,000	10,000	10,000	10,000
Office of the Chief Medical Examiner (FX0)										
0601	0	135,390	0	135,390	142,890	0	142,890	150,035	157,536	165,413
	0	135,390	0	135,390	142,890	0	142,890	150,035	157,536	165,413
Office of Unified Communications (UC0)										
1630	9,582,937	13,680,179	6,110,045	19,790,224	13,994,407	3,343,267	17,337,674	17,337,674	14,308,634	14,308,634
	9,582,937	13,680,179	6,110,045	19,790,224	13,994,407	3,343,267	17,337,674	17,337,674	14,308,634	14,308,634

Table 4-40 Special Purpose (O-type) Revenue Funds, by Source (continued)

	FY 2005 End of Year Fund Balance	FY 2006 Certified Revenues 5/06 Cert.	FY 2006 Certified Fund Balance Use 5/06 Cert.	FY 2006 Certified Resources 5/06 Cert.	FY 2007 Certified Revenues 5/06 Cert.	FY 2007 Certified Fund Balance Use 5/06 Cert.	FY 2007 Certified Resources 5/06 Cert.	FY 2008 Certified Revenues 5/06 Cert.	FY 2009 Certified Revenues 5/06 Cert.	FY 2010 Certified Revenues 5/06 Cert.
D. Public Education System										
Commission on Arts & Humanities (BX0)										
0600	309,574	800,000	0	800,000	800,000	0	800,000	800,000	800,000	800,000
	148,762	800,000	0	800,000	800,000	0	800,000	800,000	800,000	800,000
0610	140,541	0	0	0	0	0	0	0	0	0
6010	20,271	0	0	0	0	0	0	0	0	0
DC Public Library (CE0)										
0101	1,131,018	271,000	359,815	630,815	373,000	282,815	655,815	275,000	277,000	277,000
	57,740	15,000	5,000	20,000	15,000	5,000	20,000	15,000	15,000	15,000
0102	45,749	70,000	20,815	90,815	72,000	18,815	90,815	74,000	76,000	76,000
0103	399,405	110,000	20,000	130,000	210,000	50,000	260,000	110,000	110,000	110,000
0108	45,172	76,000	9,000	85,000	76,000	9,000	85,000	76,000	76,000	76,000
0150	582,953	0	305,000	305,000	0	200,000	200,000	0	0	0
District of Columbia Public Schools (GA0)										
0601	1,088,219	6,780,000	0	6,780,000	10,034,494	0	10,034,494	10,034,494	10,034,494	10,034,494
	7,643	0	0	0	0	0	0	0	0	0
0602	0	830,000	0	830,000	861,155	0	861,155	861,155	861,155	861,155
0603	153,290	2,700,000	0	2,700,000	5,565,028	0	5,565,028	5,565,028	5,565,028	5,565,028
0604	0	143,000	0	143,000	215,610	0	215,610	215,610	215,610	215,610
0607	0	250,000	0	250,000	271,780	0	271,780	271,780	271,780	271,780
0608	923,970	420,000	0	420,000	518,250	0	518,250	518,250	518,250	518,250
0609	0	125,000	0	125,000	174,992	0	174,992	174,992	174,992	174,992
0611	5,950	1,195,000	0	1,195,000	1,234,216	0	1,234,216	1,234,216	1,234,216	1,234,216
0613	145	475,000	0	475,000	379,438	0	379,438	379,438	379,438	379,438
0621	0	92,000	0	92,000	99,025	0	99,025	99,025	99,025	99,025
0623	0	400,000	0	400,000	400,000	0	400,000	400,000	400,000	400,000
0627	7,222	150,000	0	150,000	315,000	0	315,000	315,000	315,000	315,000
0630	0	0	0	0	0	0	0	0	0	0
State Education Office (GD0)										
0601	10,042,409	37,000	10,003,539	10,040,539	37,000	9,751,961	9,788,961	40,000	40,000	45,000
	0	7,000	0	7,000	7,000	0	7,000	5,000	5,000	5,000
0610	10,003,539	0	10,003,539	10,003,539	0	9,751,961	9,751,961	0	0	0
6007	0	30,000	0	30,000	30,000	0	30,000	35,000	35,000	40,000
6010	38,871	0	0	0	0	0	0	0	0	0

Table 4-40 Special Purpose (O-type) Revenue Funds, by Source (continued)

