Revenue

Introduction

This chapter presents the revenue outlook for the District of Columbia's General Fund for the FY 2008 to FY 2012 period. Since revenues are affected by the performance of the D.C. economy, this chapter includes a discussion of the economic outlook for the District of Columbia.

The first part of the chapter includes a description of the revenue-estimating assumptions for both the short run (FY 2008 and FY 2009) and over the longer term (FY 2010 – FY 2012). The chapter then turns to the outlook for the specific sources of revenue that flow to the General Fund. These include various tax and non-tax sources of non-dedicated revenue, as well as special purpose non-tax sources which consist of fees, fines, assessments, and reimbursements dedicated to the District of Columbia agency that collects the revenues. For each General Fund revenue source, a description of that revenue source is provided, along with a discussion of factors affecting the revenue being generated by that source.

This chapter also provides information on special funds financed by certain tax revenues. These dedicated tax revenues, which are not available for general budgeting, are transferred to the following funds: Convention Center, Tax Increment Financing, the Ballpark Fund, the Highway Trust Fund, the District Department of Transportation's Unified Fund, the School Modernization Fund, the Housing Production Trust Fund, the Comprehensive Housing Task Force Fund, the Neighborhood Investment Fund, the Nursing Facility Quality of Care Fund and the Healthy DC Fund.

The chapter concludes with a description of the procedures used to estimate revenue, followed by a presentation of additional detail on what the District of Columbia taxes and collects, and how much revenue these taxes and non-tax revenues yield.

D.C. Code § 47-318.01(b) requires the Chief Financial Officer to prepare, on a biennial basis a tax expenditure budget that estimates the revenue loss to the District government from each tax expenditure for the current fiscal year and the next 2 fiscal years. The tax expenditure budget for FY 2008 to FY 2011 is presented as an appendix to this chapter.

Summary

The revenue outlook for this year's Budget and Financial Plan is strongly influenced by two factors: (1) the slowdown occurring in the national economy and (2) D.C.'s real estate markets. The most recent national employment and output numbers are the worst in over four years and national credit and equity markets are experiencing great difficulties. How much the national economy will slow down and for how long is very uncertain. The revenue forecast for the District assumes that the deteriorating condition of the national economy will have an adverse impact on District revenues, but it is not a "worst case" forecast.

The baseline forecast assumes that revenue growth will slow in FY 2008. However, moderate growth is still forecast to occur each year in the forecast period. Revenue growth in FY 2008 and FY 2009 is also affected by several policy initiatives, including changes to the real property tax, changes in fees, and improved tax compliance. The policy initiatives are spelled out in the Policy Proposals section later in the chapter.

In FY 2008 unrestricted General Fund revenue (net revenue after fund dedication[1]) is expected to increase by $76.5 million from FY 2007. (See Table 4-1.) This represents a 1.5 percent increase over the prior year, just a fraction of the 10.8 percent rate of growth that occurred in FY 2007. For FY 2009, the revenue gain (again, after fund dedication) is forecast to be $306.3 million or 5.8 percent more than FY 2008. For the remaining years of the plan unrestricted revenue is expected to grow between 4.6 percent and 5.0 percent.

The slowdown in revenue growth in FY 2008 follows four years of rapid growth. From FY 2003 to FY 2007 total unrestricted General Fund revenue grew a total of $1,511 million, or 41.2 percent. During this time dedicated General Fund revenue grew much more rapidly than unrestricted revenue. Dedicated General Fund revenue increased by $490.9 million over the 4 years, a 193 percent increase. Starting in FY 2009, dedicated funds no longer account for a growing share of revenue.

