

Government of the  
District of Columbia



Natwar M. Gandhi  
Chief Financial Officer

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**Tax Rates and Tax Burdens**  
In The District of Columbia -  
A Nationwide Comparison

**2004**

Issued August 2005

**Tax Rates And Tax Burdens In The District of Columbia:  
A Nationwide Comparison**

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## **EXECUTIVE SUMMARY**

State and local tax systems in the United States are widely diverse. The 50 states and the District of Columbia employ a broad range of taxes and fees to fund state and local government operations. The combination of taxes and fees utilized by a particular jurisdiction is dependent upon many factors, including revenue needs, the tax base of the local government, the fiscal relationship between the state and local governments, and the level of local government services demanded by residents.

The District's tax structure includes taxes typically imposed by local governments, such as real and personal property taxes, deed taxes, and others. At the same time, the District's tax structure also includes taxes usually associated with the state level of government, such as the individual and corporate income taxes, sales and use taxes, excise taxes and motor vehicle-related taxes. Sixty-two percent of the District's locally generated revenues come from taxes usually administered by a state.

Although the District has both these state and local fiscal features, the actual tax structure is not complemented by the typical state or local economic base. There are many examples, such as:

- Manufacturing, an important industry in the economic and tax bases of many major cities, is largely lacking in the District.
- Unlike every state in the nation that has an income tax, Washington, D.C., does not have the authority to tax nonresident income earned within its borders. Nonresidents earn about 2/3 of all income in the District of Columbia.
- About 36 percent of all property value in the District is exempt from property taxation due to the federal and diplomatic presence (23 percent) as well as other tax-exempt properties (13 percent).
- An estimated 6 percent of sales are not subject to sales and use tax in the District due to military and diplomatic exemptions.
- The District has a relatively high percentage of low-income taxpayers, which further limits the District's revenue-raising capacity.

Despite these limitations in the tax base, the District of Columbia funds most of the functions usually provided by state and local levels of government. The non-municipal functions include responsibility for welfare programs, physical and mental health care and maintenance of the public education system -- including a "state" university.

To provide an adequate level of funding for these state and local responsibilities given the limited tax base, the District's tax rates often are higher than those in the states. Data from the U.S. Bureau of the Census indicate that in 2000, the District's overall per capita tax collections were higher than those of 50 states. For some tax types, however, the District's taxes are lower than most states.

The state and local tax rates for different types of taxes vary among jurisdictions. For example, all 51 cities in this study levy a tax on real property located within the city, yet effective tax rates range from a high of \$2.99 per \$100 of assessed value in Houston, Texas to \$0.38 per \$100 of assessed value in Honolulu, Hawaii. In addition, several jurisdictions allow tax exemptions, credits and caps in the calculation of the real property tax liability (Table 6, page 21). The District of Columbia has a \$30,000 homestead deduction in FY 2004 (\$38,000 in FY 2005) for owner-occupied residences as well as other credits. Beginning October 1, 2005, the District's homestead deduction for owner-occupied residences will increase to \$60,000. In addition, in FY 2006, Class One property tax rate will decrease from \$0.96 per \$100 to \$0.92 per \$100 assessed value; and the owner-occupied residential real property tax cap drops from 12% to 10%.

As noted in Table 7, page 23, residents in 47 of the 51 cities studied are subject to some form of sales and use tax. The highest sales tax rates are found in Memphis, Tennessee, New Orleans, Louisiana, and Seattle, Washington. Residents of Honolulu, Hawaii, Virginia Beach, Virginia, and Columbia, South Carolina pay the lowest sales tax rates.

Table 9, page 26, indicates all 51 cities in this study levy some type of automobile registration fee or tax -- usually either a flat rate per vehicle or a sales tax based upon the value of the vehicle. In addition, personal property taxes are levied in 12 of the cities.

Residents of 44 of the 51 cities in this study are subject to some type of individual income tax at the state and/or local levels. There are several types of individual income tax systems, including graduated state and local rates, graduated state and flat local rates, flat state and local rates, state tax rates as a percent of federal income tax liability, graduated state tax rates and flat state rates with exemptions, as presented on Table 16 page 41.

No single pattern of taxation characterizes a high tax burden or a low tax burden city. Details concerning the various taxes levied and why the tax burdens differ from one jurisdiction to another are presented in this publication. Part I of this publication compares tax burdens in the District of Columbia with those of the largest city in each state. Part II of this publication contains a compendium of tables which illustrate the tax rates in the District of Columbia and the 50 states for 13 different types of taxes.

## **ACKNOWLEDGMENT**

Each year the Government of the District of Columbia, Office of the Chief Financial Officer, Office of Research and Analysis publishes several reports, which provide information to the citizens and taxpayers of the District of Columbia. The reports contain information about the rates and burdens of major taxes in the District of Columbia compared with states and other large cities in the United States.

This publication contains two reports: (I) Tax burdens in Washington, D.C., Compared with Those in the Largest City in Each State, 2004 and (II) A Comparison of Selected Tax Rates in the District of Columbia with Those in the 50 States: A Compendium of Tables. This information is requested annually by committees of the U.S. Congress and the District of Columbia Council and is provided pursuant to Public Law 93-407.

Questions and comments concerning these publications should be addressed to: Edward W. Wyatt, Tax Research Specialist, Revenue Estimation and Tax Research Administration, Office of Research and Analysis, 441 4<sup>th</sup> Street, NW, Suite 410 South, Washington, D.C. 20001, telephone (202) 727-7775.

Our appreciation is extended to the many state and local officials who reviewed draft reports. Their cooperation in providing information and their helpful suggestions make this publication possible.

Julia Friedman, Ph. D.  
Deputy Chief Financial Officer  
Office of the Chief Financial Officer  
Office of Revenue Analysis  
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## **Part I**

**Tax Burdens In Washington, D.C.,  
Compared With Those In  
The Largest City In Each State**

**2004**

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# OVERVIEW

State and local tax systems in the United States are diverse. The 50 states and the District of Columbia employ a broad range of taxes and fees to fund state and local government operations. The combination of taxes and fees utilized by a particular jurisdiction is dependent upon many factors, including revenue needs, the tax base of the local government, the fiscal relationships between state and local government, constitutional and legal limitations on the powers of taxation, taxpayer demand for government services, and other factors.

"Tax burden" is defined in this study as a measure of the tax paid by a taxpayer under a specified set of conditions. This study defines a specified set of conditions and computes corresponding tax burdens in 51 different jurisdictions. In evaluating or interpreting these comparisons, consideration should be given to circumstances specific to each jurisdiction, which may affect tax burdens. Such circumstances can include greater local demand for services, greater local costs of producing services, and the use of revenue sources other than taxes to finance certain services.

This study compares tax burdens in 51 different locations **for a hypothetical family of four**. The major state and local tax burdens for the family in the District of Columbia are compared with those in the largest city in each state. It must be emphasized that these burden comparisons reflect the assumptions used in their computation. For this reason it is important to study the methodology used in the report before drawing conclusions about the relative levels of taxation in each of the cities.

This is an ongoing study, published annually and readers are advised not to compare the hypothetical tax burdens across years; any number of small changes in state and/or local tax policy or in the assumptions of the study can result in misleading information under such comparisons. The purpose of the study remains to compare tax burdens on a hypothetical household in different jurisdictions in a specific year, and not over time.

# CHAPTER I

## How Tax Burdens Are Computed For The Largest City In Each State

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The majority of taxpayers in the United States are aware that the amount of state and local tax liability of an individual taxpayer varies from one jurisdiction to another. The extent of these differences in state and local tax burdens across the country, however, may not be fully recognized.

States and local jurisdictions differ in many aspects of their taxing systems. The relationship of state taxes to federal tax law is one of several factors causing differences in tax burdens from one state to another. Other differences reflect decisions by state and local governments on what should and should not be subject to tax. For example, several states do not levy an individual income tax, although for many others it represents a major source of state funding. Tax burdens also differ because some states can shift a larger portion of governmental costs to business and may be able to "export" some of their tax burden. This has been true for example, for energy producing states and states specializing in tourism.

This report compares the state and local tax burdens of hypothetical households in Washington, D.C., with the burden for the largest city in each of the 50 states for 2004. The four major taxes used in the comparison are the individual income tax, real property tax on residential property, general sales and use tax, and automobile taxes, including gasoline tax, registration fees, excise tax and personal property tax. This study does not incorporate the effects of differing local tax burdens on the federal individual income tax burden. Income and property taxes are deductible in computing federal income taxes and the effect of federal deductibility is to reduce the overall difference in tax burdens between jurisdictions.

All tax burdens reflect state and local tax rates. Tax burdens are compared for a hypothetical family that consists of two wage-earning spouses and two school-age children. The gross family income levels used are \$25,000, \$50,000, \$75,000, \$100,000 and \$150,000. The wage and salary split is assumed to be 70-30 between the two spouses. All other income is assumed to be split evenly. The family at each income level is assumed to own a single family home and to reside within the confines of the city. All wage and salary income is further assumed to have been earned in the city. The particular assumptions used in the calculation of each major tax type are indicated on the following pages.

## Individual Income Tax

The five income levels used in this study are divided between wage and salary income and other types of income as follows:

Gross Income		Long-Term Wages And Salaries	Interest	Capital Gains 1/	2002 Federal AGI
\$ 25,000	Spouse 1	\$17,200	\$ 200	0	\$ 25,000
	Spouse 2	7,400	200	0	
\$ 50,000	Spouse 1	\$34,000	\$ 500	0	\$ 50,000
	Spouse 2	15,000	500	0	
\$ 75,000	Spouse 1	\$49,000	\$1,000	\$1,500	\$ 75,000
	Spouse 2	21,000	\$1,000	1,500	
\$100,000	Spouse 1	\$65,000	\$1,500	\$2,000	\$100,000
	Spouse 2	28,000	1,500	2,000	
\$150,000	Spouse 1	\$97,500	\$2,500	\$2,750	\$150,000
	Spouse 2	42,000	2,500	2,750	

1/ Assumes a three-year holding period

Because the earned income tax credit (ETC) at the \$25,000 income level on some states will determined state ETC, and several states allow the deduction of all or part of an individual's federal income tax liability in computing the state income tax; such as Alabama, Iowa, Louisiana, Missouri, Montana, Oklahoma, Oregon, and Utah, it is necessary to compute the 2004 federal individual income tax at each income level using the above assumptions. Interest and long-term capital gains were fully or partially taxable at the federal level at the time period used for this report.

Many states in 2004 allowed taxpayers to begin their state income tax computations with federal adjusted gross income (A.G.I.) or federal taxable income. Other states do not use either of these two measures of federal income as a starting point.

Total itemized deductions, which were also used in the federal tax computation, were assumed to be equal to the following:

Deduction	Gross Income Level				
	\$ 25,000	\$ 50,000	\$ 75,000	\$100,000	\$150,000
Medical (Gross)	1,310	2,361	3,279	4,590	6,557
Nondeductible Medical	<u>-1,875</u>	<u>-3,750</u>	<u>-5,625</u>	<u>-7,500</u>	<u>-11,200</u>
Net Medical Deduction 1/	0	0	0	0	0
Deductible Taxes	2/	2/	2/	2/	2/
Mortgage Interest	2,623	5,377	7,344	9,180	14,164
Contribution Deduction	918	1,967	2,885	3,934	6,033
Gross Miscellaneous	656	1,049	1,574	1,967	2,623
Nondeductible 3/	<u>-500</u>	<u>-1,000</u>	<u>-1,500</u>	<u>-2,000</u>	<u>-3,000</u>
Net Miscellaneous Deduction	156	49	74	0	0
<b>Total Deductions-without taxes</b>	<b>3,697</b>	<b>7,393</b>	<b>10,303</b>	<b>13,114</b>	<b>20,197</b>

1/ Nondeductible medical equals 7.5 percent of federal A.G.I. All or part of medical deductions may be allowed in some states.

2/ The tax deduction varies from city to city and is based on real and personal property taxes computed in 2004 study and individual income taxes computed in 2003 study.

3/ Nondeductible miscellaneous equals 2 percent of A.G.I.

The itemized deductions shown above are used in the calculation of the 2004 tax burdens. The 2004 deductible real and personal property taxes computed in the current years 51-city burden study is used for the 2004 property tax deduction. For the 2004 state and local individual income tax deduction, 2003 data were used as a proxy. These figures were used in computing the 2004 federal income tax burden. States that allow state and local income tax deductions are Georgia, Hawaii, New Mexico, Oklahoma, Rhode Island, and Vermont.. Alabama allows social security tax and medicare tax deductions on their state tax.. Iowa and New Jersey allows all medical expenses paid as an itemized state deduction. For those states not allowing their own state income tax as a deduction, it is not included in itemized deductions.

## Real Property Tax

Real property tax burdens in the 51 cities are a function of residential real estate values, the ratio of assessed value to market value and the tax rate. Some jurisdictions allow certain deductions from the value of residential property before the tax is calculated while others allow credits against the calculated real estate tax. These deductions and/or credits are normally limited to owner-occupied properties.

The property tax rates for each of the 51 cities, presented in Table 4, page 19, indicate a

wide range in these rates. This information is based upon data received from various state research agencies and/or local assessors. In addition to tax rate differences presented in Table 5 (page 20), data indicate that the assumed market value of a residence for purposes of this study varies widely from one city to another at all income levels. For example, the assumed value of a residence at the \$75,000 income level ranges from a high of \$515,041 in Honolulu, Hawaii to a low of \$120,160 in Wichita, Kansas. The housing values for each income level for each city in Table 5 are derived using the following methodology:

- 1) The 2000 median single family housing value for each city obtained from the 2000 Census of Housing is compared to the city median family income **for homeowners** from the 2000 Census of Population. The resulting ratio of median housing value to median family income is the housing/income ratio shown in Table 5. For Washington, D.C., for example, the ratio is 3.40.
- 2) The housing values for the two middle income levels, \$50,000 and \$75,000, are derived by multiplying the housing/income ratio shown in Table 5 by the income level. Thus, for Washington, D.C., the housing values at the \$50,000 and \$75,000 incomes are computed as follows:

$$\$50,000 \times 3.40 = \$169,825$$

$$\$75,000 \times 3.40 = \$254,737$$

The housing values in Table 5 on page 20 are calculated on the basis of an unrounded housing to income ratio, which makes the result slightly different from that shown in the examples.

- 3) For the lowest income level, \$25,000, the cost of housing is assumed to be a greater proportion of income than the housing/income ratio derived above. For this income level, the housing/income ratio is increased by 5 percent, based on data from the United States Census Bureau. For Washington, D.C., the appropriate calculation at the \$25,000 level using the rounded ratio is:

$$\$25,000 \times 3.40 \times 1.05 = \$89,158$$

- 4) For the \$100,000 income level, housing costs as a percentage of income are assumed to be less than the derived ratio. The housing to income ratio is reduced by 5 percent. The appropriate calculation for Washington, D.C. is:

$$\$100,000 \times 3.40 \times .95 = \$322,667$$

- 5) For the highest income level, housing costs as a percentage of income are also assumed to be less than the derived ratio. The housing to income ratio is reduced by 10 percent at the highest income level, again based on data from the United States Census Bureau. The appropriate calculation for Washington, D.C. is:

$$\$150,000 \times 3.40 \times .90 = \$458,527$$

The above methodology is an attempt to reflect the different values of housing in different parts of the country and at different income levels. Census data from 2000 are used because they are the only data comparable for all the jurisdictions in this study. It is important to note that these are **hypothetical** values based on income level and do not represent **average** values for a particular jurisdiction.

In computing property tax burdens, it is also necessary to consider the various exemptions, limitations and credits noted in Table 6 (page 21). The variety of real property tax exemptions, most of which apply only to residential real property, is very broad. Table 6 does not include the many senior citizen exemptions and credits available in a large number of states, nor can it adjust for “caps” on the growth in tax liability over time. Table 4 (page 19), which compares residential real estate tax rates for each city, does not reflect the various exemptions and credits noted in Table 6. The many senior citizen exemptions and credits available are also not reflected in Table 4, because seniors are not included in the hypothetical households of this study. However, the property tax burdens computed and shown in Table 1 of this study reflect the applicable provisions.

## **Sales and Use Tax**

The sales tax burdens included in this study are based on information from the 2003 Bureau of Labor Statistics consumer expenditure survey (CES) and from information provided by the states in a sales tax survey. For the \$50,000 and \$100,000 income levels, the expenditures for each are derived by using the following methodology of dividing the amount purchased by the average income and multiplying that percentage by the \$50,000 and \$75,000. The same methodology is used for the other income levels; except the \$25,000 is increased by 5 percent, and the \$100,000 and \$150,000 income levels are decreased by 5 percent and 10 percent, respectively. The state and local general sales tax rates in each city are reported in Table 7, page 23.

## **Automobile Taxes**

Automobile taxes included in this study are gasoline taxes, motor vehicle registration fees, excise taxes, and personal property taxes levied on automobiles. Table 10 (page 26) summarizes automobile ownership assumptions for each income level, including types of vehicles, weight, value and annual gasoline consumption.

## CHAPTER II

### Overall Tax Burdens For The Largest City In Each State

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The major state and local tax burdens by tax type for the five different income levels used in this study are presented in Table 1 (pages 8-12). As reflected by data in Table 1, tax burdens across the 51 cities vary widely at all income levels. At the \$25,000 income level, the \$3,109 burden for Newark, New Jersey is almost five times greater than the \$676 burden for Jacksonville, Florida. Similarly, at the \$150,000 income level, the New York City, New York burden of \$22,635 is more than four times the Cheyenne, Wyoming, burden of \$5,410. The differences in the composition of state and local tax structures cause a wide variation in tax burdens at all income levels.

The highest combined overall tax burden occurs in New York City, New York; followed by Bridgeport, Connecticut; Philadelphia, Pennsylvania; and Newark, New Jersey.

The lowest combined tax burdens for the 51 cities occur in Cheyenne, Wyoming followed by Anchorage, Alaska; Jacksonville, Florida; and Las Vegas, Nevada.

No single pattern characterizes a city with either a high or a low tax burden. Generally, however, high tax burden cities have a graduated individual income tax rate and/or high real estate tax rates, moderate to high housing values and cities located in the northeast. Low tax burden cities generally have a low individual income tax (if they have one at all) and average or below average real property tax rates. The regional pattern cannot be overlooked, as the four highest tax cities are located in the Northeast and the four lowest tax cities are located in the South and West.