	FY 2005 End of Year Fund Balance	FY 2006		FY 2006		FY 2007		FY 2007		FY 2007		FY 2008		FY 2009		FY 2010		
		Certified Revenues 5/06 Cert.	1,740,000	Certified Revenues 5/06 Cert.	1,740,000	Certified Revenues 5/06 Cert.	1,600,000	Certified Fund Balance Use 5/06 Cert.	0	Certified Resources 5/06 Cert.	1,600,000	Certified Revenues 5/06 Cert.	1,700,000	Certified Revenues 5/06 Cert.	1,723,000	Certified Revenues 5/06 Cert.	1,751,000	
Dept. of Recreation and Parks (H40)	309,992	1,740,000	0	1,740,000	1,600,000	0	0	0	1,600,000	1,700,000	1,700,000	1,700,000	1,723,000	1,751,000	1,751,000	1,751,000	1,751,000	
Enterprise Fund Account	309,992	1,740,000	0	1,740,000	1,600,000	0	0	0	1,600,000	1,700,000	1,700,000	1,700,000	1,723,000	1,751,000	1,751,000	1,751,000	1,751,000	
Dept. of Health (H00)	21,138,642	25,150,977	5,975,700	31,127,677	26,610,753	6,724,567	33,335,320	27,314,575	33,335,320	27,314,575	27,314,575	27,314,575	27,314,575	28,219,343	28,219,343	28,219,343	28,219,343	
SH-PA Fees	1,161,063	200,000	0	200,000	565,000	0	565,000	565,000	565,000	565,000	565,000	565,000	565,000	565,000	565,000	565,000	565,000	
Vital Records Revenue	2,369,768	3,585,000	0	3,585,000	3,750,000	471,000	4,221,000	3,862,500	3,978,375	3,978,375	3,978,375	3,978,375	3,978,375	4,097,726	4,097,726	4,097,726	4,097,726	
Drug Interdiction Fund	1,036,541	350,000	350,000	700,000	300,000	0	300,000	309,000	309,000	309,000	309,000	309,000	318,270	327,818	327,818	327,818	327,818	
Methadone Fees	1,843	5,977	0	5,977	5,977	0	5,977	6,156	6,156	6,156	6,156	6,156	6,341	6,341	6,341	6,341	6,341	
Food Handlers Certification	1,691,614	960,000	178,700	1,128,700	500,000	900,000	1,400,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	550,000	1,200,000	1,200,000	1,200,000	1,200,000	
Adjudication Hearings (Community Hygiene)	271,887	310,000	77,000	387,000	104,334	0	104,334	107,464	107,464	107,464	107,464	107,464	110,688	114,009	114,009	114,009	114,009	
Office of Professional Licensing Fines	93,688	10,000	85,000	95,000	10,000	0	10,000	10,300	10,300	10,300	10,300	10,300	10,609	10,927	10,927	10,927	10,927	
University Health Clinic Reimbursement	80,764	570,000	0	570,000	635,000	0	635,000	654,050	654,050	654,050	654,050	654,050	673,672	683,862	683,862	683,862	683,862	
Medicaid Fraud Collections - Providers	0	35,000	0	35,000	35,000	0	35,000	36,050	36,050	36,050	36,050	36,050	37,132	38,245	38,245	38,245	38,245	
General Counsel-FICA	4,070	0	0	0	3,705	0	3,705	3,816	3,816	3,816	3,816	3,816	3,931	4,049	4,049	4,049	4,049	
Medicaid Collections - Other	0	3,500,000	0	3,500,000	2,000,000	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
Pharmacy Protection	481,623	403,000	120,000	523,000	400,000	135,000	535,000	410,000	410,000	410,000	410,000	410,000	422,300	434,969	434,969	434,969	434,969	
Animal Control Dog License Fees and Fines	11,565	98,000	0	98,000	80,000	35,000	115,000	82,400	82,400	82,400	82,400	82,400	84,872	87,418	87,418	87,418	87,418	
Other Medical Licenses and Fees	22,174	100,000	0	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	
Medicaid Reimbursement-APRA	11,986	1,500,000	0	1,500,000	520,000	0	520,000	535,600	535,600	535,600	535,600	535,600	551,668	568,218	568,218	568,218	568,218	
Board of Medicine	1,623,912	2,629,000	1,000,000	3,629,000	3,900,000	0	3,900,000	4,017,000	4,017,000	4,017,000	4,017,000	4,017,000	4,137,510	4,261,635	4,261,635	4,261,635	4,261,635	
Health Facility Fee	45,933	36,000	8,000	44,000	38,737	8,000	46,737	39,899	39,899	39,899	39,899	39,899	41,066	42,329	42,329	42,329	42,329	
Human Services Facility Fee	264,813	77,000	58,000	135,000	77,000	58,000	135,000	79,310	79,310	79,310	79,310	79,310	81,688	84,140	84,140	84,140	84,140	
Health Benefits Plans-Bill of Rights Act	364,495	348,000	100,000	448,000	386,000	100,000	486,000	397,580	397,580	397,580	397,580	397,580	409,507	421,793	421,793	421,793	421,793	
DC Superior Courts PHSA Agreement	0	382,000	0	382,000	380,000	0	380,000	391,400	391,400	391,400	391,400	391,400	403,142	415,236	415,236	415,236	415,236	
DC General Collections	1,242,129	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
SH-PA Admission Fee	152,469	750,000	0	750,000	450,000	120,000	570,000	463,500	463,500	463,500	463,500	463,500	477,405	491,727	491,727	491,727	491,727	
EMS Fees	(5,867)	55,000	0	55,000	35,000	20,000	55,000	36,050	36,050	36,050	36,050	36,050	37,132	38,245	38,245	38,245	38,245	
Public Health Laboratory Fees	186,188	140,000	0	140,000	140,000	0	140,000	144,200	144,200	144,200	144,200	144,200	148,526	152,982	152,982	152,982	152,982	
ICF/MR Fees and Fines	72,736	102,000	0	102,000	30,000	0	30,000	30,900	30,900	30,900	30,900	30,900	31,827	32,792	32,792	32,792	32,792	
Civil Monetary Penalties	14,426	15,000	0	15,000	15,000	0	15,000	15,450	15,450	15,450	15,450	15,450	15,914	16,391	16,391	16,391	16,391	
HCSN Revolving Fund	9,838,864	1,000,000	4,000,000	5,000,000	1,250,000	4,877,567	6,127,567	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,030,900	1,060,900	1,060,900	1,060,900	1,060,900	
MAA Nursing Facility Quality of Care Fund	0	8,000,000	0	8,000,000	11,000,000	0	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	
Dept. of Human Services (J40)	855,287	10,688,000	0	10,688,000	8,771,000	0	8,771,000	10,524,993	10,524,993	10,524,993	10,524,993	10,524,993	10,524,993	10,524,993	10,524,993	10,524,993	10,524,993	
DC Village Maintenance Reimbursement	0	400,000	0	400,000	400,000	0	400,000	433,993	433,993	433,993	433,993	433,993	433,993	433,993	433,993	433,993	433,993	433,993
SSI Payback	0	1,700,000	0	1,700,000	1,800,000	0	1,800,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
AFCO/TANF Collection	0	71,000	0	71,000	71,000	0	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000
Vocational Rehab Services Reimbursement	38,064	200,000	0	200,000	200,000	0	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Cost of Care - Non Medicaid Clients	0	2,987,000	0	2,987,000	2,500,000	0	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Food Stamps Collections	0	200,000	0	200,000	300,000	0	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Randolph Shepherd Unassigned Facilities	817,223	5,130,000	0	5,130,000	3,500,000	0	3,500,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000