Table 4-1

Actual and Estimated Revenue for FY 2004 – FY 2010: Unrestricted and Dedicated

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Est.	FY 2009 Est.	FY 2010 Est.
Unrestricted General Fund Revenue							
Baseline estimate ($M)	4,062.4	4,466.0	4,674.7	5,180.0	5,255.3	5,374.2	5,639.1
Policy initiatives ($M)					1.2	188.7	192.5
Total unrestricted revenue ($M)	4,062.4	4,466.0	4,674.7	5,180.0	5,256.6	5,562.9	5,831.6
Change from prior year ($M)	393.1	403.6	208.7	505.3	76.5	306.3	268.7
% change from prior year	*10.7*	*9.9*	*4.7*	*10.8*	*1.5*	*5.8*	*4.8*
Dedicated Revenue							
Baseline estimate ($M)	379.6	518.7	630.6	745.8	858.2	894.7	904.6
Policy initiatives ($M)					0.4	-3.7	-0.2
Total dedicated revenue ($M)	379.6	518.7	630.6	745.8	858.6	891.0	904.5
Change from prior year ($M)	124.8	139.1	111.8	115.2	112.9	32.4	13.5
% change from prior year	*49.0*	*36.6*	*21.6*	*18.3*	*15.1*	*3.8*	*1.5*
Total Revenue							
Baseline estimate ($M)	4,442.0	4,984.7	5,305.3	5,925.8	6,113.6	6,268.9	6,543.8
Revenue initiatives ($M)					1.7	185.0	192.4
Total revenue ($M)	4,442.0	4,984.7	5,305.3	5,925.8	6,115.2	6,453.9	6,736.2
Change from prior year ($M)	517.9	542.7	320.6	620.5	189.4	338.7	282.3
% change from prior year	*13.2*	*12.2*	*6.4*	*11.7*	*3.2*	*5.5*	*4.4*

Source: OCFO Unrestricted General Fund revenue consists of tax and non-tax revenue available for appropriation that has not been dedicated for a particular purpose. Dedicated revenues are tax and non-tax receipts (including "O-type" funds) dedicated to the Convention Center, Tax Increment Financing, the Ballpark Fund, the Highway Trust Fund, the District Department of Transportation's Unified Fund, the School Modernization Fund, the Housing Production Trust Fund, the Comprehensive Housing Task Force Fund, the Neighborhood Investment Fund, the Nursing Facility Quality of Care Fund, the Healthy DC Fund, and other purposes. The baseline estimate is the revenue estimate transmitted in the May 7, 2008 letter to the Mayor and Council (except for "O-type" revenues which are not included in the revenue estimate letter). For details of each revenue type see Table 4-19. Policy initiatives are detailed in Table 4-19, Exhibit B. The fiscal years shown in this table differ from those shown in latter tables in order to highlight the comparison between the last 4 fiscal years and the years 2008 through 2010.

1 Before the dedication of revenue for the Convention Center, Tax Increment Financing, the Ballpark Fund, the Highway Trust Fund, the District Department of Transportation's Unified Fund, the School Modernization Fund, the Housing Production Trust Fund, the Comprehensive Housing Task Force Fund, the Neighborhood Investment Fund, the Nursing Facility Quality of Care Fund and the Healthy DC Fund. The revenue number includes "O" type revenues.

The Economic Outlook

In the spring of 2008 a number of developments heightened concerns that a significant slowdown in the U.S. economy was occurring. On a seasonally adjusted basis, U.S. employment in March 2008 was 240,000 below December 2007, the first three successive months reduction in employment in five years. In April the Bureau of Economic Analysis reported that real GDP growth fell to 0.6 percent in the March 2008 quarter on a seasonally adjusted basis, the lowest rate of growth in five years (except for both the first and last quarters of CY 2007 when the rate was also 0.6 percent). In March, the stock market declined, ending the month 10.4 percent below the end of December and 5.8 percent below a year earlier. Credit has tightened, investment is down, and unemployment is rising. Nationally, the sales prices of existing houses are declining. At the same time, led by high energy prices, for the first quarter of 2008 the U.S. Consumer Price Index was 4.1 percent higher than a year earlier.

In the past, when the U.S. economy has slowed the District's economy has also. This happened in the early 1990's and again before the 2001 recession. In both instances D.C. revenues were adversely affected. The bursting of the stock market bubble in 2001 was the most significant reason for the decline in D.C. revenues in FY 2003.

The FY 2009 Budget and Financial Plan takes into account the national economic slowdown, with its probable resulting adverse impact on the District of Columbia economy and revenues. However, this is not a "worst-case" scenario. That degree of pessimism is not warranted by evidence currently available.

According to the Nelson A. Rockefeller Institute of Government, in the fourth calendar quarter of 2007 state tax revenue (adjusted for legislative tax changes and inflation) declined by 4.3 percent, the largest decline since the first quarter of 2003.[2] To this point, the District has not seen such reductions. In the fourth quarter of 2007 the District's major state-type taxes (general sales, individual income, and corporate franchise) increased by an inflation-adjusted 4.1 percent. Total tax collections (unadjusted for inflation) were also up by 6.4 percent in the first half of FY 2008 compared to the comparable period of FY 2009.