#### **Progressivity**

As indicated on Table 1 (pages 8 through 12), the average 51-city total tax burden is 7.1 percent at the \$25,000 income level, 8.3 percent at the \$50,000 income level, 9.2 percent at the \$75,000 income level, and 9.3 percent at the \$100,000 and \$150,000 income levels. The median burden is 7.2 percent at the \$25,000 income level, 8.1 percent at the \$50,000 income level, 9.2 percent at the \$72,000 income level, 9.4 percent at the \$100,000 income level, and 9.5 percent at the \$150,000.



**TABLE 1**  
**ESTIMATED BURDEN OF MAJOR TAXES FOR A HYPOTHETICAL FAMILY OF FOUR, 2004**  
**\$25,000**

RANK	CITY	ST	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	Newark	NJ	218	2,335	384	172	3,109	12.4%
2	Bridgeport	CT	0	2,127	426	321	2,874	11.5%
3	Philadelphia	PA	1,116	1,119	382	241	2,858	11.4%
4	Detroit	MI	947	918	382	193	2,440	9.8%
5	Los Angeles	CA	0	1,733	446	237	2,416	9.7%
6	Indianapolis	IN	660	1,183	425	135	2,403	9.6%
7	Providence	RI	0	1,642	410	241	2,294	9.2%
8	Portland	OR	925	1,156	0	199	2,280	9.1%
9	Chicago	IL	349	1,022	581	317	2,269	9.1%
10	Columbus	OH	778	732	439	232	2,180	8.7%
11	Louisville	KY	1,218	321	401	175	2,115	8.5%
12	Portland	ME	1	1,434	329	219	1,983	7.9%
13	Atlanta	GA	379	936	510	144	1,969	7.9%
14	Seattle	WA	0	1,127	545	296	1,968	7.9%
15	Omaha	NE	158	1,013	495	258	1,924	7.7%
16	Baltimore	MD	0	1,259	432	224	1,916	7.7%
17	Milwaukee	WI	0	1,260	402	253	1,915	7.7%
18	Manchester	NH	0	1,583	166	165	1,914	7.7%
19	Virginia Beach	VA	580	657	437	231	1,905	7.6%
20	Birmingham	AL	1,057	83	514	198	1,851	7.4%
21	Boston	MA	336	1,115	195	197	1,843	7.4%
22	New York City	NY	0	1,189	480	171	1,840	7.4%
23	Charleston	WV	582	491	448	289	1,810	7.2%
24	Des Moines	IA	263	788	466	285	1,803	7.2%
25	Oklahoma City	OK	527	484	594	196	1,801	7.2%
26	Memphis	TN	0	876	703	219	1,798	7.2%
27	Kansas City	MO	464	574	505	240	1,782	7.1%
28	Salt Lake City	UT	212	742	505	302	1,760	7.0%
29	Fargo	ND	61	1,074	387	212	1,735	6.9%
30	Honolulu	HI	598	526	315	289	1,728	6.9%
31	Burlington	VT	0	1,153	379	186	1,719	6.9%
32	Little Rock	AR	476	382	604	222	1,684	6.7%
33	Houston	TX	0	927	558	196	1,681	6.7%
34	Charlotte	NC	313	703	450	191	1,657	6.6%
<b>35</b>	<b>WASHINGTON</b>	<b>DC</b>	<b>388</b>	<b>568</b>	<b>426</b>	<b>251</b>	<b>1,633</b>	<b>6.5%</b>
36	Albuquerque	NM	43	827	561	158	1,589	6.4%
37	Sioux Falls	SD	0	809	568	208	1,586	6.3%
38	Jackson	MS	162	502	564	333	1,562	6.2%
39	Las Vegas	NV	0	779	394	323	1,497	6.0%
40	Minneapolis	MN	0	851	393	202	1,446	5.8%
41	Wilmington	DE	449	805	0	177	1,431	5.7%
42	Phoenix	AZ	72	486	633	157	1,348	5.4%
43	Denver	CO	132	481	478	208	1,299	5.2%
44	Billings	MT	336	620	0	279	1,235	4.9%
45	Boise	ID	0	527	454	241	1,222	4.9%
46	Anchorage	AK	0	1,079	0	89	1,168	4.7%
47	Wichita	KS	21	290	442	322	1,075	4.3%
48	New Orleans	LA	285	0	618	168	1,070	4.3%
49	Cheyenne	WY	0	388	519	144	1,051	4.2%
50	Columbia	SC	24	421	362	240	1,046	4.2%
51	Jacksonville	FL	0	0	451	225	676	2.7%
<b>AVERAGE</b> <sup>1/</sup>			<b>\$321</b>	<b>\$865</b>	<b>\$459</b>	<b>\$223</b>	<b>\$1,787</b>	<b>7.1%</b>
<b>MEDIAN</b>			<b>\$158</b>	<b>\$809</b>	<b>\$442</b>	<b>\$219</b>	<b>\$1,798</b>	<b>7.2%</b>

1/ Based on cities actually levying tax.

**TABLE 1**  
**ESTIMATED BURDEN OF MAJOR TAXES FOR A HYPOTHETICAL FAMILY OF FOUR, 2004**  
**\$50,000**

RANK	CITY	ST	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	Philadelphia	PA	3,146	2,131	728	232	6,237	12.5%
2	New York City	NY	2,479	2,579	915	171	6,143	12.3%
3	Newark	NJ	616	4,448	731	168	5,962	11.9%
4	Bridgeport	CT	500	4,052	811	456	5,819	11.6%
5	Baltimore	MD	2,242	2,398	824	217	5,681	11.4%
6	Providence	RI	967	3,128	781	612	5,489	11.0%
7	Portland	OR	3,004	2,203	0	191	5,398	10.8%
8	Detroit	MI	2,564	1,749	727	212	5,253	10.5%
9	Indianapolis	IN	1,892	2,390	809	129	5,221	10.4%
10	Milwaukee	WI	1,612	2,484	766	245	5,107	10.2%
11	Portland	ME	1,340	2,731	621	264	4,956	9.9%
12	Atlanta	GA	1,381	2,366	971	231	4,949	9.9%
13	Chicago	IL	1,145	2,303	1,108	310	4,865	9.7%
14	Louisville	KY	2,949	908	764	232	4,854	9.7%
15	Los Angeles	CA	154	3,380	849	336	4,719	9.4%
16	Columbus	OH	2,261	1,394	835	224	4,715	9.4%
17	Boston	MA	1,993	2,124	391	206	4,713	9.4%
18	Salt Lake City	UT	1,938	1,414	962	294	4,607	9.2%
19	<b>WASHINGTON</b>	<b>DC</b>	<b>2,185</b>	<b>1,342</b>	<b>811</b>	<b>245</b>	<b>4,584</b>	<b>9.2%</b>
20	Des Moines	IA	1,466	1,702	908	334	4,410	8.8%
21	Kansas City	MO	1,983	1,093	961	350	4,387	8.8%
22	Omaha	NE	1,169	1,929	944	284	4,325	8.7%
23	Charlotte	NC	1,770	1,339	857	249	4,215	8.4%
24	Minneapolis	MN	1,495	1,684	748	233	4,160	8.3%
25	Oklahoma City	OK	1,741	1,020	1,132	204	4,096	8.2%
26	Burlington	VT	974	2,197	722	180	4,073	8.1%
27	Virginia Beach	VA	1,695	1,252	832	277	4,056	8.1%
28	Little Rock	AR	1,576	999	1,151	296	4,021	8.0%
29	Honolulu	HI	1,923	1,138	601	280	3,941	7.9%
30	Birmingham	AL	2,303	405	979	247	3,933	7.9%
31	Charleston	WV	1,697	935	854	373	3,858	7.7%
32	Albuquerque	NM	963	1,643	1,069	165	3,840	7.7%
33	Jackson	MS	1,002	1,228	1,074	498	3,802	7.6%
34	Boise	ID	1,429	1,142	865	234	3,670	7.3%
35	Columbia	SC	1,490	1,094	689	367	3,641	7.3%
36	New Orleans	LA	1,225	1,044	1,177	162	3,607	7.2%
37	Fargo	ND	577	2,046	737	206	3,566	7.1%
38	Seattle	WA	0	2,146	1,038	377	3,561	7.1%
39	Manchester	NH	0	3,015	316	187	3,518	7.0%
40	Wilmington	DE	1,757	1,534	0	170	3,461	6.9%
41	Denver	CO	1,289	916	911	279	3,395	6.8%
42	Wichita	KS	1,364	790	842	338	3,335	6.7%
43	Phoenix	AZ	809	1,100	1,205	207	3,321	6.6%
44	Houston	TX	0	2,041	1,063	190	3,295	6.6%
45	Memphis	TN	0	1,668	1,339	213	3,219	6.4%
46	Sioux Falls	SD	0	1,541	1,083	201	2,826	5.7%
47	Billings	MT	1,290	1,181	0	299	2,770	5.5%
48	Las Vegas	NV	0	1,485	751	361	2,596	5.2%
49	Anchorage	AK	0	2,055	0	86	2,142	4.3%
50	Jacksonville	FL	0	880	859	216	1,956	3.9%
51	Cheyenne	WY	0	739	989	210	1,938	3.9%
<b>AVERAGE</b> <sup>1/</sup>			<b>\$1,531</b>	<b>\$1,775</b>	<b>\$874</b>	<b>\$260</b>	<b>\$4,161</b>	<b>8.3%</b>
<b>MEDIAN</b>			<b>\$1,381</b>	<b>\$1,643</b>	<b>\$842</b>	<b>\$233</b>	<b>\$4,073</b>	<b>8.1%</b>

1/ Based on cities actually levying tax.

**TABLE 1**  
**ESTIMATED BURDEN OF MAJOR TAXES FOR A HYPOTHETICAL FAMILY OF FOUR, 2004**  
**\$75,000**

RANK	CITY	ST	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	Bridgeport	CT	2,665	6,078	1,216	882	10,841	14.5%
2	New York City	NY	5,020	4,042	1,372	277	10,711	14.3%
3	Philadelphia	PA	5,480	3,197	1,092	380	10,149	13.5%
4	Newark	NJ	1,087	6,672	1,096	296	9,151	12.2%
5	Baltimore	MD	3,870	3,598	1,235	369	9,072	12.1%
6	Providence	RI	1,715	4,693	1,172	1,211	8,791	11.7%
7	Portland	ME	2,981	4,097	932	665	8,674	11.6%
8	Portland	OR	4,892	3,304	0	307	8,503	11.3%
9	Atlanta	GA	2,533	3,870	1,456	466	8,326	11.1%
10	Milwaukee	WI	2,979	3,772	1,149	409	8,309	11.1%
11	Detroit	MI	4,157	2,624	1,091	409	8,280	11.0%
12	Los Angeles	CA	1,226	5,114	1,273	652	8,265	11.0%
13	Indianapolis	IN	2,992	3,662	1,214	209	8,076	10.3%
14	Louisville	KY	4,635	1,527	1,146	437	7,745	10.3%
15	Chicago	IL	1,827	3,652	1,661	552	7,693	10.3%
16	Boston	MA	3,318	3,186	604	581	7,689	10.3%
17	<b>WASHINGTON</b>	<b>DC</b>	<b>3,913</b>	<b>2,157</b>	<b>1,216</b>	<b>392</b>	<b>7,679</b>	<b>10.2%</b>
18	Columbus	OH	3,926	2,092	1,253	376	7,647	10.2%
19	Salt Lake City	UT	3,330	2,120	1,442	561	7,453	9.9%
20	Omaha	NE	2,495	2,893	1,415	575	7,378	9.8%
21	Des Moines	IA	2,618	2,664	1,362	623	7,267	9.7%
22	Charlotte	NC	3,257	2,009	1,286	602	7,153	9.5%
23	Kansas City	MO	3,371	1,639	1,442	650	7,101	9.5%
24	Columbia	SC	2,960	2,241	1,034	727	6,962	9.3%
25	Minneapolis	MN	2,924	2,560	1,056	394	6,934	9.2%
26	New Orleans	LA	2,533	2,218	1,765	392	6,908	9.2%
27	Boise	ID	3,016	2,145	1,298	399	6,857	9.1%
28	Little Rock	AR	2,916	1,648	1,726	544	6,834	9.1%
29	Oklahoma City	OK	3,079	1,584	1,698	361	6,722	9.0%
30	Jackson	MS	2,050	1,992	1,611	991	6,645	8.9%
31	Charleston	WV	3,232	1,402	1,281	697	6,612	8.8%
32	Honolulu	HI	3,415	1,781	901	469	6,566	8.8%
33	Virginia Beach	VA	2,900	1,878	1,248	514	6,540	8.7%
34	Albuquerque	NM	2,153	2,503	1,603	265	6,524	8.7%
35	Burlington	VT	1,661	3,296	1,083	305	6,345	8.5%
36	Birmingham	AL	3,463	743	1,468	456	6,130	8.2%
37	Denver	CO	2,338	1,374	1,366	726	5,804	7.7%
38	Wilmington	DE	3,162	2,301	0	276	5,739	7.7%
39	Phoenix	AZ	1,433	1,900	1,808	514	5,655	7.5%
40	Wichita	KS	2,561	1,317	1,263	512	5,653	7.5%
41	Fargo	ND	994	3,069	1,106	314	5,483	7.3%
42	Seattle	WA	0	3,220	1,556	701	5,477	7.3%
43	Manchester	NH	0	4,523	474	450	5,447	7.3%
44	Billings	MT	2,758	1,771	0	692	5,222	7.0%
45	Houston	TX	0	3,214	1,595	325	5,134	6.8%
46	Memphis	TN	0	2,501	2,009	366	4,876	6.5%
47	Sioux Falls	SD	0	2,312	1,624	342	4,278	5.7%
48	Las Vegas	NV	0	2,227	1,126	599	3,951	5.3%
49	Jacksonville	FL	0	1,820	1,289	355	3,464	4.6%
50	Anchorage	AK	0	3,083	0	150	3,233	4.3%
51	Cheyenne	WY	0	1,109	1,484	555	3,147	4.2%
<b>AVERAGE</b> <sup>1/</sup>			<b>\$2,814</b>	<b>\$2,753</b>	<b>\$1,311</b>	<b>\$495</b>	<b>\$6,884</b>	<b>9.2%</b>
<b>MEDIAN</b>			<b>\$2,758</b>	<b>\$2,501</b>	<b>\$1,263</b>	<b>\$456</b>	<b>\$6,908</b>	<b>9.2%</b>

1/ Based on cities actually levying tax.

**TABLE 1**  
**ESTIMATED BURDEN OF MAJOR TAXES FOR A HYPOTHETICAL FAMILY OF FOUR, 2004**  
**\$100,000**

RANK	CITY	ST	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	Bridgeport	CT	4,158	7,699	1,540	1,154	14,551	14.6%
2	New York City	NY	7,239	5,212	1,738	302	14,491	14.5%
3	Philadelphia	PA	7,291	4,050	1,383	410	13,133	13.1%
4	Providence	RI	2,843	5,944	1,484	1,912	12,183	12.2%
5	Baltimore	MD	5,527	4,557	1,565	392	12,041	12.0%
6	Newark	NJ	1,865	8,451	1,388	310	12,014	12.0%
7	Portland	ME	4,766	5,189	1,181	754	11,890	11.9%
8	Los Angeles	CA	2,781	6,501	1,613	851	11,745	11.7%
9	Portland	OR	7,036	4,185	0	334	11,555	11.6%
10	Atlanta	GA	3,715	5,074	1,844	629	11,262	11.3%
11	Milwaukee	WI	4,471	4,803	1,455	437	11,167	11.2%
12	Detroit	MI	5,838	3,323	1,382	467	11,010	11.0%
13	<b>WASHINGTON</b>	<b>DC</b>	<b>5,791</b>	<b>2,810</b>	<b>1,541</b>	<b>412</b>	<b>10,553</b>	<b>10.6%</b>
14	Indianapolis	IN	4,092	4,678	1,538	227	10,535	10.5%
15	Columbus	OH	5,866	2,650	1,587	402	10,504	10.5%
16	Louisville	KY	6,358	2,021	1,452	562	10,393	10.4%
17	Omaha	NE	3,950	3,665	1,793	759	10,166	10.2%
18	Boston	MA	4,643	4,036	778	612	10,068	10.1%
19	Charlotte	NC	5,107	2,545	1,628	733	10,013	10.0%
20	Chicago	IL	2,523	4,731	2,104	576	9,934	9.9%
21	Columbia	SC	4,381	3,159	1,310	972	9,821	9.8%
22	Salt Lake City	UT	4,711	2,686	1,827	585	9,808	9.8%
23	Des Moines	IA	3,777	3,433	1,726	738	9,673	9.7%
24	New Orleans	LA	3,808	3,157	2,236	470	9,671	9.7%
25	Boise	ID	4,580	2,947	1,644	423	9,595	9.6%
26	Minneapolis	MN	4,348	3,260	1,422	418	9,449	9.4%
27	Little Rock	AR	4,389	2,167	2,187	698	9,441	9.4%
28	Kansas City	MO	4,665	2,076	1,826	868	9,435	9.4%
29	Charleston	WV	4,857	1,776	1,622	884	9,138	9.1%
30	Jackson	MS	3,114	2,603	2,041	1,303	9,061	9.1%
31	Albuquerque	NM	3,513	3,191	2,031	297	9,031	9.0%
32	Honolulu	HI	4,973	2,296	1,141	501	8,911	8.9%
33	Burlington	VT	2,988	4,174	1,371	325	8,859	8.9%
34	Virginia Beach	VA	4,142	2,379	1,580	621	8,723	8.7%
35	Oklahoma City	OK	4,451	1,692	2,150	377	8,670	8.7%
36	Wichita	KS	3,934	1,738	1,600	846	8,118	8.1%
37	Birmingham	AL	4,663	1,014	1,860	569	8,106	8.1%
38	Wilmington	DE	4,618	2,914	0	299	7,831	7.8%
39	Denver	CO	3,346	1,740	1,730	793	7,609	7.6%
40	Phoenix	AZ	2,144	2,540	2,290	608	7,582	7.6%
41	Billings	MT	4,476	2,244	0	759	7,479	7.5%
42	Fargo	ND	1,769	3,888	1,401	354	7,412	7.4%
43	Seattle	WA	0	4,078	1,971	882	6,932	6.9%
44	Manchester	NH	0	5,729	601	514	6,844	6.8%
45	Houston	TX	0	4,153	2,020	345	6,518	6.5%
46	Memphis	TN	30	3,169	2,545	387	6,130	6.1%
47	Sioux Falls	SD	0	2,928	2,057	364	5,349	5.3%
48	Las Vegas	NV	0	2,821	1,426	710	4,957	5.0%
49	Jacksonville	FL	0	2,573	1,633	382	4,588	4.6%
50	Anchorage	AK	0	3,905	0	158	4,063	4.1%
51	Cheyenne	WY	0	1,404	1,879	667	3,951	4.0%
<b>AVERAGE</b> <sup>1/</sup>			<b>\$4,171</b>	<b>\$3,529</b>	<b>\$1,662</b>	<b>\$595</b>	<b>\$9,254</b>	<b>9.3%</b>
<b>MEDIAN</b>			<b>\$4,142</b>	<b>\$3,169</b>	<b>\$1,600</b>	<b>\$562</b>	<b>\$9,449</b>	<b>9.4%</b>

1/ Based on cities actually levying tax.