E. Human Support Services

Table 4-40 Special Purpose (O-type) Revenue Funds, by Source (continued)

	FY 2005 End of Year Fund Balance	FY 2006 Certified Revenues 5/06 Cert.	FY 2006 Certified Fund Balance Use 5/06 Cert.	FY 2006 Certified Resources 5/06 Cert.	FY 2007 Certified Revenues 5/06 Cert.	FY 2007 Certified Fund Balance Use 5/06 Cert.	FY 2007 Certified Resources 5/06 Cert.	FY 2008 Certified Revenues 5/06 Cert.	FY 2009 Certified Revenues 5/06 Cert.	FY 2010 Certified Revenues 5/06 Cert.
DC Energy Office (JFO)	2,761,244	12,174,838	151,937	12,326,775	10,286,442	2,485,909	12,772,351	4,473,108	4,473,108	4,473,108
0610 Petroleum Violation Escrow Funds	56,858	21,000	0	21,000	0	0	0	0	0	0
0620 RETF - PEPCC	2,194,877	9,986,667	0	9,986,667	7,913,334	2,194,877	10,108,211	2,100,000	2,100,000	2,100,000
0620 Utility Discount Programs Funds	0	0	0	0	0	0	0	0	0	0
6201 Economy II (ECON2)	160,913	53,750	0	53,750	53,750	130,570	184,320	53,750	53,750	53,750
6202 Residential Aid Discount (RAD)	61,754	0	51,464	51,464	51,464	0	51,464	51,464	51,464	51,464
6203 Residential Essential Services (RES)	40,652	13,421	29,950	43,371	43,371	0	43,371	43,371	43,371	43,371
6204 WAASA Utility Discount Program (UDP)	85,729	0	70,523	70,523	70,523	0	70,523	70,523	70,523	70,523
6300 Natural Gas Trust Fund	160,462	2,100,000	0	2,100,000	2,100,000	160,462	2,260,462	2,100,000	2,100,000	2,100,000
6400 DC Municipal Aggregation Program	0	0	0	0	54,000	0	54,000	54,000	54,000	54,000
Dept. of Child and Family Services (RLO)	0	750,000	0	750,000	750,000	0	750,000	750,000	750,000	750,000
0601 Other Revenue: SSI/SSA Reimbursement	0	750,000	0	750,000	750,000	0	750,000	750,000	750,000	750,000
Dept. of Mental Health (RMO)	0	4,808,120	0	4,808,120	3,808,120	0	3,808,120	3,608,120	3,608,120	3,608,120
0610 Federal/Beneficiary Reimbursement	0	2,268,000	0	2,268,000	2,268,000	0	2,268,000	2,268,000	2,268,000	2,268,000
0640 Medicare and Third Party Reimbursement	0	2,540,120	0	2,540,120	1,540,120	0	1,540,120	1,340,120	1,340,120	1,340,120

E. Human Support Services (continued)

Table 4-40 Special Purpose (O-type) Revenue Funds, by Source (continued)