Based on recent economic indicators, there are reasons to be hopeful that the District's economy will be able to do as well or better than the national economy as the U.S. economy slows. Over the past six months, job growth in D.C. (mostly in the private sector) has been stronger than in both the U.S. and the entire Washington metropolitan area. (In the first quarter of 2008, jobs were up 1.1 percent in D.C., 0.8 percent in the metro area, and 0.6 percent for the U.S.) The OFHEO house price index for the 4th quarter of 2007 shows prices up 1.9 percent in D.C., compared to a 0.8 percent increase in the U.S. as a whole and a 2.9 percent decrease for the Washington D.C. metropolitan area.

The current revenue forecast is a cautious one, but not a worst case one. The forecast assumes the stock market will lose ground in FY 2008 and that the average selling price of homes will decline in both FY 2008 and FY 2009. Employment and wages edge downward, commercial office vacancies rise, real property transfers slow down, and construction projects are delayed.

The estimating assumptions for FY 2008 and FY 2009, respectively, include 1.1 percent and 0.4 percent growth in total jobs; 5.2 percent and 4.0 percent increases in the personal income of District residents; and inflation of 3.8 and 2.3 percent. In FY 2008 the stock market is expected to decrease by 4.7 percent, and from FY 2007 through FY 2009 the average selling price of homes is expected to decrease by a total of 4.0 percent. The largest increases in jobs are expected to be in professional, business, education, and health services, the District's leading private sector service industries.

Major Taxes

One of the benefits of the unique status of the District of Columbia, which has both local and state government responsibilities, is that its revenue system draws from a broad range of tax sources. The different ways these sources are connected to the economy help to explain why D.C. revenue growth can be expected to grow moderately in the face of a slowing economy.

2 Alison J. Grinnell and Robert B. Ward, State Tax Revenue Falters Again, Nelson A. Rockefeller Institute of Government, March 2008, No. 71.

Table 4-2

Actual and Estimated Taxes (before fund dedication) for FY 2004 – FY 2010: Major Taxes and Other Taxes

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Est.	FY 2009 Est.	FY 2010 Est.
Major tax revenue							
Baseline estimate ($M)	3,333.0	3,741.7	4,014.6	4,589.0	4,782.4	4,913.0	5,200.1
Policy initiatives ($M)					-0.3	115.7	118.4
Total major tax revenue ($M)	3,333.0	3,741.7	4,014.6	4,589.0	4,782.1	5,028.7	5,318.5
Change from prior year ($M)	409.1	408.7	272.9	574.4	193.1	246.6	289.8
% change from prior year	*14.0*	*12.3*	*7.3*	*14.3*	*4.2*	*5.2*	*5.8*
All other tax revenue							
Baseline estimate ($M)	471.6	507.3	501.8	565.9	538.3	549.1	547.4
Policy initiatives ($M)						25.5	28.5
Total all other taxes ($M)	471.6	507.3	501.8	565.9	538.3	574.6	575.9
Change from prior year ($M)	11.4	35.7	-5.5	64.1	-27.5	36.2	1.3
% change from prior year	*2.5*	*7.6*	*-1.1*	*12.8*	*-4.9*	*6.7*	*0.2*
Total tax revenue							
Baseline estimate ($M)	3,804.6	4,249.0	4,516.3	5,154.8	5,320.7	5,462.0	5,747.4
Policy initiatives ($M)					-0.3	141.2	146.9
Total all other sources ($M)	3,804.6	4,249.0	4,516.3	5,548.8	5,320.4	5,603.3	5,894.3
Change from prior year ($M)	420.5	444.4	267.3	638.5	165.6	282.8	291.1
% change from prior year	*12.4*	*11.7*	*6.3*	*14.1*	*3.2*	*5.3*	*5.2*

Source: OCFO Major taxes are: real property taxes, general sales and use tax, individual income tax, corporate and unincorporated business franchise taxes, and deed taxes (deed recordation, deed transfer, and economic interest taxes). The baseline estimate is the revenue estimate transmitted in the May 7, 2008 letter to the Mayor and Council. For details of each tax category see Table 4-19. Policy initiatives are detailed in Table 4-19, Exhibit B. The fiscal years shown in this table differ from those shown in latter tables in order to highlight the comparison between the last 4 fiscal years and the years 2008 through 2010.