**TABLE 1**  
**ESTIMATED BURDEN OF MAJOR TAXES FOR A HYPOTHETICAL FAMILY OF FOUR, 2004**  
**\$150,000**

RANK	CITY	ST	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	New York City	NY	12,302	7,553	2,469	310	22,635	15.1%
2	Bridgeport	CT	6,925	10,941	2,189	1,310	21,364	14.2%
3	Philadelphia	PA	10,936	5,755	1,965	421	19,077	12.7%
4	Los Angeles	CA	6,516	9,275	2,292	965	19,048	12.7%
5	Newark	NJ	4,487	12,009	1,973	316	18,785	12.5%
6	Providence	RI	5,450	8,447	2,109	2,329	18,335	12.2%
7	Portland	ME	8,239	7,374	1,678	830	18,120	12.1%
8	Baltimore	MD	8,668	6,476	2,224	402	17,769	11.8%
9	Portland	OR	11,271	5,947	0	344	17,562	11.7%
10	Atlanta	GA	6,013	7,482	2,621	724	16,839	11.2%
11	Milwaukee	WI	7,305	6,865	2,068	449	16,687	11.1%
12	Columbus	OH	10,026	3,765	2,255	412	16,458	11.0%
13	Detroit	MI	9,063	4,723	1,963	628	16,377	10.9%
<b>14</b>	<b>WASHINGTON</b>	<b>DC</b>	<b>9,612</b>	<b>4,114</b>	<b>2,189</b>	<b>412</b>	<b>16,327</b>	<b>10.9%</b>
15	Omaha	NE	6,994	5,207	2,547	877	15,626	10.4%
16	Louisville	KY	9,830	3,010	2,063	632	15,536	10.4%
17	Indianapolis	IN	6,292	6,712	2,185	234	15,423	10.3%
18	Columbia	SC	7,247	4,994	1,861	1,113	15,215	10.1%
19	Boise	ID	7,662	4,552	2,337	433	14,984	10.0%
20	Charlotte	NC	8,178	3,616	2,314	806	14,914	9.9%
21	Boston	MA	7,293	5,735	1,124	681	14,833	9.9%
22	New Orleans	LA	6,102	5,036	3,177	486	14,802	9.9%
23	Minneapolis	MN	7,384	4,709	2,021	414	14,528	9.7%
24	Little Rock	AR	7,329	3,206	3,108	780	14,423	9.6%
25	Chicago	IL	3,916	6,888	2,990	585	14,380	9.6%
26	Des Moines	IA	5,993	4,971	2,452	802	14,219	9.5%
27	Salt Lake City	UT	7,238	3,816	2,562	594	14,210	9.5%
28	Kansas City	MO	7,527	2,950	2,595	987	14,059	9.4%
29	Burlington	VT	5,729	5,932	1,949	333	13,943	9.3%
30	Charleston	WV	8,105	2,523	2,305	989	13,922	9.3%
31	Albuquerque	NM	6,131	4,567	2,886	304	13,887	9.3%
32	Honolulu	HI	8,239	3,327	1,621	513	13,700	9.1%
33	Oklahoma City	OK	7,055	2,939	3,056	371	13,421	8.9%
34	Jackson	MS	5,199	3,826	2,900	1,484	13,409	8.9%
35	Virginia Beach	VA	6,559	3,381	2,246	678	12,863	8.6%
36	Wichita	KS	6,654	2,580	2,274	921	12,429	8.3%
37	Billings	MT	8,388	3,189	0	796	12,373	8.2%
38	Wilmington	DE	7,636	4,141	0	308	12,085	8.1%
39	Birmingham	AL	6,846	1,556	2,643	632	11,677	7.8%
40	Phoenix	AZ	3,625	3,821	3,254	671	11,371	7.6%
41	Fargo	ND	3,316	5,525	1,991	363	11,194	7.5%
42	Denver	CO	5,304	2,473	2,459	862	11,098	7.4%
43	Seattle	WA	0	5,796	2,801	984	9,581	6.4%
44	Manchester	NH	10	8,141	853	570	9,574	6.4%
45	Houston	TX	0	6,030	2,763	352	9,145	6.1%
46	Memphis	TN	150	4,503	3,616	395	8,664	5.8%
47	Sioux Falls	SD	0	4,161	2,924	372	7,457	5.0%
48	Las Vegas	NV	0	4,009	2,027	771	6,806	4.5%
49	Jacksonville	FL	0	4,077	2,320	393	6,791	4.5%
50	Anchorage	AK	0	5,550	0	161	5,711	3.8%
51	Cheyenne	WY	0	1,996	2,671	744	5,410	3.6%
<b>AVERAGE</b> 1/			<b>\$6,926</b>	<b>\$5,101</b>	<b>\$2,359</b>	<b>\$652</b>	<b>\$13,903</b>	<b>9.3%</b>
<b>MEDIAN</b>			<b>\$6,846</b>	<b>\$4,709</b>	<b>\$2,274</b>	<b>\$594</b>	<b>\$14,219</b>	<b>9.5%</b>

1/ Based on cities actually levying tax.

The average tax burden for the 51 cities is progressive since the percentage tax burden at \$150,000 income (9.3 percent of income) is greater than the percentage tax burden at \$25,000 (7.1 percent). Any tax system in which the percentage of tax paid rises with the income level is said to be progressive. A tax system in which the percentage paid in taxes decreases as income rises is regressive.

Table 2 (page 14) indicates the relative progressivity or regressivity for the tax systems of each of the 51 cities. The progressivity index is measured by dividing the percentage tax burden at the \$25,000 income level by the percentage tax burden at the \$150,000 income level. Index coefficients of less than 1.000 indicates a progressive tax system, while an index greater than 1.000 indicates a regressive tax system. A proportional tax system is indicated by a coefficient of 1.000. The average index of .805 indicates that, overall, the average state and local tax system of the 51 cities is slightly progressive. The most progressive tax systems are found in Columbia, South Carolina; New Orleans, Louisiana; and New York City, New York. A graduated individual income tax and some type of low-income exemption or credit on the real property tax characterize the tax system in each of these cities.

The three cities with the least progressive state and local tax systems are Las Vegas, Nevada; Sioux Falls, South Dakota; and Memphis, Tennessee. Residents of Las Vegas and Sioux Falls do not pay a state individual income tax ; and residents of Memphis only pay income tax on interest and dividend income. In Sioux Falls and Memphis, the sales and use tax burden is substantially above the 51-city average.

Several factors contribute to the progressivity of a tax system. A graduated individual income tax rate system, as well as exemptions and credits to lessen the regressivity of the property tax, will increase the progressivity of a tax system. Progressivity can be lessened by reliance on regressive taxes such as the sales tax and certain automobile taxes. The assumptions used in the calculation of housing values for the property tax (Chapter I) presuppose a certain regressivity in the property tax because the higher income family is assumed to spend a lower portion of income on housing than the lower income family. Similarly, the assumptions with regard to the composition of income at the five income levels also affect the progressivity of the individual income tax. The upper and lower income levels chosen for comparison also affect progressivity as measured in this study.

**TABLE 2**  
**INDEX OF PROGRESSIVITY FOR THE TAX SYSTEM**  
**OF THE LARGEST CITY IN EACH STATE**  
**2004**

CITY	ST	MAJOR STATE AND LOCAL TAXES AS A PERCENT OF INCOME FOR \$25,000 FAMILY	MAJOR STATE AND LOCAL TAXES AS A PERCENT OF INCOME FOR \$150,000 FAMILY	PROGRESSIVITY INDEX	MAJOR STATE AND LOCAL TAX BURDEN RANK AT \$75,000 INCOME LEVEL
Columbia	SC	4.2%	10.1%	0.413	24
New Orleans	LA	4.3%	9.9%	0.434	26
New York City	NY	7.4%	15.1%	0.488	2
Boise	ID	4.9%	10.0%	0.489	27
Wichita	KS	4.3%	8.3%	0.519	40
Jacksonville	FL	2.7%	4.5%	0.597	49
Minneapolis	MN	5.8%	9.7%	0.597	25
Billings	MT	4.9%	8.2%	0.599	44
<b>WASHINGTON</b>	<b>DC</b>	<b>6.5%</b>	<b>10.9%</b>	<b>0.600</b>	<b>17</b>
Baltimore	MD	7.7%	11.8%	0.647	5
Portland	ME	7.9%	12.1%	0.657	7
Charlotte	NC	6.6%	9.9%	0.667	22
Albuquerque	NM	6.4%	9.3%	0.686	34
Milwaukee	WI	7.7%	11.1%	0.689	10
Jackson	MS	6.2%	8.9%	0.699	30
Little Rock	AR	6.7%	9.6%	0.701	28
Atlanta	GA	7.9%	11.2%	0.701	9
Denver	CO	5.2%	7.4%	0.702	37
Wilmington	DE	5.7%	8.1%	0.710	38
Phoenix	AZ	5.4%	7.6%	0.711	39
Omaha	NE	7.7%	10.4%	0.739	20
Burlington	VT	6.9%	9.3%	0.740	35
Salt Lake City	UT	7.0%	9.5%	0.743	19
Boston	MA	7.4%	9.9%	0.745	16
Providence	RI	9.2%	12.2%	0.751	6
Honolulu	HI	6.9%	9.1%	0.757	32
Kansas City	MO	7.1%	9.4%	0.760	23
Des Moines	IA	7.2%	9.5%	0.761	21
Los Angeles	CA	9.7%	12.7%	0.761	12
Portland	OR	9.1%	11.7%	0.779	8
Charleston	WV	7.2%	9.3%	0.780	31
Columbus	OH	8.7%	11.0%	0.795	18
Oklahoma City	OK	7.2%	8.9%	0.805	29
Bridgeport	CT	11.5%	14.2%	0.807	1
Louisville	KY	8.5%	10.4%	0.817	14
Virginia Beach	VA	7.6%	8.6%	0.889	33
Detroit	MI	9.8%	10.9%	0.894	11
Philadelphia	PA	11.4%	12.7%	0.899	3
Fargo	ND	6.9%	7.5%	0.930	41
Indianapolis	IN	9.6%	10.3%	0.935	13
Chicago	IL	9.1%	9.6%	0.947	15
Birmingham	AL	7.4%	7.8%	0.951	36
Newark	NJ	12.4%	12.5%	0.993	4
Houston	TX	6.7%	6.1%	1.103	45
Cheyenne	WY	4.2%	3.6%	1.166	51
Manchester	NH	7.7%	6.4%	1.199	43
Anchorage	AK	4.7%	3.8%	1.227	50
Seattle	WA	7.9%	6.4%	1.232	42
Memphis	TN	7.2%	5.8%	1.245	46
Sioux Falls	SD	6.3%	5.0%	1.276	47
Las Vegas	NV	6.0%	4.5%	1.320	48
<b>AVERAGE</b>		<b>7.1%</b>	<b>9.3%</b>	<b>0.805</b>	
<b>MEDIAN</b>		<b>7.2%</b>	<b>9.5%</b>	<b>0.757</b>	

## CHAPTER III

### Comparing Specific Tax Burdens For A Hypothetical Family Of Four In The Largest City In Each State

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#### Individual Income Tax

Residents of 44 of the 51 cities in the study are subject to some type of individual income tax at the state and/or local levels. Individual income tax burdens vary widely due to factors such as differences in tax base, tax rates, exemptions, deductions and treatment of federal taxes. These variations are reflected in the individual income tax burdens shown in Table 3 (page 18).

The percentage of income paid in individual income taxes by residents of the largest city in states having an income tax at the income level of \$25,000 ranges from a low of zero percent in twelve of the cities in the study to a high of 4.9 percent in Louisville, Kentucky. At the \$150,000 income level, the burden ranges from zero percent of income in Manchester, New Hampshire to 8.2 percent in New York City, New York. It should be noted that the Tennessee and New Hampshire income taxes are applicable only to interest and dividend income and the exemptions are high enough to eliminate individual income taxes at most income levels used in the study. New York City has broad-based income taxes at both the state and local levels, each of which has graduated rates.

The average individual income tax rate for the 44 cities levying the tax ranges from 1.3 percent at \$25,000 income to 4.6 percent at \$150,000 income. Overall, the individual income tax is quite progressive.

As Table 3 indicates, there are several types of individual income tax systems including graduated state and local rates, graduated state and flat local rates, flat state and local rates, graduated state tax rates and flat state rates with exemptions. The most common system is the graduated state tax rate, which applies to taxpayers in 28 of the cities. Taxpayers of five cities are subject to a flat state tax rate with exemptions.

Three of the larger cities in the study, Indianapolis, Indiana; Detroit, Michigan; and Philadelphia, Pennsylvania are subject to flat state and local tax rates. Six other cities levy local income taxes with flat rates to complement graduated rate income tax systems. New York City residents are subject to separate state and local income taxes, both of which are characterized by graduated rate schedules.



Several of the state individual income tax systems are indexed. Indexing takes several forms and is used to keep individuals from being taxed at higher rates if their income rises less than the rate of inflation. Thus, only the "real" income gain above the inflation rate is subject to higher tax rates. The table below summarizes the various indexing methods used by states:

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**States That Index Some Part of  
Their Individual Income Tax**

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<b><u>State</u></b>	<b><u>Indexed Portion</u></b>	<b><u>Status</u></b>
<b>Arkansas</b>	Tax brackets	Active
<b>California</b>	Tax brackets, exemptions (credit), standard deduction	Active
<b>Idaho</b>	Tax brackets	Active
<b>Iowa</b>	Tax brackets, standard deduction	Active
<b>Maine</b>	Tax brackets standard deduction	Active
<b>Michigan</b>	Personal exemptions	Active
<b>Minnesota</b>	Tax brackets, exemptions and standard deduction	Active
<b>Montana</b>	Tax brackets, exemptions, standard deduction	Active
<b>North Dakota</b>	Tax brackets, exemptions, standard deduction	Active
<b>Ohio</b>	Standard deduction	Active
<b>Oregon</b>	Tax brackets, exemptions Standard deduction	Active
<b>South Carolina</b>	Tax brackets	Active
<b>Utah</b>	Standard deduction, personal exemption	Active
<b>Wisconsin</b>	Tax Brackets, Standard Deduction	Active

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States that tax a percentage of federal net taxable income or a percentage of the federal liability implicitly accept the federal indexing of tax brackets, exemptions and the standard deduction.

Table 1 indicates that the hypothetical families pay more in individual income taxes than any other tax at the three top income levels. At \$25,000, the individual income tax is the third, and at \$50,000, the second most burdensome tax.

## **Real Property Tax**

All 51 cities in the study levy a property tax on residential property located within the city. The real property tax is a function of housing values, real estate tax rates, assessment levels, homeowner exemptions and credits. Nominal rates used in table 4 (page 19), represent the "announced" rates levied by the jurisdiction, while effective rates consider the various assessment levels in the cities. As the data indicate, effective rates range from a high of \$2.99 per \$100 of assessed value in Houston, Texas to 38 cents per \$100 of assessed value in Honolulu, Hawaii. Assessment levels vary dramatically from 4.0 percent of assessed value in Columbia, South Carolina to 100.0 percent of assessed value in ten cities. Local assessors and state tax officials provided the assessment level and nominal rate used in the cities.

The assumed housing values in the 51 cities at each of the five income levels are presented in Table 5, page 20. Housing values at the same income level vary a great deal. In addition, several jurisdictions allow tax exemptions and credits in the calculations of the property tax. These exemptions and credits are noted in Table 6 (page 21). The data in Table 5 are based on the 2000 U.S. Census of Population.

The hypothetical family pays more in real property taxes than any other tax in the study at the income levels \$25,000 and \$50,000. It is the second highest tax paid at the \$75,000, \$100,000 and \$150,000 income levels. In Table 1, Newark, New Jersey; Bridgeport, Connecticut; and Los Angeles, California have the highest property tax burdens. This is due primarily to the high real estate tax rates in each of these cities.

Birmingham, Alabama; Cheyenne, Wyoming; and Wichita, Kansas have the lowest real estate tax burden at all income levels. This very low real estate tax burden results from a combination of a low effective real estate tax rate, below average housing values or an exemption program.