	FY 2005 End of Year Fund Balance	FY 2006 Certified Revenues 5/06 Cert.	FY 2006 Certified Fund Balance Use 5/06 Cert.	FY 2006 Certified Resources 5/06 Cert.	FY 2007 Certified Revenues 5/06 Cert.	FY 2007 Certified Fund Balance Use 5/06 Cert.	FY 2007 Certified Resources 5/06 Cert.	FY 2008 Certified Revenues 5/06 Cert.	FY 2009 Certified Revenues 5/06 Cert.	FY 2010 Certified Revenues 5/06 Cert.
F. Public Works										
Dept. of Transportation (K40)	0	30,431,109	0	30,431,109	34,896,831	0	34,896,831	35,382,831	35,382,831	35,382,831
6000 Special Events	0	84,000	0	84,000	84,000	0	84,000	84,000	84,000	84,000
6261 Reimbursable Street Repairs	0	235,366	0	235,366	235,366	0	235,366	235,366	235,366	235,366
6425 Federal Transit Grant Match	0	72,000	0	72,000	72,000	0	72,000	72,000	72,000	72,000
6462 Child Safety Seat Program	0	21,072	0	21,072	21,072	0	21,072	21,072	21,072	21,072
6462 Restoration of Public Space Program	0	239,094	0	239,094	239,094	0	239,094	239,094	239,094	239,094
6651 Wilson Bridge	0	102,000	0	102,000	102,000	0	102,000	102,000	102,000	102,000
6655 Mail Tunnel Lighting	0	282,552	0	282,552	282,552	0	282,552	282,552	282,552	282,552
6634 Citizen Streetlight & Traffic Control Project	0	55,000	0	55,000	55,000	0	55,000	55,000	55,000	55,000
6900 DDOT Administrative Support Fund	0	29,340,025	0	29,340,025	33,805,747	0	33,805,747	34,291,747	34,291,747	34,291,747
Dept. of the Environment (K60)	5,385,650	5,115,000	518,130	5,633,130	5,137,575	1,117,983	6,255,558	5,190,902	5,276,733	5,365,131
0602 Air Quality Construction Permits	376,284	260,000	10,000	270,000	263,000	32,794	295,794	270,880	279,017	287,387
0603 Fishing License	209,938	80,000	15,000	95,000	85,000	45,000	130,000	87,550	90,177	92,882
0607 Underground Storage Tank Fines and Fees	1,141,955	430,000	250,000	680,000	475,000	200,000	675,000	489,250	503,928	519,045
0609 LUST Trust Fund	120,694	25,000	80,000	105,000	25,000	80,000	105,000	25,750	26,523	27,318
0611 Radioactive Waste Fees	113,182	30,000	0	30,000	51,575	0	51,575	53,122	54,716	56,357
0633 Radiation Protection	239,219	33,000	0	33,000	33,000	0	33,000	33,980	35,010	36,060
0634 Soil Erosion/Sediment Control	1,454,596	730,000	0	730,000	650,000	0	650,000	689,500	710,273	710,273
0645 Pesticide Product Registration	1,490,851	775,000	38,130	813,130	800,000	670,000	1,470,000	824,000	848,720	874,182
0646 Storm Water Fees	48,526	22,000	0	22,000	15,000	0	15,000	15,450	15,914	16,391
0648 Asbestos Certification and Abatement Fee	156,614	200,000	100,000	300,000	205,000	56,614	261,614	217,485	224,009	224,009
0654 Storm Water Permit Review	(66,742)	2,300,000	0	2,300,000	2,300,000	0	2,300,000	2,300,000	2,300,000	2,300,000
0663 Brownfields Revitalization	30,000	0	0	0	30,000	10,000	40,000	0	0	0
0664 Adjudication Hearings (Air Quality)	1,565	20,000	0	20,000	20,000	0	20,000	20,000	20,000	20,000
0665 Adjudication Hearings (Water Quality)	23,575	10,000	0	10,000	10,000	23,575	33,575	10,000	10,000	10,000
0669 Lead Based Certification Fees	45,403	200,000	25,000	225,000	175,000	0	175,000	180,250	185,658	191,227
Dept. of Public Works (K70)	3,613,422	2,676,275	860,000	3,536,275	2,945,989	900,521	3,846,520	2,945,989	2,945,989	2,945,989
6000 Fleet Services Reimbursements	0	568,775	0	568,775	778,489	0	778,489	778,489	778,489	778,489
6010 Super Cans	0	24,000	0	24,000	24,000	0	24,000	24,000	24,000	24,000
6072 District Recycling Program	1,561,251	1,300,000	300,000	1,600,000	800,000	600,000	1,400,000	800,000	800,000	800,000
6664 Lorton Landfill	0	48,500	0	48,500	48,500	0	48,500	48,500	48,500	48,500
6691 Nuisance Abatement (Clean City)	1,414,236	735,000	560,000	1,295,000	1,295,000	300,521	1,595,521	1,295,000	1,295,000	1,295,000
6967 Abandoned Vehicle Program	637,934	0	0	0	0	0	0	0	0	0
Dept. of Motor Vehicles (K80)	8,304,367	8,731,423	6,589,128	15,320,551	7,707,423	2,565,979	10,273,402	7,707,423	7,707,423	7,707,423
6000 International Registration Program	3,225,269	1,500,000	2,974,000	4,474,000	1,500,000	31,629	1,531,629	1,500,000	1,500,000	1,500,000
6221 Drivers Education Program	0	599,000	0	599,000	400,000	0	400,000	400,000	400,000	400,000
6293 Motor Vehicle Inspection Fund	5,079,099	6,425,000	3,615,128	10,040,128	5,600,000	2,534,350	8,134,350	5,600,000	5,600,000	5,600,000
6785 Commercial Drivers License Program	0	207,423	0	207,423	207,423	0	207,423	207,423	207,423	207,423
Taxi Cab Commission (TCO)	572,688	415,000	124,590	539,590	495,000	163,428	658,428	535,000	575,000	575,000
2200 Taxicab Driver Assessment Fund	572,688	415,000	124,590	539,590	495,000	163,428	618,428	495,000	535,000	535,000
2100 Fingerprint Fund	0	0	0	0	40,000	0	40,000	40,000	40,000	40,000
District-Wide Total	276,970,126	354,667,329	135,419,894	490,087,223	368,657,043	109,875,764	478,532,807	364,747,913	361,850,253	373,639,042

Table 4-41

Legislation that Shall Take Effect Subject to Inclusion of Its Fiscal Effect in an Approved Budget and Financial Plan as Analyzed through the CFO's Fiscal Impact Program