In FY 2007, 89.0 percent of all D.C. tax revenues (including all dedicated taxes) were derived from these major taxes: the real property tax, the general sales tax, the individual income tax, business income taxes, and taxes on real estate transactions. As discussed below, based on their relationship to the economy, these taxes fall into three groups:

- the general sales tax and withholding (derived principally from monthly flows of transactions and earnings);
- the real property and deed taxes (derived from the assessed value of all real property and real property transactions); and
- business income taxes and the non-withholding part of the individual income tax (derived from profits and changes in the value of financial assets).

General sales tax and withholding for individual income tax. These taxes are most directly connected to employment and earnings in the economy. The general sales tax and withholding portion of the individual income tax account for:

- 37.5 percent of total tax revenue (before fund dedication) in FY 2007; and
- 17.1 percent of total tax growth from FY 2005 to FY 2007 compared to 38.0 percent of growth forecast from FY 2007 to FY 2009.

Almost half of the general sales tax results from hotel stays and restaurant sales. In FY 2005 sales taxes grew rapidly in part because of the opening of the World War II Memorial and other attractions and the presidential inaugural, although increases in construction (taxes on materials) and house sales (furniture sales and the like) also appear to have contributed. In FY 2007

Table 4-3

Actual and Estimated General Sales and Individual Income Tax Withholding for FY 2004 – FY 2010:

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Est.	FY 2009 Est.	FY 2010 Est.
Baseline estimate							
General Sales Tax ($M)	733.2	861.1	908.9	960.9	964.8	1,031.9	1,083.1
Withholding for the Individual Income Tax $M)	875.6	918.7	970.5	974.8	1,000.5	1,068.8	1,137.8
Subtotal ($M)	1,608.8	1,779.8	1,879.4	1,934.8	1,965.3	2,100.7	2,221.0
Policy initiatives ($M)						4.7	4.4
Total ($M)	1,608.8	1,779.8	1,879.4	1,934.8	1,965.3	2,105.4	2,225.4
Change from prior year ($M)	102.4	171.0	99.6	55.3	30.5	140.1	120.0
% change from prior year	*6.8*	*10.6*	*5.6*	*2.9*	*1.6*	*7.1*	*5.7*

Source: OCFO. Revenues for withholding estimated by the Office of Revenue Analysis. The baseline estimate is the revenue estimate transmitted in the May 7, 2008 letter to the Mayor and Council. Policy initiatives are detailed in Table 4-19, Exhibit B. Amounts include dedicated funds.

withholding grew more slowly than would have been expected given the growth in the economy because of a reduction in individual income tax rates. The percentage growth in general sales and withholding in FY 2008 is below, and FY 2009 is above, the rate of growth in D.C. Personal Income in those years (5.2 percent in FY 2008 and 4.0 percent in FY 2009).

Real property and deed taxes. Rising real estate assessments and the increase in the value of real property transactions have been a major source of the District's extraordinary revenue growth in the past several years and will continue to be a strong factor in FY 2008 and FY 2009. Real property and property transaction taxes (deed transfer, deed recordation, and economic interest taxes) account for:

- 36.7 percent of total tax revenue (before fund dedication) in FY 2007;
- 53.5 percent of total tax revenue growth from FY 2005 to FY 2007, and 77.7 percent of growth forecast from FY 2007 to FY 2009.

In FY 2006 the assessed market value of all taxable property in the District (before the application of any caps or credits) for taxes collected in those years increased 15.4 percent, and accelerated by another 24.2 percent for FY 2007. While the rate of increase in assessed values for FY 2008 and FY 2009 will be less than for FY 2007, the decline is not precipitous and assessed

Table 4-4

Actual and Estimated Real Property and Deed Tax Revenues for FY 2004 – FY 2010

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Est.	FY 2009 Est.	FY 2010 Est.
Baseline estimate ($M)							
Real property tax ($M)	947.7	1,060.6	1,153.8	1,448.7	1,715.0	1,856.6	1,992.2
All deed taxes ($M)	353.1	347.6	360.4	443.9	373.7	283.5	276.0
Subtotal ($M)	1,300.7	1,408.2	1,514.2	1,892.6	2,088.8	2,140.1	2,268.1
Policy initiatives ($ M)						100.9	102.3
Total ($M)	1,300.7	1,408.2	1,514.2	1,892.6	2,088.8	2,241.1	2,370.4
Change from prior year ($M)	234.7	107.5	106.0	378.4	196.2	152.3	129.3
% change from prior year	*22.0*	*8.3*	*7.5*	*25.0*	*10.4*	*7.3*	*5.8*