TABLE 3  
 INCOME TAX BURDEN AS PERCENT OF INCOME IN THE LARGEST CITIES BY  
 TYPE OF INCOME TAX FOR A FAMILY OF FOUR  
 2004

CITIES WITH:	ST	INCOME LEVELS:				
		\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
<b>GRADUATED STATE AND LOCAL TAX RATES</b>						
New York City	NY	0.0%	5.0%	6.7%	7.2%	8.2%
<b>GRADUATED STATE AND FLAT LOCAL RATES</b>						
Birmingham	AL	4.2%	4.6%	4.6%	4.7%	4.6%
Wilmington	DE	1.8%	3.5%	4.2%	4.6%	5.1%
Louisville	KY	4.9%	5.9%	6.2%	6.4%	6.6%
Baltimore	MD	0.0%	4.5%	5.2%	5.5%	5.8%
Kansas City	MO	1.9%	4.0%	4.5%	4.7%	5.0%
Columbus	OH	3.1%	4.5%	5.2%	5.9%	6.7%
Portland	OR	3.7%	6.0%	6.5%	7.0%	7.5%
<b>FLAT STATE AND LOCAL TAX RATES</b>						
Indianapolis	IN	2.6%	3.8%	4.0%	4.1%	4.2%
Detroit	MI	3.8%	5.1%	5.5%	5.8%	6.0%
Philadelphia	PA	4.5%	6.3%	7.3%	7.3%	7.3%
<b>GRADUATED STATE TAX</b>						
Phoenix	AZ	0.3%	1.6%	1.9%	2.1%	2.4%
Little Rock	AR	1.9%	3.2%	3.9%	4.4%	4.9%
Los Angeles	CA	0.0%	0.3%	1.6%	2.8%	4.3%
Bridgeport	CT	0.0%	1.0%	3.6%	4.2%	4.6%
<b>WASHINGTON</b>	<b>DC</b>	<b>1.6%</b>	<b>4.4%</b>	<b>5.2%</b>	<b>5.8%</b>	<b>6.4%</b>
Atlanta	GA	1.5%	2.8%	3.4%	3.7%	4.0%
Honolulu	HI	2.4%	3.8%	4.6%	5.0%	5.5%
Boise	ID	0.0%	2.9%	4.0%	4.6%	5.1%
Des Moines	IA	1.1%	2.9%	3.5%	3.8%	4.0%
Wichita	KS	0.1%	2.7%	3.4%	3.9%	4.4%
New Orleans	LA	1.1%	2.5%	3.4%	3.8%	4.1%
Portland	ME	0.0%	2.7%	4.0%	4.8%	5.5%
Minneapolis	MN	0.0%	3.0%	3.9%	4.3%	4.9%
Jackson	MS	0.6%	2.0%	2.7%	3.1%	3.5%
Billings	MT	1.3%	2.6%	3.7%	4.5%	5.6%
Omaha	NE	0.6%	2.3%	3.3%	4.0%	4.7%
Newark	NJ	0.9%	1.2%	1.4%	1.9%	3.0%
Albuquerque	NM	0.2%	1.9%	2.9%	3.5%	4.1%
Charlotte	NC	1.3%	3.5%	4.3%	5.1%	5.5%
Fargo	ND	0.2%	1.2%	1.3%	1.8%	2.2%
Oklahoma City	OK	2.1%	3.5%	4.1%	4.5%	4.7%
Providence	RI	0.0%	1.9%	2.3%	2.8%	3.6%
Columbia	SC	0.1%	3.0%	3.9%	4.4%	4.8%
Salt Lake City	UT	0.8%	3.9%	4.4%	4.7%	4.8%
Virginia Beach	VA	2.3%	3.4%	3.9%	4.1%	4.4%
Burlington	VT	0.0%	1.9%	2.2%	3.0%	3.8%
Charleston	WV	2.3%	3.4%	4.3%	4.9%	5.4%
Milwaukee	WI	0.0%	3.2%	4.0%	4.5%	4.9%
<b>FLAT STATE TAX RATE WITH EXEMPTIONS</b>						
Denver	CO	0.5%	2.6%	3.1%	3.3%	3.5%
Chicago	IL	1.4%	2.3%	2.4%	2.5%	2.6%
Boston	MA	1.3%	4.0%	4.4%	4.6%	4.9%
Manchester	NH	0.0%	0.0%	0.0%	0.0%	0.0%
Memphis	TN	0.0%	0.0%	0.0%	0.0%	0.1%
No income tax: Anchorage, AK; Jacksonville, FL; Las Vegas, NV; Sioux Falls, SD; Houston, TX; Seattle, WA; Cheyenne, WY						
<b>AVERAGE</b>	1/	<b>1.3%</b>	<b>3.1%</b>	<b>3.8%</b>	<b>4.2%</b>	<b>4.6%</b>
1/ Based on cities actually levying tax.						

TABLE 4  
RESIDENTIAL PROPERTY TAX RATES IN THE LARGEST CITY IN EACH STATE  
2004

RANK	CITY	ST	NOMINAL RATE PER \$100	ASSESSMENT LEVEL	EFFECTIVE RATE PER \$100
1.	Houston	TX	2.99	100.0%	2.99
2.	Providence	RI	2.97	100.0%	2.97
3.	Indianapolis	IN	2.78	100.0%	2.78
4.	Bridgeport	CT	3.90	70.0%	2.73
5.	Philadelphia	PA	8.26	32.0%	2.64
6.	Manchester	NH	2.64	100.0%	2.64
7.	Milwaukee	WI	2.63	96.8%	2.54
8.	Baltimore	MD	2.46	100.0%	2.46
9.	Newark	NJ	2.43	94.7%	2.30
10.	Des Moines	IA	4.56	48.5%	2.21
11.	Portland	ME	2.68	82.0%	2.20
12.	Omaha,	NE	2.21	94.0%	2.08
13.	Jacksonville	FL	2.02	98.0%	1.98
14.	Fargo	ND	48.41	3.9%	1.89
15.	Detroit	MI	6.71	27.8%	1.86
16.	Columbia	SC	46.10	4.0%	1.84
17.	Chicago	IL	7.88	22.1%	1.74
18.	New Orleans	LA	17.40	10.0%	1.74
19.	Memphis	TN	7.27	23.8%	1.73
20.	Boise	ID	1.78	97.3%	1.73
21.	Atlanta	GA	4.29	40.0%	1.72
22.	Jackson	MS	17.09	10.0%	1.71
23.	Anchorage	AK	1.63	100.0%	1.63
24.	Sioux Falls	SD	1.84	85.0%	1.56
25.	Billings	MT	1.94	80.0%	1.55
26.	Burlington	VT	2.28	67.6%	1.54
27.	Salt Lake City	UT	1.53	99.0%	1.51
28.	Columbus	OH	4.91	30.3%	1.49
29.	Portland	OR	2.23	64.2%	1.43
30.	Wilmington	DE	2.71	51.2%	1.39
31.	Little Rock	AR	6.90	20.0%	1.38
32.	Phoenix	AZ	13.21	10.0%	1.32
33.	Wichita	KS	11.43	11.5%	1.31
34.	Minneapolis	MN	1.48	88.6%	1.31
35.	Albuquerque	NM	3.80	33.3%	1.27
36.	Los Angeles	CA	1.25	100.0%	1.25
37.	Boston	MA	1.23	100.0%	1.23
38.	Oklahoma City	OK	10.91	11.0%	1.20
39.	Kansas City	MO	6.30	19.0%	1.20
40.	New York City	NY	14.46	8.0%	1.16
41.	Charlotte	NC	1.18	95.8%	1.13
42.	Louisville	KY	1.23	90.0%	1.10
43.	Las Vegas	NV	3.12	35.0%	1.09
44.	Virginia Beach	VA	1.22	88.7%	1.08
45.	Seattle	WA	1.09	94.1%	1.03
46.	<b>WASHINGTON</b>	<b>DC</b>	<b>0.96</b>	<b>100.0%</b>	<b>0.96</b>
47.	Charleston,	WV	1.47	60.0%	0.88
48.	Birmingham	AL	6.95	10.0%	0.70
49.	Cheyenne	WY	7.11	9.5%	0.68
50.	Denver	CO	6.69	8.0%	0.53
51.	Honolulu	HI	0.38	100.0%	0.38
<b>UNWEIGHTED AVERAGE</b>			<b>\$6.29</b>	<b>59.3%</b>	<b>\$1.62</b>
<b>MEDIAN</b>					<b>\$1.54</b>

NOTE: All rates and percentages in this table are rounded.

TABLE 5  
FACTORS USED IN HOUSING VALUE ASSUMPTIONS  
2004

CITY	ST	MEDIAN SINGLE FAMILY HOUSING VALUE 1/	MEDIAN FAMILY INCOME 2/	HOUSING TO INCOME RATIO 3/	HOUSING VALUE ASSUMPTIONS AT INDICATED INCOME LEVELS:				
					\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Honolulu,	HI	\$386,700	\$56,311	6.87	\$180,265	\$343,361	\$515,041	\$652,386	\$927,075
Los Angeles,	CA	221,600	39,942	5.55	145,636	277,402	416,103	527,064	748,986
New York City,	NY	211,900	41,887	5.06	132,795	252,942	379,414	480,591	682,945
Boston,	MA	190,600	44,151	4.32	113,321	215,850	323,775	410,115	582,795
Seattle,	WA	259,600	62,195	4.17	109,567	208,698	313,048	396,527	563,486
Newark,	NJ	119,000	30,781	3.87	101,483	193,301	289,952	367,272	521,913
Atlanta,	GA	130,600	37,231	3.51	92,081	175,391	263,087	333,244	473,557
Denver,	CO	165,800	48,195	3.44	90,305	172,010	258,014	326,818	464,426
<b>WASHINGTON,</b>	<b>DC</b>	<b>157,200</b>	<b>46,283</b>	<b>3.40</b>	<b>89,158</b>	<b>169,825</b>	<b>254,737</b>	<b>322,667</b>	<b>458,527</b>
Salt Lake City,	UT	153,300	45,140	3.40	89,148	169,805	254,708	322,630	458,474
Providence,	RI	101,500	32,058	3.17	83,111	158,307	237,460	300,783	427,428
Chicago,	IL	132,400	42,724	3.10	81,348	154,948	232,422	294,401	418,360
Portland,	OR	154,900	50,271	3.08	80,884	154,065	231,097	292,723	415,975
Bridgeport	CT	117,500	39,571	2.97	77,945	148,467	222,701	282,088	400,862
Burlington,	VT	131,200	46,012	2.85	74,850	142,572	213,857	270,886	384,943
Albuquerque,	NM	127,600	46,979	2.72	71,298	135,805	203,708	258,030	366,674
Las Vegas,	NV	137,300	50,465	2.72	71,418	136,035	204,052	258,466	367,294
New Orleans,	LA	87,300	32,338	2.70	70,865	134,981	202,471	256,463	364,447
Anchorage,	AK	160,700	63,682	2.52	66,241	126,174	189,261	239,730	340,669
Portland,	ME	121,200	48,763	2.49	65,244	124,275	186,412	236,122	335,541
Columbia,	SC	98,500	39,589	2.49	65,312	124,403	186,605	236,366	335,889
Phoenix,	AZ	112,600	46,467	2.42	63,610	121,161	181,742	230,206	327,135
Charlotte,	NC	134,300	56,517	2.38	62,377	118,814	178,221	225,746	320,797
Minneapolis,	MN	113,500	48,602	2.34	61,301	116,765	175,147	221,853	315,265
Boise City,	ID	120,700	52,014	2.32	60,914	116,026	174,040	220,450	313,271
Virginia Beach,	VA	123,200	53,242	2.31	60,742	115,698	173,547	219,826	312,385
Manchester,	NH	114,300	50,039	2.28	59,961	114,211	171,316	217,001	308,369
Louisville,	KY	82,300	36,696	2.24	58,872	112,138	168,206	213,061	302,771
Billings,	MT	99,900	45,032	2.22	58,234	110,921	166,382	210,750	299,487
Wilmington,	DE	89,100	40,241	2.21	58,122	110,708	166,062	210,345	298,912
Cheyenne,	WY	102,400	46,771	2.19	57,472	109,470	164,204	207,992	295,568
Columbus,	OH	101,400	47,391	2.14	56,166	106,982	160,474	203,266	288,852
Milwaukee,	WI	80,400	37,879	2.12	55,717	106,127	159,191	201,642	286,544
Charleston,	WV	101,400	47,975	2.11	55,482	105,680	158,520	200,792	285,336
Indianapolis,	IN	98,500	48,979	2.01	52,790	100,553	150,830	191,051	271,494
Sioux Falls,	SD	101,700	51,516	1.97	51,821	98,707	148,061	187,544	266,509
Houston,	TX	79,300	40,443	1.96	51,471	98,039	147,059	186,275	264,706
Birmingham,	AL	62,100	31,851	1.95	51,180	97,485	146,228	185,222	263,210
Baltimore,	MD	69,100	35,438	1.95	51,184	97,494	146,241	185,239	263,234
Fargo,	ND	98,700	50,486	1.95	51,319	97,750	146,625	185,725	263,925
Memphis,	TN	72,800	37,767	1.93	50,600	96,380	144,571	183,123	260,227
Little Rock,	AR	89,300	47,446	1.88	49,406	94,107	141,160	178,803	254,089
Detroit,	MI	63,600	33,853	1.88	49,316	93,936	140,903	178,478	253,626
Oklahoma City,	OK	80,300	42,689	1.88	49,377	94,052	141,078	178,699	253,941
Jacksonville,	FL	87,800	47,243	1.86	48,785	92,924	139,386	176,555	250,894
Omaha,	NE	94,200	50,821	1.85	48,656	92,678	139,017	176,089	250,231
Kansas City,	MO	84,000	46,012	1.83	47,922	91,281	136,921	173,433	246,457
Jackson,	MS	64,400	36,003	1.79	46,954	89,437	134,155	169,930	241,480
Des Moines,	IA	81,100	46,590	1.74	45,694	87,036	130,554	165,368	234,997
Philadelphia,	PA	59,700	37,036	1.61	42,314	80,597	120,896	153,135	217,613
Wichita,	KS	78,900	49,247	1.60	42,056	80,106	120,160	152,202	216,287
<b>AVERAGE</b>		<b>\$119,753</b>	<b>\$44,840</b>	<b>2.65</b>	<b>\$69,649</b>	<b>\$132,664</b>	<b>\$198,997</b>	<b>\$252,062</b>	<b>\$358,194</b>
<b>MEDIAN</b>		<b>\$101,700</b>	<b>\$46,283</b>	<b>2.31</b>	<b>\$60,742</b>	<b>\$115,698</b>	<b>\$173,547</b>	<b>\$219,826</b>	<b>\$312,385</b>

1/ General Housing Characteristics, U.S. Summary, Bureau of the Census.

2/ U.S. Census Bureau, Census 2000, Table DP-3, Profile of Selected Economic Characteristics: 2000.

3/ Figures are rounded

TABLE 6  
CITIES WHICH ALLOW EXEMPTIONS OR REDUCED RATES  
IN THE CALCULATION OF REAL ESTATE TAXES FOR HOMEOWNERS  
2004

CITY	STATE	EXEMPTION OR TAX REDUCTION AMOUNT	BASIS OF TAX REDUCTION OR EXEMPTION
Birmingham,	AL	\$4,000	Assessed Value-Homestead
Little Rock, 1/	AR	\$300 Credit against Homestead for homeowners	Tax Credit
Phoenix,	AZ	35% Exemption on School Tax Rates up to \$500	Assessed Value
Los Angeles,	CA	\$7,000 Exemption	Assessed Value
<b>WASHINGTON,</b>	<b>DC</b>	<b>\$30,000 Exemption</b>	<b>Assessed Value-Homestead</b>
Jacksonville,	FL	\$25,000 Exemption	Assessed Value 2/
Atlanta,	GA	\$15,000 Exemption	Assessed Value
Honolulu,	HI	\$40,000 Exemption (below age 55)	Assessed Value
Boise City,	ID	50% up to \$50,000 Exemption	Assessed Value-Improvements
Chicago,	IL	\$5,000 Exemption	Equalized Assessed Value
Indianapolis,	IN	15% Credit and \$6,000 Exemption	Assessed Value-Homestead
Wichita,	KS	\$20,000 School Levy Exemption	Assessed Value
Louisville,	KY	\$26,800 Homestead Exemption	Assessed Value
Des Moines,	IA	\$4,850 Exemption Credit on 1 <sup>st</sup> \$4,800 Taxable value	Assessed Value-Homestead
New Orleans,	LA	\$7,500 Exemption	Assessed Value
Boston,	MA	20% Residential Exemption	Assessed Value
Detroit,	MI	Homestead property exempt from Basic local school operating mileage	Taxable Value
Jackson,	MS	\$300 Exemption	Assessed Value
Billings,	MT	31.4% Homestead exemption	Market Value
Albuquerque,	NM	\$2,000 Household Head Exemption, \$2,000 Veteran exemption	Taxable Value
New York City,	NY	\$30,000	Full Value-Residential School Property Taxes
Columbus,	OH	12.5% Tax Rollback	Assessed Value
Oklahoma City,	OK	\$1,000 Exemption	Assessed Value-Homestead
Providence,	RI	33.35%	Assessed Value
Columbia,	SC	30.0% School district credit	Property tax relief fund
Houston,	TX	20% Exemption on Value Plus \$15,000 Exemption 20% Exemption	Assessed Value -School District Only -City and County Tax Only
Salt Lake City,	UT	45% Residential	Taxable Value Exemption
Milwaukee,	WI	School Levy Credit: \$0.118 per \$100 Market Value  Lottery Credit: School Tax on 1 <sup>st</sup> \$9,600 Market Value	Tax Credit  Equalized Assessed Value

1/ Annual assessment increases limited to 5% for homesteads.

2/ Just value increases limited too lesser of change in CPI or 3%.

Given the assumptions used in this study, the real property tax burden is slightly regressive with an average percentage burden of 3.5 percent at \$25,000 income and 3.4 percent at \$150,000 income. Because of high exemptions or credits, the property tax in some cities is actually progressive despite the regressivity assumed in deriving housing values (see Chapter I). For example, in Washington, D.C., the percentage property tax burden is 2.3 percent at \$25,000 and 2.7 percent at the \$150,000 income level.

As mentioned earlier, housing value assumptions combined with flat rates make the property tax regressive overall, while flat amount exemptions and credits can, and in some cities do, alleviate the regressivity of the property tax.

## **Sales and Use Tax**

Residents of 47 of the 51 cities in this study are subject to some form of a sales and use tax. The combined sales tax rates range from 9.25 percent in Memphis, Tennessee to 4 percent in Honolulu as indicated in Table 7, page 23. The highest state sales tax rate is 7 percent in Mississippi, Rhode Island and Tennessee; while the lowest state rate of 2 percent is found in Nevada. Sales taxes are levied by nineteen of the 51 cities in addition to state sales taxes with the highest city rate at 4.125 percent in New York City. Of the nineteen counties levying a sales tax, the highest rate (3.0 percent) is in Clark County (Las Vegas). Four school districts and twelve transit districts also levy sales taxes, with rates ranging from 0.25 percent, in New York City and Columbus, Ohio, to 2.25 percent in Las Vegas.