Legislation Enacted Subject to Inclusion of Fiscal Effects in an Approved Budget and Financial Plan										
Bill Number	Act Number	DC Act Date (Mayor)	DC Law Date (Congress)	Short Title	FY 2007	FY 2008	FY 2009	FY 2010	TOTAL	
Bills Passed Subject to Appropriations/Inclusion in Financial Plan										
1	B16-046	A16-0229	22-Dec-2005	L16-67 8-Mar-2006	Adult Protective Services Self Neglect Expansion Act of 2005	\$576,018	\$588,507	\$601,124	\$613,009	\$2,378,658
2	B16-103	A16-0169	3-Aug-2005	L16-35 22-Oct-2005	District of Columbia Homeless Services Reform Act of 2005	\$5,680,000	\$5,662,300	\$5,951,200	\$6,431,100	\$23,724,000
3	B16-420	A16-0233	22-Dec-2005	L16-71 8-Mar-2006	District of Columbia Health Professional Recruitment Program Act of 2005*	NA	NA	NA	NA	NA
4	B16-170	A16-0230	22-Dec-2005	L16-68 8-Mar-2006	Steve Seidows ICE/MR Quality Improvement Act of 2005**	NA	NA	NA	NA	NA
5	B16-180	A16-0231	22-Dec-2005	L16-69 8-Mar-2006	Grandparent Caregivers Pilot Program	\$1,000,000	\$0	\$0	\$0	\$4,000,000
6	B16-23	A16-0131	14-Jul-2005	L16-22 18-Oct-2005	Summer Youth Employment Act	\$5,000,000	\$0	\$0	\$0	\$5,000,000
7	B16-409	A16-0222	22-Dec-2005	L16-60 8-Mar-2006	National Community Reinvestment Coalition Real Property Tax Exemption Act of 2005	\$617,204	\$226,451	\$254,788	\$286,636	\$1,385,079
8	B16-557	A16-0294	27-Feb-2006	L16-98 12-May-2006	Fiscal Year 2007 Budget Tax Relief Priorities Act of 2005***	\$33,000,000	\$49,800,000	\$56,900,000	\$64,700,000	\$204,400,000
9	B16-461	A16-0292	27-Feb-2006	L16-97 12-May-2006	Residential Energy Conservation Tax Credit Act of 2005	\$5,670,000	\$5,670,000	\$5,670,000	\$5,670,000	\$14,680,000
10	B16-558	A16-349	4-Apr-2006	Projected 15-Jun-06	New Columbia Community Land Trust 2nd and Channing Streets, N.E. Exemption Act of 2005	\$178,100	\$25,500	\$26,500	\$27,400	\$257,500

* See B16-679, FY 2007 Budget Support Act, Schedule (V)(E).

** Financed by provider tax as specified in D.C. Law 16-68.

*** Expires October 1, 2006; if fiscal effects are not included in an approved budget and financial plan or in the FY 2007 Budget Request Act.

Legislation Enacted But Not Included in FY 2006 Baseline Budget										
Bill Number	Act Number	DC Act Date (Mayor)	DC Law Date (Congress)	Short Title	FY 2007	FY 2008	FY 2009	FY 2010	TOTAL	
Bills Passed With FY 2007 Fiscal Impact - Not Included in FY 2006 Baseline										
1	B16-057	A16-0184	4-Oct-2005	L16-42 10-Dec-2005	Income Withholding Transfer and Revision Amendment Act of 2005	\$2,000,000	\$2,060,000	\$2,121,800	\$2,183,454	\$8,367,254
2	B16-0129	A16-0268	26-Jun-2006	L16-82 4-Apr-2006	Health Care Benefits Expansion Amendment Act of 2005	\$462,000	\$508,200	\$559,020	\$614,922	\$2,144,142
3	B16-050	A16-0089	26-May-2005	L16-15 22-Jul-2005	Rental Housing Conversion & Sale Amendment Act of 2005	\$637,000	\$621,000	\$643,000	\$665,000	\$2,566,000

Tax Expenditures

The District of Columbia Code requires the Chief Financial Officer to prepare a Tax Expenditure Budget for Fiscal Year 2003 and biennially afterwards. This appendix contains the Fiscal Year 2007 Tax Expenditure Budget.

Background

Tax expenditures are revenue losses that arise from provisions of the District's tax laws intended to achieve public objectives by reducing the tax liabilities of particular groups of taxpayers, or even individual taxpayers. They are called expenditures because their public purposes also could possibly be achieved by D.C. Government outlays. Tax expenditures take the following forms:

- exclusions of particular kinds of income, property, sales, etc., from taxation;
- exemptions of particular classes of individuals or entities from taxation;
- deductions from income or property valuation;
- deferrals of taxation; and
- credits against tax liabilities.

Determining whether any particular exclusion, deduction, or credit constitutes a tax expenditure is a matter of judgment. There are several possible considerations such as:

- whether the particular provision is a departure from a "normal" tax structure;
- whether the provision reduces taxes for particular types of persons or entities; and
- whether there is a plausible public purpose for the provision.

In this tax expenditure budget, we rely on all of these considerations. Characterizing a provision as a tax expenditure does not indicate the desirability of the provision. That is a matter for the policy makers.

Findings

The provisions of D.C. tax law identified as tax expenditures for this budget are shown in the table. They are grouped into major categories according to the broad policy objectives of the tax expenditures, and then grouped by the type of tax (income, real property, sales, etc.). Many of the income/franchise tax expenditures arise from federal income tax exclusions, deductions, etc. that are incorporated into D.C. law by general references to Federal law; these are identified by the square "bullet" between the item number and the description. The remaining tax expenditures are explicitly provided for in the D.C. Code.

The table identifies 160 separate tax expenditure items. For some items, separate estimates of the revenue losses could not be made. About half the listed tax expenditure items are reductions in D.C.

income/franchise tax revenue that result from federal preferences that "flow through" to D.C. tax returns. Approximately 80 percent of the sum of all D.C. tax expenditures estimated arises from items that derive from explicit provisions of D.C. law.

