



# June 2025 Revenue Estimate

June 27, 2025

## National:

- U.S. real GDP decreased by 0.3% in the first quarter of 2025, largely due to a spike in imports in anticipation of tariffs. This trend is expected to reverse and contribute to growth in the second quarter.
- Although federal spending and consumer spending have weakened, core domestic demand remains strong.
- Inflation pressures persist, with the Personal Consumption Expenditures (PCE) price index rising at an annualized rate of 3.6% in the first quarter of 2025 - the largest quarterly increase in two years - up from a 2.4% rise in the previous quarter.
- Tariffs are expected to keep inflation elevated for the remainder of 2025.
- The labor market remains resilient, with the unemployment rate steady between 4.0% and 4.2% since May 2024.
- The Federal Reserve has kept its benchmark interest rate between 4.25% and 4.5% amid trade and other economic uncertainties.

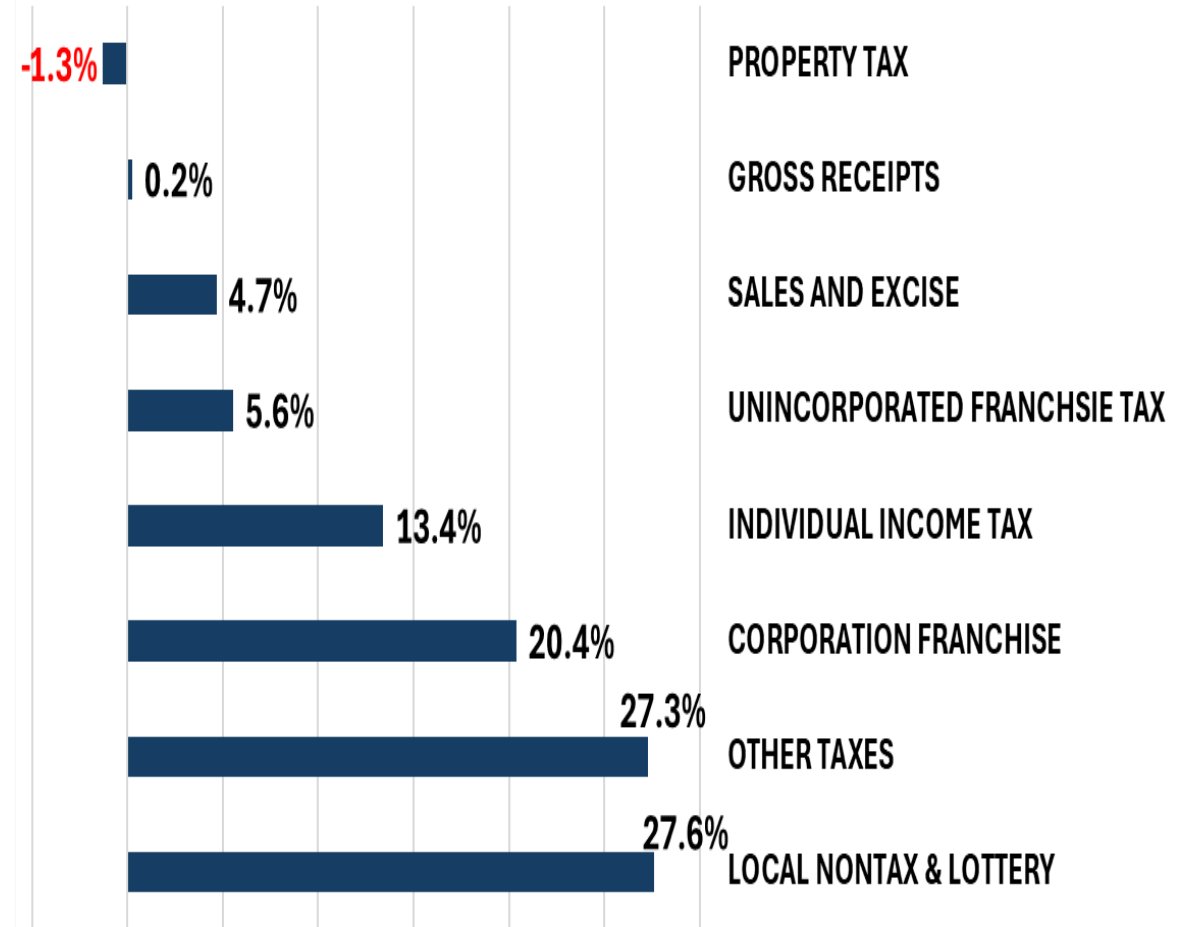
## District:

- DC had 700 fewer jobs in May 2025 compared to last year. The unemployment rate is 5.8%, up from 5.2% the same month last year. The US Bureau of Labor Statistics revised employment in the District lower for FY 2023 and 2024, but revised resident employment and labor force upward.
- The Bureau of Economic Analysis revised personal income and wages downward for the 4<sup>th</sup> quarter of FY 2024, lowering its FY 2025 growth forecast.
- The commercial office vacancy rate for the first quarter of 2025 is 16.9%, slightly down from the same quarter last year. Average prices for single-family homes and condos are higher for April 2025.
- Court challenges to executive orders and the DOGE federal workforce cuts add to uncertainty in the District's economic outlook.
- With no major changes to the economic outlook, besides the increased uncertainty, OCFO is maintaining the February 2025 economic forecast with minor revisions to reflect updated historical data.

# Year-to-date (YTD) Revenue – FY 2025 vs FY 2024

- Highlights of YTD receipts for major District revenue sources, including collections from the April income tax season and the first half of the property tax billing period:
  - Collections are \$668.6 million (9.9%) higher than the same period in FY 2024.
  - The largest year-to-date revenue increase is from individual income tax revenues, which have risen by \$279.7 million, mainly due to growth in non-withholding receipts.
  - Corporate franchise tax receipts, which were also up by \$114.7 million, benefited from higher corporate profits and earnings.
  - Transfers from the Universal Paid Leave fund boosted the non-tax component and offset the decline in most other non-tax sources.
  - Year-to-date collections show minimal impact from DOGE's federal workforce reductions, which began at the end of March 2025. Income tax sources benefited from significant income and asset price growth last year.