The average sales tax burden is the second highest of the four major tax types at the \$25,000 income level, according to Table 1. It is third highest tax paid at the four other income levels. However, the sales tax burden is far below the levels of property and income taxes at the four highest income levels. For cities subject to a sales tax, the highest burdens occur in Memphis, Tennessee; Phoenix, Arizona; and New Orleans, Louisiana. The cities with a sales tax having the lowest burdens include Manchester, New Hampshire; Boston, Massachusetts; and Honolulu, Hawaii.

Table 1 shows that the sales tax is regressive; the \$25,000 income family pays an average 1.8 percent for sales taxes, while the \$150,000 family pays 1.6 percent. Factors that make the sales tax regressive include a flat tax rate as well as a tax base which includes tangible necessities but not necessarily services. Factors which can lessen the regressivity of the sales tax include the exemption of groceries and the taxation of certain services.

TABLE 7  
STATE AND LOCAL GENERAL SALES TAX  
RATES IN EACH OF THE 51 CITIES  
AS OF DECEMBER 31, 2004

CITY	ST	TOTAL RATE	STATE	CITY	COUNTY	SCHOOL	TRANSIT
Memphis,	TN	9.25	7.0		2.25		
New Orleans,	LA	9.0	4.0	3.5		1.5	
Seattle,	WA	8.8	6.5	0.85	0.25		1.2
Chicago,	IL	8.75	6.25	1.0	0.75		0.75
New York City,	NY	8.625	4.25	4.125			0.25
Los Angeles,	CA	8.50	6.25	1.0	0.25		1.0
Oklahoma City,	OK	8.375	4.5	3.875			
Houston,	TX	8.25	6.25	1.0			1.0
Phoenix,	AZ	8.1	5.6	1.8	0.7		
Birmingham,	AL	8.0	4.0	3.0	1.0		
Little Rock,	AR	7.5	6.0	0.5	1.0		
Charlotte,	NC	7.5	4.5		2.5		0.5
Las Vegas,	NV	7.5	2.0		3.0	2.25	
Denver,	CO	7.2	2.9	3.5			0.8
Jacksonville,	FL	7.0	6.0		0.5		0.5
Atlanta,	GA	7.0	4.0		1.0	1.0	1.0
Minneapolis,	MN	7.0	6.5	0.5			
Jackson,	MS	7.0	7.0				
Omaha,	NE	7.0	5.5	1.5			
Philadelphia,	PA	7.0	6.0		1.0		
Providence,	RI	7.0	7.0				
Kansas City,	MO	6.975	4.225	1.5	0.750		0.5
Albuquerque,	NM	6.75	5.0	1.50	0.25		
Columbus,	OH	6.75	6.0		0.5		0.25
Salt Lake City,	UT	6.6	4.75	1.0	0.35		0.5
Wichita,	KS	6.3	5.3		1.0		
Bridgeport,	CT	6.0	6.0				
Des Moines,	IA	6.0	5.0			1.0	
Louisville,	KY	6.0	6.0				
Detroit,	MI	6.0	6.0				
Fargo,	ND	6.0	5.0	1.0			
Newark,	NJ	6.0	6.0				
Sioux Falls,	SD	6.0	4.0	2.0			
Boise,	ID	6.0	6.0				
Burlington,	VT	6.0	6.0				
Charleston,	WV	6.0	6.0				
Cheyenne,	WY	6.0	4.0		2.0		
<b>WASHINGTON,</b>	<b>DC</b>	<b>5.75</b>	<b>5.75</b>				
Milwaukee,	WI	5.6	5.0		0.6		
Indianapolis,	IN	5.0	5.0				
Boston,	MA	5.0	5.0				
Baltimore,	MD	5.0	5.0				
Portland,	ME	5.0	5.0				
Columbia,	SC	5.0	5.0				
Virginia Beach,	VA	5.0	4.0	1.0			
Honolulu,	HI	4.0	4.0				
<b>UNWEIGHTED AVERAGE</b>		<b>6.72</b>	<b>5.24</b>				
<b>MEDIAN</b>		<b>6.75</b>	<b>5.24</b>				

Cities with no state general sales tax: Anchorage, AK; Billings, MT; Portland, OR; and Wilmington, DE.

NOTE: Unweighted average and median include only those cities with a sales tax.



## **Automobile Taxes**

Residents of all 51 cities in this study are subject to gasoline taxes and some type of automobile registration fee or tax. The automobile taxes included in this study are gasoline taxes, motor vehicle registration fees, excise taxes and personal property taxes. Twelve of the cities levy a personal property tax based on the value of motor vehicles owned by a taxpayer. Gasoline tax rates in each of the 51 cities as of January 1, 2004 are compared in Table 8, page 25. The gasoline tax rates vary from as high as 33 cents per gallon in Las Vegas, Nevada; and 32.6 cents in Honolulu, Hawaii, to a low of 7.5 cents per gallon in Atlanta, Georgia and 8 cents per gallon in Anchorage, Alaska.

As noted before, citizens in all 51 cities are subject to some type of automobile registration fee and tax. They are usually either flat per-vehicle rates or excise taxes based on value. The types of registration and other automobile taxes to which residents of the 51 cities are subject are summarized in Table 9, page 26.

Twelve cities levy personal property taxes on automobiles using various methods. Some cities use a combination of assessment levels and tax rates, which may or may not be the same as is used for other personal property or for real property. Others use the same assessment system and property tax rate for automobiles as they do for personal residences.

The assumptions used for calculating automobile personal property taxes, excise taxes, the gasoline tax and registration fees are presented in Table 10, page 26.

The lowest tax burdens at all income levels in this study are the automobile tax burdens. Providence, Rhode Island; Jackson, Mississippi; Bridgeport, Connecticut; and Columbia, South Carolina are among the cities with high automobile tax burdens. These cities levy either a personal property tax or a very high excise tax. Anchorage, Alaska; Albuquerque, New Mexico; and Indianapolis, Indiana have consistently low automobile tax burdens. All of these cities have flat registration rates or registration by weight, moderate gasoline tax rates and no personal property or excise tax.

Automobile tax burdens in the 51 cities are regressive on the average as shown in Table 1. The \$25,000 family pays 0.9 percent of income for automobile related taxes, while the \$150,000 income family pays an average of 0.4 percent. Since gasoline consumption does not necessarily increase at the same rate as income, a flat tax rate on gasoline will not be progressive. Similarly, in a society where ownership of at least one automobile by a family is almost a necessity, any tax (excise or personal property) based on the value of vehicle ownership tends to be regressive.

**TABLE 8**  
**GASOLINE TAX RATES IN THE 51 CITIES AS OF DECEMBER 31, 2004**  
**(STATE AND LOCAL RATES)**

CITY	ST	TOTAL RATE	STATE RATE	LOCAL RATE
Las Vegas,	NV	33.0	24.0	09.0
Honolulu,	HI	32.6	16.1	16.5
Providence,	RI	31.0	31.0	00.0
Philadelphia,	PA	30.0	30.0	00.0
Milwaukee,	WI	29.1	29.1	00.0
Jacksonville,	FL	28.2	14.3	13.9
Seattle,	WA	28.0	28.0	00.0
Billings,	MT	27.0	27.0	00.0
Portland,	OR	27.0	24.0	03.0
Charlotte,	NC	26.85	26.85	00.0
Omaha,	NE	26.3	26.3	00.0
Los Angeles,	CA	26.2	26.2	00.0
Columbus,	OH	26.0	26.0	00.0
Portland,	ME	25.2	25.2	00.0
Bridgeport,	CT	25.0	25.0	00.0
Boise,	ID	25.0	25.0	00.0
Salt Lake City,	UT	24.5	24.5	00.0
Chicago,	IL	24.0	19.0	05.0
Wichita,	KS	24.0	24.0	00.0
Kansas City,	MO	24.0	24.0	00.0
Baltimore,	MD	23.5	23.5	00.0
Wilmington,	DE	23.0	23.0	00.0
New York City,	NY	22.6	22.6	00.0
Denver,	CO	22.0	22.0	00.0
Sioux Falls,	SD	22.0	22.0	00.0
Little Rock,	AR	21.7	21.7	00.0
Boston,	MA	21.0	21.0	00.0
Fargo,	ND	21.0	21.0	00.0
Des Moines,	IA	20.5	20.5	00.0
Charleston,	WV	20.5	20.5	00.0
<b>WASHINGTON,</b>	<b>DC</b>	<b>20.0</b>	<b>20.0</b>	<b>00.0</b>
New Orleans,	LA	20.0	20.0	00.0
Minneapolis,	MN	20.0	20.0	00.0
Memphis,	TN	20.0	20.0	00.0
Houston,	TX	20.0	20.0	00.0
Burlington,	VT	20.0	20.0	00.0
Manchester,	NH	19.5	19.5	00.0
Albuquerque,	NM	19.5	19.5	00.0
Detroit,	MI	19.0	19.0	00.0
Jackson,	MS	18.4	18.4	00.0
Oklahoma City,	OK	18.4	18.4	00.0
Birmingham,	AL	18.3	18.3	01.0
Phoenix,	AZ	18.0	18.0	00.0
Indianapolis,	IN	18.0	18.0	00.0
Virginia Beach,	VA	17.5	17.5	00.0
Louisville,	KY	16.4	16.4	00.0
Columbia,	SC	16.0	16.0	00.0
Cheyenne,	WY	14.0	14.0	00.0
Newark,	NJ	10.5	10.5	00.0
Anchorage,	AK	08.0	08.0	00.0
Atlanta,	GA	07.5	07.5	00.0
<b>UNWEIGHTED AVERAGE</b>		<b>22.0</b>		
<b>MEDIAN</b>		<b>21.7</b>		

TABLE 9

SUMMARY OF TYPES OF AUTOMOBILE  
REGISTRATION TAXES  
2004

<u>TYPE OF REGISTRATION</u>	<u>NUMBER OF STATES</u>
Flat Rate Only	30
Weight Only	13
Weight and Age	3
Horsepower Only	1
Age Only	2
Value Only	1
Value and Age	<u>1</u>
	51

  

<u>OTHER AUTO TAXES (INCLUDING LOCAL)</u>	
Personal Property	12
Excise:	
Value and Age	9
Value Based	5
Age Based	1

TABLE 10  
AUTOMOBILE TAX ASSUMPTIONS  
2004

Income Level	Description Of Auto	Engine Size Liters 1/	Weight 2/	Year	Market Values			Estimated Mileage Per Gallon 1/	Estimated Annual Gasoline Usage 3/
					Retail Price 2/	Trade-In Value 2/	Loan Value 2/		
\$ 25,000	Sedan, 4 Door 4 cylinder, 5 Speed	1.8	2,544 lbs.	1999	\$ 5,600	\$ 4,225	\$ 3,799	22	682 Gallons
\$ 50,000	Sedan, 4 Door 4 Cylinder, Automatic	2.4	3,131 lbs.	2000	\$11,475	\$ 9,450	\$ 8,429	23	652 Gallons
\$ 75,000	Sedan, 4 Door 6 Cylinder, Automatic	3.0	3,309 lbs.	2003	\$17,925	\$15,350	\$13,677	21	714 Gallons
	Coupe, 2 Door 4 Cylinder, Automatic	1.9	2,425 lbs.	2000	\$ 6,500	\$ 5,000	\$ 4,530	24	313 Gallons
\$100,000	Sedan, 4 Door 6 Cylinder, Automatic	3.0	3,494 lbs.	2002	\$27,825	\$24,075	\$21,379	20	750 Gallons
	Sedan, 4 Door 6 Cylinder, Automatic	3.0	3,331 lbs.	2000	\$ 6,925	\$ 5,325	\$ 4,766	20	375 Gallons
\$150,000	Sedan, 4 Door 8 Cylinder, Automatic	4.0	3,955 lbs.	2002	\$33,925	\$29,350	\$25,711	19	789 Gallons
	Sedan, 4 Door 6 Cylinder, Automatic	3.8	3,440 lbs.	1999	\$ 7,050	\$ 5,400	\$ 4,822	20	375 Gallons

1/ Gas Mileage Guide, EPA fuel economy estimates for city driving, U.S. Department of Energy.

2/ National Automobile Dealers Association Used Car Guide.

3/ Assumes 15,000 miles driven for all vehicles, except second cars, which are assumed to be driven 7,500 miles.

## **CHAPTER IV**

### **How Do Tax Burdens In Washington, D.C., Compare With Those In The Largest City In Each State?**

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The nation's capital, Washington, D.C., is unique in many respects. It has a special status in which the day-to-day activities and functions of state, county, city and special districts are combined in one governmental unit. The Mayor and the 13-member District of Columbia Council combine the functions of a state legislature, a county board of commissioners and a city council. Due to this combination of responsibilities, the District has the taxing powers of a state, a county and a municipality, although these powers are limited by actions of the federal government. The graduated income tax, the general sales and use tax and the per gallon gasoline tax are all comparable in form to those levied by most states. The property tax based on assessed value is similar to the type levied in cities and counties. As a result, the tax burden of District residents should be compared to the combined state and local burdens borne by residents of other large cities.

The burden of each of the four major taxes for Washington, D.C. is compared with the 51-city average at all income levels in Table 11, page 30. The difference between the Washington, D.C. tax burden and the 51-city average increases, on a percentage basis, as the income level rises. This is because the District has a slightly more progressive tax system than the average of the 51 cities in the study. The District of Columbia ranks thirty-five at the \$25,000 income level; nineteenth at the \$50,000 income level; seventeenth at the \$75,000 and thirteenth at the \$100,000 income level; and fourteenth at the \$150,000 income level.

The District of Columbia has a relatively high percentage of low-income taxpayers, which limits the District's revenue-raising capacity. Despite these limitations, the District of Columbia must perform and provide funding for functions usually provided at both state and local levels of government. The non-municipal functions include responsibility for welfare programs, physical and mental health care, and maintenance of the public education system.

#### **Individual Income Tax**

The individual income tax burden for Washington, D.C. is substantially above the average for the 44 cities that levy an individual income tax at all income levels. Washington, D.C. levies an individual income tax with three rates (for tax year 2004): 5 percent on the first \$10,000 of taxable income; 7.5 percent on the next \$20,000 of taxable income; and 9.0 percent on taxable income over \$30,000. For tax year 2004 personal exemptions of \$1,370 per dependent were allowed, as well as a \$1,370 exemption for the filer and spouse, respectively. A standard

deduction of \$2,000 (\$1,000 for married-separate) was in effect for the period of this study. Itemized deductions are the same as those allowed in computing the federal income tax, but the District does not allow the deduction of its own individual income tax. Washington, D.C. also has "circuit-breaker" property tax relief programs for both elderly and non-elderly qualified homeowners and renters, as well as a low-income credit, which eliminates the District income tax for taxpayers with no federal income tax liability.

The individual income tax burden for Washington, D.C. is substantially above the average of the 51 cities at all five income levels studied according to Table 11. The high income tax burden on those subject to the tax is due in part to restrictions on the individual income tax base of the District. Federal law prohibits Washington, D.C. from taxing the earnings of non-residents working within the city, a restriction not imposed on any other city in the nation. As a result of this, the District of Columbia taxes residents at higher rates than would otherwise be the case since approximately 67 percent of the wages and salaries earned in the District of Columbia are earned by non-residents.

## **Real Property Tax**

Property tax burdens in the District of Columbia are below the 51-city average at all income levels according to Table 11. A slightly higher than average housing-to-income ratio (Table 5) is offset by a low property tax rate (Table 4) combined with a \$30,000 homestead deduction, which helps reduce the Washington, D.C., property tax burden. As of October 1, 2005, the homestead deduction will be increased to \$60,000 and the District of Columbia's 12 percent cap on the growth of homestead tax liability will drop to 10 percent.

The tax on residential property in the District of Columbia is based on the assessed value of the property. All property is assessed at a statutory level of 100 percent of its estimated market value. The tax rate on residential owner-occupied property in the District of Columbia is \$0.96 per \$100 for 2004. Homeowners deduct a homestead exemption of \$30,000 from the assessed base, not the tax bill, before calculation of the property tax for all owner-occupied dwellings. The calculation will respond to the 12 percent cap on growth of the liability. As of October 1, 2005, the tax rate for Class One will be lowered to \$.92 per \$100 of assessed value with a 10 percent cap.

The calculations in this study are based on a single year and do not adjust for capped growth. Despite the assumption of regressivity present in the housing value assumptions (Chapter I), the computed property tax for Washington, D.C., is slightly progressive because of the homestead deduction which reduces the property tax of each homeowner by \$364.80 (at the \$0.96 rate). The burden is 2.3 percent at the \$25,000 income level and 2.7 percent at \$150,000 income.

## **Sales Tax**

The District of Columbia levies a sales tax with five different rates. This rate structure is

utilized, in part, to take advantage of the District's special status as a tourist center and to increase the contribution of non-residents working in the city. These differential rates illustrate the concept of tax exporting. The table below details the sales tax rates in effect at the end of 2004.

<u>Items</u>	<u>Sales Tax Rate</u>
Tangible Personal Property	5.75%
Alcohol for off premises consumption	9%
Restaurant Meals, Take-Out Food, rental cars, Telephone calling cards	10%
Commercial Parking	12%
Hotel, Motel Rooms	14.5%

Items exempt from the District of Columbia sales tax include groceries and prescription drugs.

The sales tax burden in the District of Columbia is lower than the 51-City average at all the income levels.

### **Automobile Taxes**

Washington, D.C. taxes gasoline and requires registration fees for automobile owners. The gasoline tax rate is 20 cents per gallon. Registration fees of \$72 on cars weighing less than 3,500 pounds and \$115 on cars equal to or greater than 3,500 pounds were in effect for the period of this study. The District of Columbia does not impose an annual excise tax or personal property tax on automobiles.

Washington, D.C., automobile tax burdens are below the 51-city average at all but the lowest income level as shown in Table 11. High registration fees and a flat gasoline tax rate cause the District auto tax burden to be regressive. Washington, D.C., automobile tax burdens represent 1.0 percent of income at \$25,000 and 0.3 percent at \$150,000.