Uses of the Estimates

Tax expenditures potentially support various kinds of analysis. For example, by comparing budget expenditures and tax expenditures we get a more complete picture of public resources devoted to achieving policy goals. The text accompanying the estimates in the 2003 budget volume illustrated such analysis in the areas of housing and education. For some tax expenditures, the policy objective is not apparent. In such cases, we have simply included the expenditures in an "other objectives" category. The discussion in the 2003 volume suggested that the purposes of some tax expenditure items do not fall into ordinary expenditure categories such as housing and education. Such alternative purposes would include, for example: tax simplification, reciprocity between the District and the States, and population policy (making the District an attractive domicile for mobile citizens who could reduce their tax obligations by moving elsewhere).

A special case of tax preferences with obscure objectives is quite prominent in this tax expenditure budget: tax exemptions for the Federal Government and for embassies, chanceries, and the like, of foreign governments. For these tax preferences, it is clearly fruitless to consider possible motivations of the Government of the District of Columbia, since the preferences arise not from actions of that government but from the United States Constitution and federal law elaborated in decisions of the federal courts. It could be argued that, since these preferences do not result from deliberate choice of the District, they should not be considered tax expenditures. This tax expenditure budget nevertheless includes them to facilitate comparison of the magnitudes of these preferences and of other tax expenditures.

Table 4-42

District of Columbia Tax Expenditure Estimates for Fiscal Years 2006-2009 by Objective Category and Type of Tax

Estimates in thousands of dollars
(rounded to nearest ten thousand)

Tax Expenditure	2006	2007	2008	2009
Housing				
<u>Income/Franchise Tax</u>				
exclusion of interest on state and local "private activity" bonds issued to support:				
1 ■ rental housing	470	500	550	590
2 ■ owner-occupied housing mortgage subsidy	1,090	1,150	1,270	1,340
3 ■ veterans' housing	50	70	70	70
4 ■ exclusion of capital gains income on sale of principal residence	27,930	30,850	34,080	42,090
5 ■ accelerated depreciation on rental housing	3,190	3,340	3,500	3,700
6 ■ deferral of income from post 1987 installment sales	800	820	830	850
7 ■ itemized deduction for mortgage interest on owner-occupied dwellings	36,760	40,740	44,800	48,200
8 ■ itemized deduction for state and local property tax on owner-occupied dwellings	7,660	6,530	6,590	6,550
9 D.C. credit for rehabilitation of a dwelling in a Historic Preservation District	1,250	1,250	1,250	1,250
10 D.C. credit for certain low income homeowners for increase in real property tax	1,400	1,400	1,400	1,400
11 D.C. credits and deductions for employer-assisted home purchases	3,690	3,690	3,690	3,690
<u>Real Property Tax</u>				
12 homestead exemption	50,780	50,780	50,780	50,780
13 abatement and credits for rehabilitation of single family residential property located in an enterprise zone	2,300	2,300	2,300	2,300
14 50 percent abatement for properties whose owner engaged in a Housing Assistance Payment Contract	1,000	1,000	1,000	1,000
15 property tax abatements for new residential developments	4,300	4,300	4,300	4,300
Education				
<u>Income/Franchise Tax</u>				
exclusion of interest on state and local "private activity" bonds issued to support:				
16 ■ student-loans	330	350	390	410
17 ■ private nonprofit educational facilities	1,100	1,160	1,280	1,370
exclusion of:				
18 ■ interest on savings bonds redeemed to finance educational expenses	40	40	40	40
19 ■ scholarship and fellowship income	1,220	1,270	1,320	1,370
20 ■ employer-provided educational assistance	490	520	550	580
deferral for contributions to:				
21 ■ state prepaid tuition plans	970	1,110	1,270	1,450
22 ■ education Individual Retirement Accounts	160	200	250	320
23 ■ deduction for student-loan interest	1,490	1,510	1,530	1,550
24 ■ parental personal exemption for students age 19 or over	1,620	1,140	1,070	980
25 ■ itemized deduction for charitable contributions to educational entities	4,670	5,130	5,420	5,800
26 D.C. 529 college saving program	620	620	620	620

Table 4-42 (continued)

District of Columbia Tax Expenditure Estimates for Fiscal Years 2006-2009 by Objective Category and Type of Tax

Estimates in thousands of dollars
(rounded to nearest ten thousand)

Tax Expenditure		2006	2007	2008	2009
<u>Real Property Tax</u>					
27	exemptions for property of educational institutions	45,170	48,100	51,230	54,560
<u>Deed Recordation and Transfer Taxes</u>					
28	for property purchased by educational institutions	390	410	440	470
Health and Healthcare					
<u>Income/Franchise Tax</u>					
29	■ exclusion of interest on state and local "private activity" bonds issued to support hospital construction	1,850	1,950	2,160	2,310
30	■ exclusion of employer contributions for medical insurance premiums and medical care	147,690	163,320	179,280	196,160
31	■ deduction for medical insurance premiums of self-employed	2,850	3,110	3,410	3,740
32	■ deduction for contributions to medical Savings Accounts	2,040	2,950	3,910	4,410
33	■ itemized deduction for charitable contributions to health related entities	4,900	5,190	5,540	5,940
34	■ itemized deduction for medical expenses	9,810	11,810	14,430	17,160
<u>Insurance Premium Tax</u>					
35	exemption for health insurance companies that provide subsidized open enrollment coverage	6,160	7,580	9,310	11,450
<u>Real Property Tax</u>					
36	exemption for hospitals	13,240	14,010	14,830	15,690
Economic Development					
<u>Income/Franchise Tax</u>					
exclusion of interest on state and local "private activity" bonds issued to support:					
37	■ energy facilities	100	100	110	110
38	■ airport, dock, and similar facilities	810	860	960	1,030
39	■ small manufacturing facilities	2,830	2,950	3,240	3,430
40	■ expensing of certain small investments	1,320	1,530	1,530	1,530
41	■ accelerated depreciation of buildings other than rental housing	-650	-420	-160	-350
42	■ accelerated depreciation of machinery and equipment	30,380	32,260	32,260	32,260
43	■ deduction of qualified business activity income	630	1,270	1,310	1,340
44	■ deduction of loss from sale of small business corporation stock	50	50	50	50
45	■ exception from passive loss rules for \$25,000 of rental real estate loss	6,110	5,980	5,810	5,640
46	■ excess bad debt reserves of financial institutions	10	10	0	0
47	■ incentives for businesses in empowerment zones, enterprise communities, and renewal communities	1,100	1,220	1,340	1,580
48	D.C.economic development zone credits	260	240	240	240
<u>Real Property Tax</u>					
49	exemption for properties owned by D.C. Redevelopment Authority	7,860	7,880	7,890	7,900
50	deferral of tax for the Bureau of National Affairs	1,000	-8,000	0	0
51	exemption for properties of the Washington Metropolitan Transportation authority	9,410	9,540	9,680	9,820