FY 2025 YTD REVENUE GROWTH



# YTD Revenue: Trends for Major Components

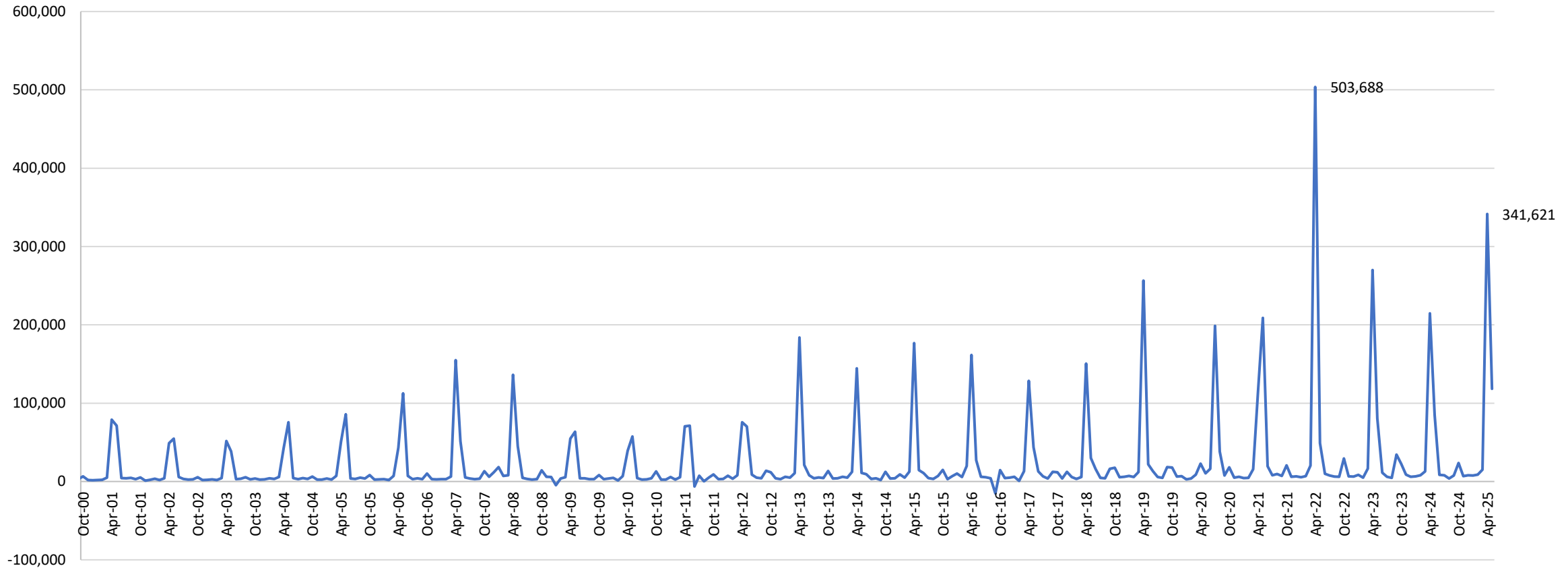


- **Income tax** collections drove the better-than-expected YTD revenue performance:
  - The non-withholding component of April tax receipts accounted for over 80% of the increase in individual income tax collections.
  - Strong capital markets' performance in 2024 drove a 59.2% increase in April extensions and final payments, their second-highest level historically.
  - Withholding collections rose to 8.1% through March. Since then, receipts have dropped by an average of 0.3% each month, likely due to cuts in the federal workforce.
  - Corporate franchise tax receipts accounted for the largest increase in business taxes, rising by 20.4% due to unexpectedly strong profits among major corporate taxpayers.
- **Other tax** components contributed to growth:
  - General sales tax revenue is up 5.0% year-to-date, exceeding the February forecast of 2.2%. However, the declining receipts from the hotel sector raise concerns.
  - Real property tax receipts declined 1.1% in the 1<sup>st</sup> half, better than the forecasted drop of 2.6% for the year, but are expected to meet the forecast for the year with the 2<sup>nd</sup> half collections.
- **Non-tax** receipts also contributed to growth, but will be a drag going forward:
  - Local non-tax revenue rose by 27.9% year-to-date, close to the forecasted 28%. However, declines in automated tax enforcement, business licenses, building permits, motor vehicle registrations, and lottery sales indicate that overall non-tax revenue may fall short of expectations by year-end.

# April Final Payments 2<sup>nd</sup> Highest in 2-1/2 Decades



## Individual Income Tax – Extension & Final Payments



# FY 2025 Projection vs February 2025 Forecast



- Based on the year-to-date revenue performance, projected FY 2025 revenue is estimated to be \$243.7 million higher than the February forecast.
- The additional FY 2025 revenue is not carried forward because:
  - Much of the revenue gain in FY 2025 reflects higher-than-expected income tax payments and is based on strong income and asset price appreciation from last year.
  - The effect of the federal workforce reductions on District revenues, starting next year, remains highly uncertain.
  - Tariffs and other federal policies could impact District revenue (positively or negatively) going forward.
  - The economic environment is too uncertain.

## REVISION FROM FEBRUARY ESTIMATE (\$000)

Revenue source	FY 2025
PROPERTY	-
SALES & EXCISE	27,092
INCOME	262,878
GROSS RECEIPTS	(1,025)
DEED, ECON AND ESTATE	(7,962)
<b>GROSS TAX</b>	<b>280,983</b>
NONTAX & LOTTERY	(30,443)
Net REVISION (GROSS)	250,540
Dedicated revision	6,854
<b>LOCAL FUND REVENUE REVISION</b>	<b>243,686</b>

# FY 2025-2029 Financial Plan – Local Component



## June 2025 Revenue Estimate Compared to the Previous Estimate

	Actual		Estimate		Projections	
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>Local Source, General Fund Revenue Estimate (\$M)</b>						
<i>February 2025 Revenue Estimate</i>	10,223.9	10,680.2	10,630.6	10,917.4	11,278.7	11,656.4
<i>June Revision to the Estimate-Local</i>	0.0	243.7	0.0	0.0	0.0	0.0
<b>June 2025 Revenue Estimate</b>	10,223.9	10,923.9	10,630.6	10,917.4	11,278.7	11,656.4
<b>Revenue Change From Previous Year</b>						
Amount	249.4	700.0	(293.2)	286.7	361.4	377.6
<i>Year-Over-Year Percent Change</i>	2.5%	6.8%	-2.7%	2.7%	3.3%	3.3%

## National:

- Economic uncertainty related to tighter trade and immigration policies
- Uncertainty around federal tax and spending decisions
- Persistent inflation
- Financial market volatility
- Geopolitical turmoil as wars in Ukraine and the Middle East escalate
- Risk of U.S. recession/stagflation

## District:

- Changes to federal employment and office use patterns
- Population stalls due to federal workforce reductions and tighter immigration
- Declining tourism amid more restrictive trade and immigration policies

# Questions?