### **Summary**

As noted above, the tax burden of the District of Columbia is influenced by many factors. One of the major reasons District of Columbia tax burdens are above the average is the restriction on the District's taxing authority mandated by Congress. Factors such as the prohibition on taxing non-resident income, plus the large percentage of tax-exempt properties (over fifty-seven percent of District acreage is tax exempt), have combined to create difficult conditions under which to raise revenues to operate the city. Some of the positive factors, which tend to increase the District tax base, include substantial tourist activity as well as large volume of business and lobbying activity generated by the federal presence.

**TABLE 11**  
**TAX BURDENS IN WASHINGTON, D.C. FOR A HYPOTHEICAL FAMILY COMPARED WITH**  
**THE AVERAGE FOR THE LARGEST CITY IN EACH STATE BY INCOME CLASS, 2004**

		<b>DISTRICT OF COLUMBIA</b>	<b>AVERAGE FOR CITIES LEVYING TAX 1/</b>	<b>PERCENT DIFFERENCE</b>
<b>\$25,000 INCOME LEVEL</b>				
		Income \$ 388	\$321	20.8%
		Property 568	865	-34.3%
		Sales 426	459	-7.2%
		Auto 251	223	12.7%
<b>TOTAL</b>	<b>DC</b>	<b>\$1,633</b>	<b>51 CITY AVERAGE \$1,787</b>	<b>- 8.6%</b>
<b>\$50,000 INCOME LEVEL</b>				
		Income \$2,185	\$1,531	42.7%
		Property 1,342	1,775	-24.4%
		Sales 811	874	-7.3%
		Auto 245	260	- 5.5%
<b>TOTAL</b>	<b>DC</b>	<b>\$4,584</b>	<b>51 CITY AVERAGE \$4,161</b>	<b>10.2%</b>
<b>\$75,000 INCOME LEVEL</b>				
		Income \$3,913	\$2,814	39.0%
		Property 2,157	2,753	-21.6%
		Sales 1,216	1,311	-7.2%
		Auto 392	495	-20.8%
<b>TOTAL</b>	<b>DC</b>	<b>\$7,679</b>	<b>51 CITY AVERAGE \$6,884</b>	<b>11.5%</b>
<b>\$100,000 INCOME LEVEL</b>				
		Income \$5,791	\$4,171	38.8%
		Property 2,810	3,529	-20.4%
		Sales 1,541	1,662	-7.3%
		Auto 412	595	-30.8%
<b>TOTAL</b>	<b>DC</b>	<b>\$10,553</b>	<b>51 CITY AVERAGE \$9,254</b>	<b>14.0%</b>
<b>\$150,000 INCOME LEVEL</b>				
		Income \$9,612	\$6,926	38.8%
		Property 4,114	5,101	-19.4%
		Sales 2,189	2,359	-7.2%
		Auto 412	652	-36.8%
<b>TOTAL</b>	<b>DC</b>	<b>\$16,327</b>	<b>51 CITY AVERAGE \$13,903</b>	<b>17.4%</b>

1/ Income and sales averages are based on cities actually levying tax.. As a result, the overall average is not equal to the sum of the averages for each separate tax type.

## CHAPTER V

### Why Do Tax Burdens Differ From One City To Another?

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In the preceding chapters, the differences in tax burdens for the largest city in each state in the United States were discussed. The assumptions used to compute the various tax burdens will affect to some extent the relative tax burdens for the 51 cities. This is especially true for the real estate tax, because both the methodology used to derive housing values and the relative housing values from one income level to another and from one city to another are important determinants of the real property tax burden. However, no matter what set of assumptions is used in such a study, there will be substantial tax burden differences from one city to another. Some of the reasons for these differences are as follows:

- 1) This study only measures major state and local tax burdens for individuals. Business tax burdens also differ substantially from one city to another. Many cities, because of a large manufacturing base or because of a dominant industry, can shift a large portion of the tax burden away from individuals to businesses. Cities in natural resource states, for example, may shift a substantial portion of the tax burden to industry, thus exporting, to some extent, their local government tax burden. Convention and tourist activity in cities such as Chicago, Washington, D.C., New York City and Las Vegas can help reduce local tax burdens by increasing sales tax, gasoline tax and parking tax revenues from non-residents, another form of tax exporting.
- 2) Service demands in each of the 51 cities may vary a great deal. Cold weather services, such as snow removal, in northern cities may increase costs. Furthermore, citizens of some cities simply desire, or are accustomed to, more government services than residents of other cities.
- 3) The costs of providing services may differ substantially from one city to another. Wage levels, efficiency of the work force and costs of overhead items, such as utilities, may be very different.
- 4) The tax base of each city is different. Cities that have a relatively large percentage of employed residents will normally have a broad tax base.

This type of city can levy taxes at lower rates than can those with low levels of employment or high levels of exempt property. External forces such as the federal presence in Washington, D.C. can restrict the tax base. The tax base



can also be defined by the scope of a particular tax. For example, it is desirable from a social point of view to exempt groceries from the sales tax; however, such an exemption can narrow the sales tax base and may require a higher sales tax rate in order to raise sufficient revenues.

- 5) The proportion of public versus private services may differ from one city to another. Some cities may provide services such as garbage collection and hospital care, while in other cities; the private sector may perform these services for a fee.

As a result, a city in which the private sector performs such functions may have a lower tax burden than one in which these functions are performed by the city. In these instances, the fees charged by the private sector represent payments by individuals for public services that are not reflected in tax burdens.

- 6) Certain taxes that are not discussed in this study may affect state and local tax burdens. Taxes not covered by the study, which are levied on individuals, include liquor and cigarette taxes and taxes on public utility bills.
- 7) The state and local tax burdens in this study are computed without regard to their effect on the federal tax burden of individuals in the respective cities. To some extent, high state and local income and property taxes can be used to partially alleviate federal tax burdens through itemized deductions.

As noted in Chapter V, the number and kind of public services each city provides necessarily has a bearing on the amount of revenue that must be raised. The tax burden comparisons in this report must be studied in the context of these differing conditions.

TABLE 12  
THE LARGEST CITY IN EACH STATE 1/  
(2000 CENSUS OF POPULATION)

STATE	CITY	2000 POPULATION	1990 POPULATION	PERCENT DIFFERENCE
Alabama	Birmingham	242,820	265,968	-8.7%
Alaska	Anchorage	260,283	226,338	15.0%
Arizona	Phoenix	1,321,045	983,403	40.0%
Arkansas	Little Rock	183,133	175,795	4.2%
California	Los Angeles	3,694,820	3,485,398	6.0%
Colorado	Denver	554,636	467,610	18.6%
Connecticut	Bridgeport	139,529	141,686	-1.5%
Delaware	Wilmington	72,664	71,529	1.6%
Florida	Jacksonville	735,617	672,971	9.3%
Georgia	Atlanta	416,474	394,017	5.7%
Hawaii	Honolulu	371,657	377,059	-1.4%
Idaho	Boise	185,787	125,738	47.8%
Illinois	Chicago	2,896,016	2,783,726	4.0%
Indiana	Indianapolis	791,926	731,327	8.3%
Iowa	Des Moines	198,682	193,187	2.8%
Kansas	Wichita	344,284	304,011	13.2%
Kentucky	Louisville	256,231	269,063	-4.8%
Louisiana	New Orleans	484,674	496,938	-2.5%
Maine	Portland	64,249	64,358	-0.2%
Maryland	Baltimore	651,154	736,014	-11.5%
Massachusetts	Boston	589,141	574,283	2.6%
Michigan	Detroit	951,270	1,027,974	-7.5%
Minnesota	Minneapolis	382,618	368,383	3.9%
Mississippi	Jackson	184,256	196,637	-6.3%
Missouri	Kansas City	441,545	435,146	1.5%
Montana	Billings	89,847	81,151	10.7%
Nebraska	Omaha	390,007	335,795	16.1%
Nevada	Las Vegas	478,434	258,295	85.2%
New Hampshire	Manchester	107,006	99,567	7.5%
New Jersey	Newark	273,546	275,221	-0.6%
New Mexico	Albuquerque	448,607	384,736	16.6%
New York	New York City	8,008,278	7,322,564	9.4%
North Carolina	Charlotte	540,828	395,934	36.6%
North Dakota	Fargo	50,486	74,111	-31.9%
Ohio	Columbus	711,470	632,910	12.4%
Oklahoma	Oklahoma City	506,132	444,615	13.8%
Oregon	Portland	529,121	437,319	21.0%
Pennsylvania	Philadelphia	1,517,550	1,585,577	-4.3%
Rhode Island	Providence	173,618	160,728	8.0%
South Carolina	Columbia	116,278	98,052	18.6%
South Dakota	Sioux Falls	123,975	100,814	23.0%
Tennessee	Memphis	650,100	610,337	6.5%
Texas	Houston	1,953,631	1,630,553	19.8%
Utah	Salt Lake City	181,743	159,936	13.6%
Vermont	Burlington	38,889	39,127	-0.6%
Virginia	Virginia Beach	425,257	393,069	8.2%
Washington	Seattle	563,374	516,259	9.1%
West Virginia	Charleston	53,421	57,287	-6.7%
Wisconsin	Milwaukee	596,974	628,088	-5.0%
Wyoming	Cheyenne	53,011	50,008	6.0%
<b>WASHINGTON, DC</b>		<b>572,059</b>	<b>606,900</b>	<b>-5.7%</b>

1/ Source: U.S. Census Bureau, Census 2000. Table DP-1. Profile of General Demographic Characteristics: 2000.

## **Part II**

# **A Comparison of Selected Tax Rates In The District of Columbia With Those In The 50 States As of January 1, 2005**

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## Overview

As can be seen from a review of the major taxes compared in this report, the tax rates in the District of Columbia are among the highest in the nation. Of the 13 taxes compared, District tax categories that are higher than in most of the states include: cigarette; corporate income; individual income; deed recordation; motor vehicle excise; motor vehicle registration fees; and sales and use. In four tax categories -- insurance premiums, beer, dessert wine, and distilled spirits, -- the District has lower tax rates than most states. The District's motor fuel tax rate is very close to average.

TABLE 13

COMPARISON OF SELECTED STATE TAX RATES  
NUMBER OF JURISDICTIONS

TAX	LEVYING TAX	LOWER THAN DC	SAME AS DC	HIGHER THAN DC
Individual Income	43 1/	37 2/	1	5 2/
Corporate Income	44	42	0	2
Insurance	48	5	0	43
Sales and Use	45	25	0	20
Beer	50	7	1	42
Light Wine	46	6	2	38
Distilled Spirits	32	0	1	31
Cigarette	50	34	3	13
Motor Fuel	50	20	4	26
Motor Vehicle Excise				
Light Cars < 3,500 lbs.	46	30	9	7
Heavy Cars > 3,500 lbs.	46	44	2	0
Motor Vehicle Registration 3/	49	49	0	0
Deed Recordation	36	36	0	0

1/ Includes two states, which tax dividends and/or interest only.

2/ Comparisons are based on highest comparable rate in each jurisdiction. Those based on federal liability are not included.

3/ Heavy cars (> 3,500 lbs.)

**TABLE 14  
INDIVIDUAL INCOME TAX  
WASHINGTON METROPOLITAN AREA  
JANUARY 1, 2005**

PERSONAL EXEMPTIONS	(CREDITS)	TAXABLE INCOME	RATES
<b>DISTRICT OF COLUMBIA</b>			
Single	\$1,370	\$0 - \$10,000 \$10,000-\$30,000 Over \$30,000	5.0% \$ 500 + 7.5% of excess > \$10,000 \$2,000 + 9.0% of excess > \$30,000
Married Filing Separately	\$1,370		
Married Filing Jointly	\$2,740		
Head of Household	\$2,740		
Dependent (additional)	\$1,370		
Blind (additional)	\$1,370		
Age 65 and over (additional)	\$1,370		
Standard	1/		
<b>MARYLAND 2/</b>			
Single	\$2,400	\$0 - \$1,000 \$1,001-\$2,000 \$2,001-\$3,000 Over \$3,000	2.0% \$20 + 3.00% of excess > \$1,000 \$50 + 4.00% of excess > \$2,000 \$90 + 4.75% of excess > \$3,000
Married Filing Separately	\$2,400		
Married Filing Jointly	\$4,800		
Head of Household	\$2,400		
Dependent (additional)	\$2,400		
Blind (additional)	\$1,000		
Age 65 and over (additional)	\$1,000		
Standard	3/		
<b>VIRGINIA</b>			
Single	\$ 800	\$0 - \$3,000 \$3,001-\$5,000 \$5,001-\$17,000 Over \$17,000	2.0% \$ 60 + 3.00% of excess > \$ 3,000 \$ 120 + 5.00% of excess > \$ 5,000 \$ 720 + 5.75% of excess > \$17,000
Married Filing Separately	\$ 800		
Married Filing Jointly	\$1,600		
Head of Household	\$ 800		
Dependent (additional)	\$ 800		
Blind (additional)	\$ 800		
Age 65 and over (additional)	\$ 800		
Standard	4/		

1/ Married persons filing separately - \$1,000; all others - \$2,000.

2/ Maryland rates do not include local rates that may be as low as 1.25% in Worcester County and as much as 3.2% in Howard, Montgomery and Prince George's Counties.

Baltimore City, which is used in this study, local rate is 3.05%.

3/ 15% of Maryland AGI not to exceed \$2,000 (\$4,000 for joint and head of household returns and those filing as qualifying widow(er) with dependent child). The minimum is \$1,500 for single, married filing separately and dependent taxpayers. All others are allowed a minimum of \$3,000.

4/ Single - \$3,000; married persons filing separately - \$2,500; and married persons filing jointly or combined separate - \$5,000.

**TABLE 15  
INDIVIDUAL INCOME TAX  
43 STATES AND DISTRICT OF COLUMBIA  
AS OF JANUARY 1, 2005**

PERSONAL EXEMPTIONS (CREDITS)			RATES AND TAXABLE INCOME BRACKETS					
SINGLE	M/J	DEPENDENTS		MINIMUM		MAXIMUM		
				RATE	UP TO	RATE	OVER	
<b>ALABAMA</b> 1/								
\$1,500	\$3,000	\$300	S,HH,M M/J	2.0% 2.0%	\$ 500 1,000	5.0% 5.0%	\$ 3,000 6,000	
<b>ARIZONA</b> 2/3/								
\$2,100	\$4,200	\$2,300	S,M/S M/J,HH	2.87% 2.87%	\$ 10,000 20,000	5.04% 5.04%	\$150,000 300,000	
<b>ARKANSAS</b>								
(\$20)	(\$40)	(\$20)		1.0%	\$ 3,299	7.0%	\$ 27,900	
<b>CALIFORNIA</b>								
(\$80)	(\$160)	(\$251)	S,M/S HH M/J	1.0% 1.0% 1.0%	\$ 5,962 11,930 11,924	9.3% 9.3% 9.3%	\$ 39,133 53,267 78,266	
<b>COLORADO</b>								
4.63% of federal taxable income with certain modifications.								
<b>CONNECTICUT</b> 4/								
\$12,625	\$24,000	---	S,M/S HH M/J	3.0% 3.0% 3.0%	\$ 10,000 16,000 20,000	5.0% 5.0% 5.0%	\$ 10,000 16,000 20,000	
<b>DELAWARE</b>								
(\$110)	(\$220)	(\$110)		2.2%	\$ 5,000	5.95%	\$ 60,000	
<b>DISTRICT OF COLUMBIA</b>								
\$1,370	\$2,740	\$1,370		5.0%	\$ 10,000	9.0%	\$ 30,000	
<b>GEORGIA</b>								
\$2,700	\$5,400	\$2,700	M/S S HH,M/J	1.0% 1.0% 1.0%	\$ 500 750 1,000	6.0% 6.0% 6.0%	\$ 5,000 7,000 10,000	
<b>HAWAII</b>								
\$1,040	\$2,080	\$1,040	M/S,S HH SS,M/J	1.4% 1.4% 1.4%	\$ 2,000 3,000 4,000	8.25% 8.25% 8.25%	\$ 40,000 60,000 80,000	

1/ Does not include various local income taxes.

2/ If married filing joint with at least one dependent, exemption = \$6,300.

3/ If M/S, S and FAGI do not exceed \$10,000 and if M/J, HH income limitation up to \$31,000, based on the number of dependents. Limit of credit for M/J, HH is \$240 and for M/S, S is \$120, exemption for M/J = \$80; and dependents = \$40.

4/ Head of Household personal exemption is \$19,000.

**TABLE 15 (continued)**  
**INDIVIDUAL INCOME TAX**  
**43 STATES AND DISTRICT OF COLUMBIA**  
**AS OF JANUARY 1, 2005**

PERSONAL EXEMPTIONS (CREDITS)			RATES AND TAXABLE INCOME BRACKETS					
SINGLE	M/J	DEPENDENTS		MINIMUM		MAXIMUM		
				RATE	UP TO	RATE	OVER	
<b>IDAHO</b> 1/								
\$3,050	\$6,100	\$3,050		1.6%	\$ 1,104	7.8%	\$ 22,074	
<b>ILLINOIS</b>								
\$2,000	\$4,000	\$2,000		3.0% of taxable net income.				
<b>INDIANA</b> 2/								
\$1,000	\$2,000	\$2,000		3.4% of federal adjusted gross income.				
<b>IOWA</b>								
(\$40)	(\$80)	(\$40)		0.36%	\$ 1,224	8.98%	\$ 55,080	
<b>KANSAS</b>								
\$2,250	\$4,500	\$2,250	S,M/S M/J	3.5% 3.5%	\$ 15,000 30,000	6.45% 6.45%	\$ 30,000 60,000	
<b>KENTUCKY</b>								
(\$20)	(\$40)	(\$20)		2.0%	\$ 3,000	6.0%	\$ 8,000	
<b>LOUISIANA</b>								
\$4,500	\$9,000	\$1,000		2.0%	\$ 12,500	6.0%	\$ 25,000	
<b>MAINE</b>								
\$2,850	\$5,700	\$2,850	S,M/S HH M/J	2.0% 2.0% 2.0%	\$ 4,350 6,550 8,700	8.5% 8.5% 8.5%	\$ 17,350 26,050 34,700	
<b>MARYLAND</b> 2/								
\$2,400	\$4,800	\$2,400		2.0%	\$ 1,000	4.75%	\$ 3,000	
<b>MASSACHUSETTS</b>								
\$4,400	\$8,800	\$1,000		5.3% of taxable income.				
<b>MICHIGAN</b> 2/								
\$3,100	\$6,200	\$600		4.0% of federal adjusted gross income.				