Table 4-42 (continued)

District of Columbia Tax Expenditure Estimates for Fiscal Years 2006-2009 by Objective Category and Type of Tax

Estimates in thousands of dollars
(rounded to nearest ten thousand)

Tax Expenditure		2006	2007	2008	2009
<u>Sales Tax (included in Sales Tax under other purposes)</u>					
52	exclusion of energy products used in manufacturing				
53	exclusion of materials used in war memorials				
54	exclusion of materials used in supermarkets				
<u>Various Taxes</u>					
55	incentives for qualified high technology companies	900	900	900	900
Income Security and Social Services					
<u>Income/Franchise Tax</u>					
exclusion of:					
58	■ interest on life insurance savings	13,770	14,320	15,580	17,990
59	■ certain foster care payments	370	380	380	380
60	■ workers' compensation benefits	6,680	6,880	7,110	7,380
61	■ special benefits for disabled coal miners	40	40	30	30
62	■ public assistance benefits	380	390	410	430
63	■ railroad retirement system benefits	690	670	640	660
64	■ Social Security benefits for retired workers	34,290	34,710	35,880	36,680
65	■ Social Security benefits for disabled	6,750	7,280	7,670	8,100
66	■ Social Security benefits for dependents and survivors	7,050	7,160	7,210	7,260
67	■ veterans' pensions	110	110	110	110
68	■ GI Bill education benefits	140	170	200	230
69	■ assistance for adopted foster children	270	290	310	340
70	■ military disability pensions	190	190	200	200
71	■ income of trusts to finance supplementary unemployment benefits	390	410	430	430
72	■ veterans' death benefits and disability compensation	2,950	3,090	3,200	3,320
73	■ employer contributions for premiums on group term life insurance	2,300	2,430	2,500	2,570
74	■ employer contributions for premiums on accident and disability insurance	320	330	340	360
76	■ employer provided child care	900	1,020	1,070	1,120
77	■ employer sponsored adoption assistance	450	470	480	490
78	■ employer contributions to Employer pension plans	56,040	58,380	53,520	50,920
79	■ contributions to Keogh plans	6,290	6,710	7,320	7,970
80	■ employee contributions to Individual Retirement Accounts	2,270	3,210	3,860	4,460
81	■ itemized deduction for casualty losses	6,020	6,140	6,490	6,720
82	D.C. exclusion of up to \$3000 of federal and D.C. pension income	8,710	8,710	8,710	8,710
83	■ D.C. child and dependent care credit (32 percent of federal credit) *	2,100	1,390	1,340	1,270
84	■ D.C. earned income credit (35 percent of federal credit) *	31,680	32,180	33,440	34,440
85	D.C. exclusion of Social Security income included on Federal return	9,310	9,580	9,860	10,140
86	D.C. additional exemption for blind	20	20	20	20
87	D.C. additional exemption for elderly	2,500	2,500	2,500	2,500
88	D.C. low-income credit	2,400	2,400	2,400	2,400
89	D.C. credit for property tax	2,500	2,500	2,500	2,500

Table 4-42 (continued)

District of Columbia Tax Expenditure Estimates for Fiscal Years 2006-2009 by Objective Category and Type of Tax

Estimates in thousands of dollars
(rounded to nearest ten thousand)