Source: OCFO. Revenues for withholding estimated by the Office of Revenue Analysis. The baseline estimate is the revenue estimate transmitted in the May 7, 2008 letter to the Mayor and Council. Policy initiatives are detailed in Table 4-19, Exhibit B. Amounts include dedicated funds.

values will continue to rise faster than general measures of the D.C. economy such as Personal Income. For FY 2008, the assessed market-value of real property (which is based on property values as of January 1, 2007) is an estimated 15.6 percent higher than the prior year, and assessed values for FY 2009 (which are based on property values as of January 1, 2008) are expected to rise by 9.4 percent. Deed tax collections are expected to slow down in FY 2008 and FY 2009 due to the falling total value of sales of residential and commercial property.

Business income and non-withholding part of the individual income tax. [3]

These taxes are connected to the most volatile parts of the national and District economies—the stock market, credit markets, and corporate and unincorporated business profits. These taxes provided a more than proportionate share of the revenue growth in the FY 2005 to FY 2007 period, and in turn are a principal contributor to the slowdown in revenues in Fiscal Years 2008 and 2009. The business income and non-withholding part of the individual income tax account for:

- 14.8 percent of total tax revenue (before fund dedication) in FY 2007;
- 22.9 percent of total tax revenue growth from FY 2005 to FY 2007, compared to minus 17.7 percent of growth forecast from FY 2007 to FY 2009.

At the end of March, the U.S. stock market (as measured by the S and P 500 Index) was 5.8 percent below a year earlier and this revenue forecast assumes it will be 4.7 percent below last year for the remainder of the fiscal year. The poor outlook for both the stock market and corporate profits as the economy slows is a major contributor to the expected slowdown in District revenues.

Risks

As indicated, many signs point to the slowing of the national economy, but how much the economy will slow and for how long is unknown. The April Blue Chip Economic Indicators report noted in summarizing the forecasts of 50 private sector economists for the period through 2009: "More than half our panelists now say the economy has already entered or will slip into a recession this year … [but] none of our panelists currently predict a particularly deep or protracted downturn in the economy."[4]

A national downturn more severe than is now currently anticipated is a major risk to the District's current revenue forecast. A national

Table 4-5

Actual and Estimated Business Income Taxes and Non-withholding for the Individual Income Tax for FY 2004 – FY 2010

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Est.	FY 2009 Est.	FY 2010 Est.
Baseline estimate							
Non-withholding for individual income tax ($M)	166.7	241.4	263.1	339.0	321.7	239.1	254.0
Corporate income tax ($M)	168.4	195.5	215.3	255.5	255.2	262.6	269.4
Unincorporated business income tax ($M)	88.3	116.9	142.6	167.0	151.4	170.4	187.6
Subtotal ($M)	423.4	553.7	620.9	761.6	728.3	672.2	711.0
Policy initiatives ($M)					-0.3	10.1	11.7
Total ($M)	423.4	553.7	620.9	761.6	728.0	682.3	722.7
Change from prior year ($M)	72.0	130.3	67.2	140.6	-33.6	-45.8	40.5
% change from prior year	*20.5*	*30.8*	*12.1*	*22.6*	*-4.4*	*-6.3*	*5.9*

Source: OCFO. Non-withholding for the individual income tax, estimated by ORA, consists of declarations, payments with returns, refunds, and fiduciary returns.
The baseline estimate is the revenue estimate transmitted in the May 7, 2008 letter to the Mayor and Council. Policy initiatives are detailed in Table 4-19, Exhibit B.

3 The non-withholding part of the individual income tax consists of declarations, payments with returns, refunds, and fiduciary returns.

4 Blue Chip Economic Indicators, Aspen Publishers, April 10, 2008, Summary, p.1

recession, with its consequent impact on the District tax bases, could quite quickly adversely affect revenues derived from tourism, construction, and real property transactions, and if accompanied by a sharp fall in the stock market and corporate profits could result in smaller payments and unusually large refunds for individual income and business income taxes in FY 2009. Another risk is that further deterioration in the economy and in credit markets could adversely affect residential or commercial real property values more than has already been assumed. Most of the decrease in value, however, will be reflected in FY 2010 revenues rather than in FY 2009.