1/ Does not include filing fee of \$10.

2/ Does not include various local income taxes.



**TABLE 15 (continued)**  
**INDIVIDUAL INCOME TAX**  
**43 STATES AND DISTRICT OF COLUMBIA**  
**AS OF JANUARY 1, 2005**

PERSONAL EXEMPTIONS (CREDITS)			RATES AND TAXABLE INCOME BRACKETS					
SINGLE	M/J	DEPENDENTS		MINIMUM		MAXIMUM		
				RATE	UP TO	RATE	OVER	
<b>MINNESOTA</b>								
\$3,100	\$6,200	\$3,100	M/S	5.35%	\$ 14,210	7.85%	\$ 56,460	
			S	5.35%	19,440	7.85%	63,860	
			HH	5.35%	23,940	7.85%	96,180	
			M/J	5.35%	28,420	7.85%	112,910	
<b>MISSISSIPPI</b>								
\$6,000	\$12,000	\$1,500		3.0%	\$ 5,000	5.0%	\$ 10,000	
<b>MISSOURI</b> <sup>1/</sup>								
\$2,100	\$4,200	\$1,200		1.5%	\$ 1,000	6.0%	\$ 9,000	
<b>MONTANA</b>								
\$1,840	\$3,682	\$1,840		2.0%	\$ 2,300	11.0%	\$ 80,300	
<b>NEBRASKA</b>								
(\$103)	(\$206)	(\$103)	M/S	2.56%	\$ 2,000	6.84%	\$ 23,375	
			S	2.56%	2,400	6.84%	26,500	
			M/J	2.56%	4,000	6.84%	46,750	
			HH	2.56%	3,800	6.84%	35,000	
<b>NEW HAMPSHIRE</b>								
\$2,400	\$4,800	---	5.0% on dividend and interest income over personal exemption.					
<b>NEW JERSEY</b>								
\$1,000	\$2,000	\$1,500	S,M/S	1.4%	\$ 20,000	8.97%	\$ 500,000	
			HH,M/J	1.4%	20,000	8.97%	500,000	
<b>NEW MEXICO</b>								
\$3,050	\$6,100	\$3,050	M/S	1.7%	\$ 4,000	6.8%	\$ 20,000	
			S	1.7%	5,500	6.8%	26,000	
			HH	1.7%	7,000	6.8%	33,000	
			M/J	1.7%	8,000	6.8%	40,000	
<b>NEW YORK</b>								
---	---	\$1,000	M/S,S	4.0%	\$ 8,000	7.70%	\$ 500,000	
			HH	4.0%	11,000	7.70%	500,000	
			M/J	4.0%	16,000	7.70%	500,000	
<b>NORTH CAROLINA</b> <sup>2/</sup>								
\$2,500	\$5,000	\$2,500	M/S	6.0%	\$ 10,625	8.25%	\$ 100,000	
			S	6.0%	12,750	8.25%	120,000	
			HH	6.0%	17,000	8.25%	160,000	
			M/J,SS	6.0%	21,250	8.25%	200,000	
<b>NORTH DAKOTA</b>								
\$3,000	\$6,000	\$3,000	M/S	2.1%	\$ 23,725	5.54%	\$ 155,975	
			S	2.1%	28,400	5.54%	311,950	
			HH	2.1%	38,050	5.54%	311,950	
			M/J,SS	2.1%	47,450	5.54%	311,950	

<sup>1/</sup> Does not include various local income taxes.

<sup>2/</sup> A taxpayer whose Federal AGI is  $\geq$  50% of the amounts shown in the "maximum over" column is allowed a personal exemption of \$2,000 and \$2,000 for each dependent.

**TABLE 15 (continued)**  
**INDIVIDUAL INCOME TAX**  
**43 STATES AND DISTRICT OF COLUMBIA**  
**AS OF JANUARY 1, 2005**

PERSONAL EXEMPTIONS (CREDITS)			RATES AND TAXABLE INCOME BRACKETS					
SINGLE	M/J	DEPENDENTS		MINIMUM		MAXIMUM		
				RATE	UP TO	RATE	OVER	
<b>OHIO</b> 1/								
\$1,250	\$2,500	\$1,250		0.743%	\$ 5,000	7.5%	\$200,000	
<b>OKLAHOMA</b>								
<i>Without federal deduction</i>								
\$1,000	\$2,000	\$1,000	S,M/S	0.5%	\$ 1,000	6.65%	\$ 10,000	
			SS,HH,M/J	0.5%	2,000	6.65%	21,000	
<i>With federal deduction</i>								
\$1,000	\$2,000	\$1,000	S,M/S	0.5%	\$ 1,000	10.0%	\$ 16,000	
			SS,HH,M/J	0.5%	2,000	10.0%	24,000	
<b>OREGON</b> 1/								
(\$151)	(\$302)	(\$151)	S,M/S	5.0%	\$ 2,600	9.0%	\$ 6,500	
			HH,M/J	5.0%	5,200	9.0%	13,000	
<b>PENNSYLVANIA</b> 1/								
---	---	---	3.07% of specified classes of taxable income is effective rate.					
<b>RHODE ISLAND</b>								
\$3,050	\$6,100	\$3,050	M/S	3.75%	\$ 23,725	9.9%	\$ 155,975	
			S	3.75%	28,400	9.9%	311,950	
			HH	3.75%	38,050	9.9%	311,950	
			M/J	3.75%	47,450	9.9%	311,950	
<b>SOUTH CAROLINA</b>								
\$3,050	\$6,100	\$3,050 2/		2.5%	\$ 2,460	7.0%	\$ 12,300	
<b>TENNESSEE</b>								
\$1,250	\$2,500	---	6.0% on interest and dividend income.					
<b>UTAH</b>								
\$2,250	\$4,300	\$2,250	M/S,S	2.3%	\$ 863	7.0%	\$ 4,313	
			HH,M/J	2.3%	1,726	7.0%	8,626	
<b>VERMONT</b>								
\$3,100	\$6,200	\$3,100		3.6%	\$29,050	9.5%	\$319,100	
<b>VIRGINIA</b>								
\$800	\$1,600	\$800		2.0%	\$ 3,000	5.75%	\$ 17,000	
<b>WEST VIRGINIA</b>								
\$2,000	\$4,000	\$2,000	M/S	3.0%	\$ 5,000	6.5%	\$ 30,000	
			S,SS,HH,M/J	3.0%	10,000	6.5%	60,000	
<b>WISCONSIN</b>								
\$700	\$1,400	\$700	M/S	4.6%	\$ 5,890	6.75%	\$ 88,390	
			HH,S	4.6%	8,840	6.75%	132,580	
			M/J	4.6%	11,780	6.75%	176,770	

1/ Does not include various local income taxes.

2/ Additional \$3,050 for child under 6.

TABLE 16

CHARACTERISTICS OF STATE INDIVIDUAL INCOME TAXES

JURISDICTION	FEDERAL INCOME TAX DEDUCTIBLE	NO INCOME TAX	WITH-HOLDING	FEDERAL DEFINITION OF INCOME FOR STATE TAX BASE	STATE DEFINITION OF INCOME FOR STATE TAX BASE	FEDERAL TAX LIABILITY FOR STATE TAX BASE
ALABAMA	AL		AL		AL	
ALASKA		AK				
ARIZONA			AZ		AZ	
ARKANSAS			AR		AR	
CALIFORNIA			CA	CA		
COLORADO			CO	CO		
CONNECTICUT			CT	CT		
DELAWARE			DE	DE		
<b>DISTRICT OF COLUMBIA</b>			<b>DC</b>	<b>DC</b>		
FLORIDA		FL				
GEORGIA			GA	GA		
HAWAII			HI	HI		
IDAHO			ID	ID		
ILLINOIS			IL	IL		
INDIANA			IN	IN		
IOWA	IA		IA	IA		
KANSAS			KS	KS		
KENTUCKY			KY	KY		
LOUISIANA	LA		LA	LA		
MAINE			ME	ME		
MARYLAND			MD	MD		
MASSACHUSETTS			MA	MA		
MICHIGAN			MI	MI		
MINNESOTA			MN	MN		
MISSISSIPPI			MS		MS	
MISSOURI	MO		MO	MO		

TABLE 16 (continued)

CHARACTERISTICS OF STATE INDIVIDUAL INCOME TAXES

JURISDICTION	FEDERAL INCOME TAX DEDUCTIBLE	NO INCOME TAX	WITH-HOLDING	FEDERAL DEFINITION OF INCOME FOR STATE TAX BASE	STATE DEFINITION OF INCOME FOR STATE TAX BASE	FEDERAL TAX LIABILITY FOR STATE TAX BASE
MONTANA	MT		MT	MT		
NEBRASKA			NE	NE		
NEVADA		NV				
NEW HAMPSHIRE 1/					NH	
NEW JERSEY			NJ		NJ	
NEW MEXICO			NM	NM		
NEW YORK			NY	NY		
NORTH CAROLINA			NC	NC		
NORTH DAKOTA			ND	ND		
OHIO			OH	OH		
OKLAHOMA 2/	OK		OK	OK		
OREGON 3/	OR		OR	OR		
PENNSYLVANIA			PA		PA	
RHODE ISLAND			RI	RI		
SOUTH CAROLINA			SC	SC		
SOUTH DAKOTA		SD				
TENNESSEE					TN	
TEXAS		TX				
UTAH 3/	UT		UT	UT		
VERMONT			VT	VT		
VIRGINIA			VA	VA		
WASHINGTON		WA				
WEST VIRGINIA			WV	WV		
WISCONSIN			WI	WI		
WYOMING		WY				

1/ Tax only on interest and dividends.

2/ Method 2 only.

3/ Federal deductibility is limited to \$4,000.

**TABLE 17**  
**STATE CORPORATION INCOME TAX RATES**  
**(Maximum Rates)**

**DISTRICT OF COLUMBIA: 9.975%**

<b>LOWER THAN THE DISTRICT 42 STATES</b>			
Colorado	4.63%	Connecticut	7.50%
Illinois	4.80%	New York	7.50%
Mississippi	5.00%	Idaho	7.60%
South Carolina	5.00%	New Mexico	7.60%
Utah	5.00%	Nebraska	7.81%
Florida	5.50%	Wisconsin	7.90%
Georgia	6.00%	Louisiana	8.00%
Oklahoma	6.00%	Kentucky	8.25%
<b>VIRGINIA</b>	<b>6.00%</b>	New Hampshire	8.50%
Missouri	6.25%	Indiana	8.50%
Hawaii	6.40%	Ohio	8.50%
Alabama	6.50%	Delaware	8.70%
Arkansas	6.50%	California	8.84%
Tennessee	6.50%	Maine	8.93%
Oregon	6.60%	New Jersey	9.00%
Montana 1/	6.75%	Rhode Island	9.00%
North Carolina	6.90%	West Virginia	9.00%
Arizona	6.968%	Alaska	9.40%
<b>MARYLAND</b>	<b>7.00%</b>	Massachusetts	9.50%
North Dakota	7.00%	Vermont	9.75%
Kansas	7.35%	Minnesota	9.80%
<b>HIGHER THAN THE DISTRICT 2 STATES</b>			
Pennsylvania	9.99%	Iowa	12.00%
<b>NO TAX 6 STATES</b>			
Michigan (Single Business Tax)		Texas	
Nevada		Washington (Gross Receipts Tax)	
South Dakota		Wyoming	

1/ The rate is 7% for corporations making a "water's edge" election.

TABLE 18

STATE GROSS PREMIUMS TAX RATES ON FOREIGN LIFE INSURERS

DISTRICT OF COLUMBIA: 1.7% <sup>1/</sup>

LOWER THAN THE DISTRICT 5 STATES			
South Carolina	0.75%	Ohio	1.40%
Wyoming	0.75%	New York	1.50%
Nebraska	1.00%		
HIGHER THAN THE DISTRICT 43 STATES			
Connecticut	1.75%	Washington	2.00%
Florida	1.75%	West Virginia <sup>3/</sup>	2.00%
Indiana	1.75%	Wisconsin	2.00%
Iowa	1.75%	New Jersey	2.10%
Tennessee	1.75%	Georgia	2.25%
Texas	1.75%	Louisiana <sup>4/</sup>	2.25%
North Carolina <sup>2/</sup>	1.90%	Oklahoma	2.25%
Arizona	2.00%	Utah	2.25%
Colorado	2.00%	<b>VIRGINIA</b>	<b>2.25%</b>
Delaware	2.00%	Alabama	2.30%
Kansas	2.00%	California	2.35%
Kentucky	2.00%	Arkansas	2.50%
Maine	<b>2.00%</b>	South Dakota	2.50%
<b>MARYLAND</b>	2.00%	Alaska	2.70%
Massachusetts	2.00%	Hawaii	2.75%
Minnesota	2.00%	Montana	2.75%
Missouri	2.00%	Idaho	3.00%
New Hampshire	2.00%	Mississippi	3.00%
North Dakota	2.00%	New Mexico	3.00%
Pennsylvania	2.00%	Nevada	3.50%
Rhode Island	2.00%	Illinois <sup>5/</sup>	5.00%
Vermont	2.00%		
NO TAX 2 STATES			
Michigan (Single Business Tax)		Oregon	

<sup>1/</sup> The District levies an additional fee 0.30 percent to offset the administrative costs of regulations.

<sup>2/</sup> An additional 6.5% insurance regulatory charge applied to premium tax liability. An additional 1.33% premium tax for fire related insurance policies.

<sup>3/</sup> An additional 1% premium tax for fire and casualty insurance. There is also a surcharge on fire and casualty insurance policyholders that is equal to 1% of the gross direct premium paid on each policy.

<sup>4/</sup> Maximum rate.

<sup>5/</sup> An additional 1% premium tax for fire or fire related insurance policies.

TABLE 19

STATE GENERAL SALES AND USE TAX RATES

DISTRICT OF COLUMBIA: 5.75%

LOWER THAN THE DISTRICT 25 STATES			
Nevada (4.5)	2.00%	Utah (1.85%)	4.75%
Colorado (5.0%)	2.90%	Iowa (2%)	5.00%
Alabama (4.5%)	4.00%	Maine	5.00%
Georgia (3%)	4.00%	<b>MARYLAND</b>	<b>5.00%</b>
Hawaii	4.00%	Massachusetts	5.00%
Louisiana (5%)	4.00%	New Mexico 1/	5.00%
South Dakota (2%)	4.00%	North Dakota (2.0%)	5.00%
<b>VIRGINIA (1%)</b>	<b>4.00%</b>	South Carolina	5.00%
Wyoming (1%)	4.00%	Kansas (2%)	5.30%
Missouri (5.3125%)	4.225%	Wisconsin (.6%)	5.30%
New York (4.5%)	4.25%	Nebraska (2.6875%)	5.50%
North Carolina (3%)	4.50%	Arizona	5.60%
Oklahoma (5%)	4.50%		
HIGHER THAN THE DISTRICT 20 STATES			
Arkansas (5.5%)	6.00%	Pennsylvania (1%)	6.00%
California (2.50%)	6.00%	Vermont	6.00%
Connecticut	6.00%	West Virginia	6.00%
Florida	6.00%	Illinois (3%)	6.25%
Idaho	6.00%	Texas (2%)	6.25%
Indiana	6.00%	Minnesota (1%)	6.50%
Kentucky	6.00%	Washington (2.4%)	6.50%
Michigan	6.00%	Mississippi	7.00%
New Jersey	6.00%	Rhode Island	7.00%
Ohio (3%)	6.00%	Tennessee (2.75%)	7.00%
NO TAX 5 STATES			
Alaska			
Delaware			
Montana			
New Hampshire			
Oregon			

1/ .5% credit within municipal boundaries => 4.5% state rate within municipalities.

Note: Maximum local rates in parentheses

TABLE 20

STATE BEER TAX RATES

(Per Gallon, Alcoholic Content of 4.5%) <sup>1/</sup>

DISTRICT OF COLUMBIA: \$0.09

LOWER THAN THE DISTRICT 7 STATES			
Wyoming	\$ .02	Kentucky	\$ .08
Missouri	.06	Pennsylvania	.08
Wisconsin <sup>2/</sup>	.065	Oregon	.084
Colorado	.08		
SAME AS THE DISTRICT 1 STATE			
<b>MARYLAND</b>	<b>\$ .09</b>		
HIGHER THAN THE DISTRICT 42 STATES			
Rhode Island	\$ .097	Michigan	\$ .20
Massachusetts	.11	Arkansas	.23
New York	.11	<b>VIRGINIA</b>	<b>.256</b>
Indiana	.115	Washington <sup>3/</sup>	.26
New Jersey	.12	Vermont	.265
Montana	.14	South Dakota	.27
Tennessee <sup>2/</sup>	.14	New Hampshire	.30
Minnesota <sup>3/</sup>	.15	Nebraska	.31
Idaho	.15	Louisiana	.32
Delaware	.156	Alaska	.35
Arizona	.16	Maine	.35
Nevada	.16	Oklahoma	.40
North Dakota <sup>4/</sup>	.16	New Mexico <sup>5/</sup>	.41
Kansas	.18	Utah	.41
Ohio	.18	Mississippi	.43
West Virginia	.18	Georgia	.48
Illinois	.185	Alabama	.53
Iowa	.19	North Carolina	.53
Texas	.19	South Carolina	.77
California	.20	Florida	.89
Connecticut	.20	Hawaii	.93

<sup>1/</sup> Rates per 31-gallon barrel have been converted to rates per gallon. In some cases this required rounding of the per gallon rate.

<sup>2/</sup> Additional tax of 17% of wholesale price.

<sup>3/</sup> Credit allowed to small brewers.

<sup>4/</sup> \$.08 per gallon for bulk beer.

<sup>5/</sup> Rate is \$.08 per gallon for microbrewer.