	Tax Expenditure	2006	2007	2008	2009
	<u>Real Property Tax</u>				
90	low income exemption	9,670	9,670	9,670	9,670
91	senior citizen exemption	30,160	32,780	35,140	35,140
92	percentage limit on annual real property tax increase	101,030	164,610	213,990	256,790
93	exemption for properties of charitable organizations	12,020	12,580	13,160	13,760
	<u>Sales Tax (estimates included under other objectives)</u>				
94	groceries				
95	medicines, drugs, medical devices				
96	sales by 501(c)(4) organizations				
97	sale of food at cost by non-profit organizations				
98	sale of food and beverages by senior centers to residents				
99	sale of food purchased with food stamps				
	<u>Deed Recordation and Transfer Taxes</u>				
100	exemption of property purchased by a qualifying lower income household	2,290	2,450	2,620	2,810
101	exemption of property purchased by charitable entities	190	200	200	200
	Cultural Enrichment				
	<u>Income/Franchise Tax</u>				
102	■ exclusion of parsonage allowances	370	400	420	450
103	■ deduction for charitable contributions, other than education and health	43,540	46,160	49,230	52,760
	<u>Real Property Tax</u>				
104	exemption for libraries	300	320	350	370
105	exemption for churches, synagogues, and mosques	33,820	34,870	35,950	37,060
106	exemption for cemeteries	3,590	3,710	3,820	3,940
	<u>Deed Recordation and Transfer Taxes</u>				
107	exemption for property purchased by churches synagogues, and mosques	90	90	100	100
	Public Safety				
	<u>Income/Franchise Tax</u>				
108	D.C. police officer first-time homebuyer income tax credit	50	50	50	50
	<u>Real Property Tax</u>				
109	D.C. five-year police officer first-time homebuyer credit	90	90	90	90
	Environmental Protection				
	<u>Income/Franchise Tax</u>				
110	■ exclusion of interest on state and local "private activity" bonds issued to support water, sewage, and hazardous waste facilities	530	550	610	640
111	■ exclusion of conservation subsidies provided by public utilities	70	70	70	70
112	■ expensing of environmental remediation costs	50	30	0	-20
113	■ deduction for part of cost of clean-fuel burning vehicles	30	80	50	50
	<u>Real Property Tax</u>				
114	condominium trash credit	1,870	1,920	1,970	2,010
	Other Objectives				
	<u>Income/Franchise Tax</u>				
	exclusion of:				
115	■ interest on public purpose State and local bonds	9,070	9,590	10,610	11,380
116	■ benefits, allowances, and certain pay to armed forces personnel	3,360	3,390	3,420	3,460
117	■ income earned abroad by U.S. citizens	2,500	2,610	2,750	2,910
118	■ certain allowances for Federal employees abroad	36,810	38,750	40,690	42,620

Table 4-42 (continued)

District of Columbia Tax Expenditure Estimates for Fiscal Years 2006-2009 by Objective Category and Type of Tax

		Estimates in thousands of dollars (rounded to nearest ten thousand)			
Tax Expenditure		2006	2007	2008	2009
119	■ step-up basis of capital gains at death	40,880	44,960	49,450	50,530
120	■ employer paid meals and lodging (other than military)	990	1,030	1,080	1,120
121	■ extraterritorial income	3,290	1,300	80	40
122	■ cancellation of indebtedness	50	50	50	50
123	■ reimbursed employee parking expenses	3,040	3,200	3,370	3,540
124	■ employer-provided transit passes	610	700	790	880
125	■ inventory property sales source rules exception	1,270	1,390	1,540	1,680
126	■ credit union income	1,030	1,090	1,160	1,240
	expensing of:				
127	■ research and experimentation expenditures	6,000	5,300	4,740	4,060
128	■ exploration and development costs, fuels	490	630	600	470
129	■ multiperiod timber growing costs	190	200	220	220
130	■ exploration and development costs, nonfuel minerals	0	0	0	0
131	■ certain agricultural capital outlays	10	10	10	10
	deferral of tax on				
132	■ interest on U.S. savings bonds	1,120	1,130	1,140	1,160
133	■ income from controlled foreign corporations	8,410	9,000	9,630	10,290
134	■ capital construction funds of shipping companies	0	0	0	0
135	■ gain on sale of farm refiners	0	0	0	0
136	■ percentage depletion, fuels	490	500	480	470
137	■ depletion, nonfuel minerals	210	220	230	230
138	■ itemized deduction for state and local taxes paid, other than real estate and income taxes	800	710	730	740
139	■ exception from passive loss rules for working interest in oil and gas wells	20	20	20	20
140	■ D.C. exclusion of interest on U.S. obligations or securities	4,000	4,000	4,000	4,000
	<u>Real Property Tax</u>				
141	■ exemption for embassies, chanceries, and associated properties of foreign governments	39,340	41,960	44,760	47,740
142	■ properties exempt by act of Congress; or multi-purpose exemptions	86,220	97,510	110,290	124,730
143	■ exemption for property of the Federal Government	508,820	516,210	523,720	531,330
	<u>Sales Tax</u>				
144	■ exemption of sales:	970,290	1,028,070	1,079,800	1,136,030
145	to the Federal Government				
146	to state and local governments				
147	to semi-public institutions				
148	to public utility companies				
149	other exemptions				
150	■ exemption of sales of professional and personal services	309,750	334,470	357,090	377,620
	<u>Deed Recordation and Transfer Taxes</u>				
	exemption of transfers:				
151	■ of properties purchased by foreign governments for embassies and related uses	170	180	190	200
152	■ of properties purchased by entities established by acts of Congress	310	320	340	370
153	■ of properties purchased by miscellaneous exempt entities	60	60	70	70

Table 4-42

District of Columbia Tax Expenditure Estimates for Fiscal Years 2006-2009 by Objective Category and Type of Tax

Estimates in thousands of dollars
(rounded to nearest ten thousand)

Tax Expenditure		2006	2007	2008	2009
Addendum: Recently Enacted Tax Expenditures					
154	Disabled Person Tax Reduction Act	3,630	3,680	3,780	3,780
155	Disabled Property Owners Tax Reduction Act	1,490	1,640	1,780	1,900
156	Limited Equity Cooperative Tax Fairness Act	200	220	240	260
157	Affordable Housing Preservation Tax Assessment Act	420	460	490	530
158	Real property tax exemptions for particular properties or owners	2,120	1,040	1,080	1,110
159	Family property recordation and transfer tax exemption	40	40	40	40
160	Low-income property tax deferral	2,000	2,300	2,100	1,900

Notes

■ Items that "flow through" to the D.C. income tax rules from federal income tax rules.

* Figures include estimated outlays for refundable part of the credit.