TABLE 21

STATE LIGHT WINE TAX RATES  
(Per Gallon, Alcoholic Content of 12%)

DISTRICT OF COLUMBIA: \$0.30

MONOPOLY STATES 4 STATES			
New Hampshire		Utah 2/	
Pennsylvania 1/		Wyoming	
LOWER THAN THE DISTRICT 6 STATES			
Louisiana	\$ .11	Texas	\$ .20
New York	.19	Wisconsin	.25
California	.20	Colorado	.28
SAME AS THE DISTRICT 2 STATES			
Kansas	\$ .30	Minnesota	\$ .30
HIGHER THAN THE DISTRICT 38 STATES			
Ohio	\$ .32	Arkansas	\$ .75
Mississippi	.35	North Carolina	.79
Missouri	.36	Arizona	.84
<b>MARYLAND</b>	<b>.40</b>	Washington	.87
Idaho	.45	South Carolina	.90
Indiana	.47	South Dakota	.93
Kentucky	.50	Nebraska	.95
North Dakota	.50	Delaware	.97
Massachusetts	.55	West Virginia	1.00
Vermont	.55	Montana	1.02
Connecticut	.60	Tennessee	1.21
Maine	.60	Hawaii	1.38
Rhode Island	.60	Georgia	1.51
Michigan	.61	<b>VIRGINIA</b>	<b>1.51</b>
Oregon	.67	Alabama	1.70
Nevada	.70	Iowa	1.75
New Jersey	.70	New Mexico	1.90
Oklahoma	.72	Florida	2.25
Illinois	.73	Alaska	2.50

1/ 18% wine & liquor tax on top of a 30% markup.

2/ 13% wine & liquor tax on top of monopoly markup of at least 64.5%.

TABLE 22

STATE DISTILLED SPIRITS TAX RATES

(Per Gallon)

DISTRICT OF COLUMBIA: \$ 1.50

CONTROL BOARD STATES 18 STATES			
Alabama		Ohio	
Idaho		Oregon	
Iowa 1/		Pennsylvania 3/	
Maine		Utah 4/	
Michigan		Vermont	
Mississippi		<b>VIRGINIA</b>	
Montana		Washington	
New Hampshire		West Virginia	
North Carolina 2/		Wyoming	
SAME AS THE DISTRICT 1 STATE			
<b>MARYLAND</b>	<b>\$ 1.50</b>		
HIGHER THAN THE DISTRICT 31 STATES			
Kentucky	\$ 1.92	Nebraska	\$3.75
Missouri	2.00	Rhode Island	3.75
Colorado	2.28	Georgia	3.79
Texas	2.40	South Dakota	3.93
Alaska	2.50	Massachusetts	4.05
Arkansas 5/	2.50	New Jersey	4.40
Kansas	2.50	Tennessee	4.40
Louisiana	2.50	Connecticut	4.50
North Dakota	2.50	Illinois	4.50
Indiana	2.68	Minnesota	5.03
South Carolina	2.72	Oklahoma	5.56
Arizona	3.00	Hawaii	5.98
Wisconsin	3.25	New York	6.43
California	3.30	Florida	6.50
Nevada	3.60	New Mexico	6.75
Delaware	3.75 6/		

1/ 14.30% plus 50% markup.

2/ 25% Excise Tax. An additional 6% state sales tax.

3/ 18% wine & liquor tax on top of a 30% markup.

4/ 13% wine & liquor tax on top of at least 64.5% markup.

5/ Containing more than 21% of alcohol by weight.

6/ Distilled spirits less than 30% proof at \$1.10 per gallon.

TABLE 23

STATE CIGARETTE TAX RATES

(Per Pack of 20)

DISTRICT OF COLUMBIA: \$ 1.00

LOWER THAN THE DISTRICT 34 STATES			
Kentucky	\$ .03	Delaware	\$ .55
North Carolina	.05	Indiana	.55
South Carolina	.07	Ohio	.55
Missouri	.17	West Virginia	.55
Mississippi	.18	Idaho	.57
<b>VIRGINIA</b>	<b>.20</b>	Arkansas	.59
Tennessee	.20	Wyoming	.60
Florida	.339	Nebraska	.64
Iowa	.36	Utah	.695
Louisiana	.36	Montana	.70
Georgia	.37	Wisconsin	.77
Texas	.41	Kansas	.79
Alabama	.425	Nevada	.80
North Dakota	.44	Colorado	.84
Minnesota	.48	California	.87
New Hampshire	.52	New Mexico	.91
South Dakota	.53	Illinois	.98
SAME AS THE DISTRICT 3 STATES			
Alaska	\$1.00	<b>MARYLAND</b>	<b>\$1.00</b>
Maine	1.00		
HIGHER THAN THE DISTRICT 13 STATES			
Oklahoma	\$1.03	Washington	\$1.425
Arizona	1.18	New York	1.50
Vermont	1.19	Connecticut	1.51
Michigan	1.25	Massachusetts	1.51
Oregon	1.28	Rhode Island	1.71
Pennsylvania	1.35	New Jersey	2.40
Hawaii	1.4238		

TABLE 24

MOTOR FUEL TAX RATES

(Per Gallon)

DISTRICT OF COLUMBIA: \$ .20

LOWER THAN THE DISTRICT 20 STATES			
Georgia	\$ .075	Missouri	\$ .1703
Alaska	.08	<b>VIRGINIA</b>	<b>.175</b>
Wyoming	.14	Alabama	.18
Florida	.143	Arizona	.18
New Jersey	.145	Indiana	.18
Kentucky	.15	California	.18
Hawaii	.16	Mississippi	.18
South Carolina	.16	Illinois	.19
New Mexico	.17	Michigan	.19
Oklahoma	.17	New Hampshire	.195
SAME AS THE DISTRICT 4 STATES			
Louisiana	\$ .20	Texas	\$ .20
Minnesota	.20	Vermont	.20
HIGHER THAN THE DISTRICT 26 STATES			
Iowa	\$ .203	Oregon	\$ .24
West Virginia	.205	Utah	.245
Massachusetts	.21	North Carolina	.2455
North Dakota	.21	Maine	.252
Tennessee	.214	Connecticut	.25
Arkansas	.215	Idaho	.25
Colorado	.22	Nebraska	.254
South Dakota	.22	Ohio	.26
Delaware	.23	Montana	.27
Nevada	.23	Washington	.28
New York	.232	Wisconsin 1/	.291
<b>MARYLAND</b>	<b>.235</b>	Pennsylvania	.30
Kansas	.24	Rhode Island	.30

1/ Motor fuel tax rate will increase from \$0.291 to \$0.299, effective April 1, 2005.

TABLE 25

MOTOR VEHICLE SALES AND EXCISE TAXES

PAID AT TIME OF SALES OR TITLING  
46 STATES AND D.C.

<b>DISTRICT OF COLUMBIA: 1/ 6% of fair market value - 3,499 pounds or less 7% of fair market value - 3,500 pounds or more</b>			
Alabama (.125-2.5%)	2.00%	North Dakota	5.0%
Delaware	2.75%	South Carolina 2/	5.0%
Colorado	2.9%	West Virginia	5.0%
North Carolina	3.0%	Wisconsin (.6%)	5.0%
New Mexico	3.0%	Arkansas (0%-3%) 3/	5.125%
South Dakota	3.0%	Arizona (1.0%-3.5%)	5.6%
<b>VIRGINIA</b>	<b>3.0%</b>	Nebraska	5.5%
Wyoming (1%)	3.0%	California (1.25%-2.5%)	6.0%
Oklahoma	3.25%	Connecticut	6.0%
Georgia (3%)	4.0%	Florida	6.0%
Hawaii	4.0%	Kentucky	6.0%
Louisiana (1%-5%)	4.0%	Michigan	6.0%
Missouri (.375-3%)	4.225%	New Jersey	6.0%
New York (3.0%-4.5%)	4.25%	Pennsylvania	6.0%
Utah (1.85%)	4.75%	Ohio (0%-3%)	6.0%
Kansas (0%-2%)	4.9%	Vermont	6.0%
Idaho	5.0%	Illinois (.25%-1%)	6.25%
Indiana	5.0%	Texas	6.25%
Iowa	5.0%	Minnesota	6.5%
Maine	5.0%	Nevada	6.5%
<b>MARYLAND</b>	<b>5.0%</b>	Washington (.5%-2.4%) 4/	6.8%
Massachusetts	5.0%	Tennessee (2.75%) 5/	7.0%
Mississippi	5.0%	Rhode Island	7.0%
<b>NO TAX 4 STATES</b>			
Alaska			
Montana			
New Hampshire			
Oregon			

1/ Tax does not apply to vehicles previously titled in another jurisdiction, when owners move to the District.

2/ Maximum of \$300.00.

3/ Local sales taxes are capped at \$25 per 1 percent of tax on a single transaction.

4/ Includes 0.3% sales and use tax that only applies to sales or leases of new or used motor vehicles.

5/ Maximum of \$44.00 (2.75% on 1<sup>st</sup> \$1,600). Memphis tax maximum is \$36 (2.25% of 1<sup>st</sup> \$1,600); additional state tax is maximum of \$44 (2.75% of excess single article sale over \$1,600 to \$3,200).

TABLE 26

STATE MOTOR VEHICLE REGISTRATION FEES

Automobile Costing \$7,900, Bought New and Weighing 3,522 Pounds  
(4-Door, 6-Passenger, 8-Cylinder)

DISTRICT OF COLUMBIA: \$ 115.00 <sup>1/</sup>

LOWER THAN THE DISTRICT 49 STATES			
Arizona <sup>2/</sup>	\$ 8.00	West Virginia	\$ 30.00
Indiana	12.00	New Hampshire	31.20
Kentucky	12.00	Florida	32.50
South Carolina	12.00	Nevada	33.00
Mississippi	15.00	Washington <sup>3/</sup>	33.75
Nebraska	15.00	Alaska	34.00
Oregon	15.00	Connecticut	35.00
Wyoming	15.00	Pennsylvania	36.00
Montana	18.75	Missouri	39.00
Delaware	20.00	Ohio <sup>4/</sup>	39.50
Georgia	20.00	New Mexico	42.00
North Carolina	20.00	South Dakota	42.00
Tennessee	21.50	Vermont	43.00
New York	22.50	Hawaii	46.42
Alabama	23.00	Idaho	48.00
Utah	24.50	Wisconsin	55.00
Arkansas	25.00	Texas	59.80
Kansas	25.00	<b>MARYLAND</b> <sup>5/</sup>	<b>64.00</b>
Maine	25.00	Illinois	78.00
Massachusetts	25.00	North Dakota	79.00
Louisiana	26.50	New Jersey	81.00
Colorado	28.74	Oklahoma	93.00
<b>VIRGINIA</b>	<b>29.50</b>	Iowa	93.00
California	30.00	Minnesota <sup>6/</sup>	108.75
Rhode Island	30.00		
OTHER BASIS			
Michigan			

<sup>1/</sup> \$72 (3,499 lbs. or less); \$115 (3,500 lbs. to 4,999 lbs.); \$155 (5,000 lbs. and over); and \$36 (clean fuel or electric vehicle).

<sup>2/</sup> There is also a \$1.50 fee earmarked for air quality.

<sup>3/</sup> Does not include local vehicle excise taxes levied in certain urban areas.

<sup>4/</sup> Local fees not included.

<sup>5/</sup> Includes \$13.50 fee earmarked for Emergency Medical Services System.

<sup>6/</sup> Maximum tax.

TABLE 27

STATE REAL ESTATE DEED RECORDATION AND TRANSFER TAX RATES

(Per \$500 of Consideration)

DISTRICT OF COLUMBIA: \$ 15.00

LOWER THAN THE DISTRICT 36 STATES			
Colorado	\$ .05	South Carolina	\$ 1.85
Alabama	.50	Tennessee	1.85
Georgia	.50	Arizona	2.00
Hawaii	.50	New Jersey <sup>1/</sup>	2.00
Illinois	.50	New York	2.00
Ohio	.50	Rhode Island	2.00
South Dakota	.50	Massachusetts (\$10.25)	2.28
Oklahoma	.75	<b>MARYLAND (\$ 10.25) <sup>2/</sup></b>	<b>2.50</b>
Iowa	.80	Nevada <sup>3/</sup>	2.55
Nebraska	.875	Connecticut	3.05
North Carolina	1.00	Florida	3.50
Maine	1.10	Kentucky	3.50
West Virginia (\$1.10)	1.10	Michigan (.55%)	3.75
Kansas	1.30	Pennsylvania (\$5.00)	5.00
Wisconsin	1.50	Vermont	5.00
<b>VIRGINIA (\$ .25)</b>	<b>1.25</b>	Washington (\$2.50)	6.40
Arkansas	1.65	New Hampshire	7.50
Minnesota	1.65	Delaware (\$5.00)	10.00
NO TAX 14 STATES			
Alaska		Montana	
California (\$ .55)		New Mexico	
Idaho		North Dakota	
Indiana		Oregon	
Louisiana		Texas	
Mississippi		Utah	
Missouri		Wyoming	

NOTE: Maximum local rate in parentheses.

<sup>1/</sup> An additional tax of \$3.35 per \$500 of consideration in excess of \$150,000 but not in excess of \$200,000 is also imposed. An additional tax of \$3.90 is imposed for every \$500 of consideration in excess of \$200,000.

<sup>2/</sup> State transfer tax rate only. Rate is \$1.25 for first-time home buyers. State recordation tax is only collected in certain instances and is not reflected in this number.

<sup>3/</sup> In county whose population is 400,000 or less, \$1.95 to \$2.00.

TABLE 28

TYPES OF STATE INHERITANCE AND ESTATE TAXES

INHERITANCE TAX STATES WITH AN ESTATE TAX TO ABSORB FEDERAL CREDIT 12 STATES	
Connecticut Idaho Indiana Iowa Kentucky  Louisiana	<b>MARYLAND</b> <sup>1/</sup> Nebraska New Hampshire New Jersey Pennsylvania  Tennessee
ESTATE TAX STATES WITH AN ESTATE TAX TO ABSORB FEDERAL CREDIT 10 STATES	
Alaska Illinois Massachusetts Mississippi Montana	Ohio Oklahoma Rhode Island South Dakota West Virginia
ESTATE TAX TO ABSORB FEDERAL CREDIT 29 STATES AND D.C.	
Alabama Arizona Arkansas California Colorado  Delaware <b>District of Columbia</b> <sup>2/</sup> Hawaii Florida Georgia  Kansas Maine Minnesota <sup>3/</sup> Michigan Missouri	Nevada New Mexico New York North Carolina <sup>4/</sup> North Dakota  Oregon South Carolina Texas Utah Vermont  <b>VIRGINIA</b> Washington <sup>5/</sup> Wisconsin <sup>6/</sup> Wyoming

<sup>1/</sup> Decoupled from federal estate tax except for thresholds.

<sup>2/</sup> The District's Estate Tax is no longer in conformity with the Federal Estate Tax. Except for raising the filing threshold from \$600,000 to \$675,000 (January 1, 2002), the District's Inheritance and Estate Tax Act of 2002 retains all aspects of the District Estate Tax, as it existed on January 1, 1986. Hence, the District Estate Tax is decoupled from recent and forthcoming Federal Estate Tax law changes as stipulated in the Federal Economic Growth and Tax Relief Reconciliation Act of 2001.

<sup>3/</sup> Tax equal to the maximum credit for state death taxes allowed against the Federal Estate Tax under pre 2001 federal law.

<sup>4/</sup> NC will not conform to the phase-out of the state death tax credit enacted in the Federal Economic Growth and Tax Relief reconciliation Act of 2001 until July1, 2005. For estates of decedents dying prior to July 1, 2005, the NC estate tax is equal to the state death tax credit for federal purposes without regard to the phase-out and termination of the federal credit.

<sup>5/</sup> Phased out pursuant to 2001 legislative enacted by Congress and affirmed by a February 3, 2005 ruling by the Washington State Supreme Court.

<sup>6/</sup> For deaths after September30, 2002, and before January 1, 2008, Wisconsin's estate tax equals the credit allowed under federal law in effect in December 31, 2000. Thus, Wisconsin will not follow phase-out of the state death tax credit enacted in the Federal Economic Growth and Tax Relief Reconciliation Act of 2001, until January 1, 2008.



**OFFICE LOCATIONS AND TELEPHONE NUMBERS**  
**Government of the District of Columbia**  
**Office of the Chief Financial Officer**  
**John A. Wilson Building**  
**1350 Pennsylvania Avenue, NW, Suite 203**  
**Washington, DC 20004**

---

Office hours: Monday through Friday, 8:00 a.m. – 6:00 p.m.  
(202) 727-2476

**Office of the Chief Financial Officer**

Natwar M. Gandhi, Chief Financial Officer  
Lucille Dickinson, Chief of Staff  
Jerry L. Malone, General Counsel  
Angell Jacobs, Chief of Operations  
James Hightower, Interim Chief Information Officer  
Paul Lundquist, Executive Director for Management and Administration  
Maryann Young, Public Affairs Officer  
Sebastian Lorigo, Executive Director for Integrity and Oversight  
John P. Ross, Director and Senior Advisor for Economic Development Finance

**Office of Revenue Analysis**

Julia Friedman, Deputy Chief Financial Officer  
441 4<sup>th</sup> Street, NW, Suite 410 South, Washington, DC 20001  
(202) 727-7775

**Office of Budget and Planning**

Bert Molina, Deputy Chief Financial Officer  
1350 Pennsylvania Avenue, NW, Suite 229, Washington, DC 20004  
(202) 727-6343

**Office of Finance and Treasury**

Lasana Mack, Acting Deputy Chief Financial Officer and Treasurer  
441 4<sup>th</sup> Street, NW, Suite 360 North, Washington, DC 20001  
(202) 727-6055

**Office of Financial Operations and Systems**

Anthony F. Pompa, Deputy Chief Financial Officer  
810 1st Street, NE, Suite 200, Washington, DC 20002  
(202) 442-8200

**Office of Tax and Revenue**

Sheryl Hobbs-Newman, Deputy Chief Financial Officer  
941 North Capitol Street, NE, Suite 800, Washington, DC 20002  
(202) 442-6200

**Government Directions**

Barbara D. Jumper, Associate Chief Financial Officer

**Economic Development and Regulation**

Henry W. Mosley, Associate Chief Financial Officer

**Government Services**

Pamela D. Graham, Associate Chief Financial Officer

**Public Safety and Justice**

Steward D. Beckham, Associate Chief Financial Officer

**Human Support Services**

Deloras A. Shepherd, Associate Chief Financial Officer



**Prepared By:**

**Government of The District of Columbia**

Office of Revenue Analysis

441 4<sup>th</sup> Street, NW

Suite 410 South

Washington, D.C. 20001

(202) 727-7775