Also, driven by higher oil and food prices and a possible slowing in productivity growth, inflation may yet become a real threat to the national economy. Rising inflation combined with current imbalances in the economy—in particular, the high budget and trade deficits—could lead to higher long-term interest rates. Although the District's revenue estimates assume a gradual rise in long-term interest rates, more rapid increases in interest rates could cause more slowing of growth in the real estate market than we are forecasting.

One of the stabilizing factors in the District's economy is the presence of the federal government. The pattern of federal expenditures is, however, also a significant risk factor for D.C. In FY 2005 federal spending in D.C. for wages, benefits, procurement, and grants to the District government was $37.6 billion. Federal employment accounts for almost 30 percent of all D.C. jobs and almost 1/3 of all wages and salaries, and many more people are employed as a result of contracting. Security concerns arising out of 9/11 and the Iraq war have resulted in large increases in government spending that benefited the Washington D.C. area. However, in FY 2005 (the latest year for which data are available) the level of procurement spending in the District was virtually unchanged from FY 2004. According to the George Mason Center for Regional Analysis, the annual increases in federal procurement in the Washington D.C. metropolitan area will be less in the next five years than in the most recent five-year period. Efforts to reduce spending over the next few years to bring greater balance to federal fiscal policy could also dampen growth in the District of Columbia.

Economic Assumptions for the FY 2009-2012 Revenue Estimates and Financial Plan

The U.S. Economy

As indicated earlier, a number of recent indicators show that the national economy has been slowing down. According to the U.S. Bureau of

Table 4-6

Selected U.S. Economic Indicators, CY 2006Q4 – 2008Q1

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

	2006Q4	2007Q1	2007Q2	2007Q3	2007Q4	2008Q1
GDP						
Real	2.6	1.5	1.8	2.8	2.5	2.5
Nominal	5.3	4.5	4.7	5.3	5.1	4.7
Employment (wage and salary)	**1.7**	**1.5**	**1.4**	**1.2**	**0.9**	**0.4**
Income						
Wages	6.5	5.9	6.1	6.3	4.7	3.7
Total Personal Income	6.0	6.4	6.1	6.4	5.8	4.5
Inflation (CPI)	**1.9**	**2.4**	**2.7**	**2.4**	**4.0**	**4.1**
S & P 500 (Level)	**1390**	**1425**	**1496**	**1491**	**1494**	**1353**
Change from Prior Quarter	7.9	2.6	5.0	-0.4	0.4	-9.5
Change from Prior Year	12.9	11.1	16.7	15.7	2.2	-5.1
Interest Rate (10-yr. Treasuries)	**4.6**	**4.7**	**4.5**	**4.1**	**4.0**	**3.6**

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

Economic Analysis, U.S. Real Gross Domestic Product in the quarter ending March 31, 2008, was 2.5 percent over the same quarter a year earlier, the same as in the previous quarter. Nominal Gross Domestic Product and personal income in the quarter that ended March 31, 2008 were 4.7 percent and 4.5 percent higher, respectively, than in the same quarter of 2007. (See table 4-6.) In the quarter ending March 31, 2008, employment was up 0.4 percent, and wage and salary earnings were up 3.7 percent from the prior year.

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

Highlights of the forecasts for the United States economy are:

- *Slower GDP growth.* In real terms, economic growth is forecast by Blue Chip Economic Indicators to decline in FY 2008, and then increase slightly in FY 2009. The real and nominal growth rates forecast by CBO for FY 2008 would represent the lowest in six years. Growth rates in nominal GDP for the U.S. are expected by Blue Chip Economic Indicators to be 4.1 percent in FY 2008 and 4.1 percent again in FY 2009.
- *Slower growth in wages and salaries.* According to the CBO, wage and salary growth will be 4.2 percent in both FY 2008 and FY 2009, compared to 5.9 percent in FY 2007.
- *Inflation will not fall until FY 2009.* According to Blue Chip Economic Indicators, the Consumer Price Index (CPI), is expected to increase 3.8 percent in FY 2008, falling to 2.5 percent in FY 2009. In the second quarter of FY 2008 the CPI increased at a rate of 4.1 percent above the same quarter of FY 2007
- *Interest rates remain low.* The interest rate on 10-year Treasury securities is expected to be below FY 2007's average rate (4.7 percent). According to the Blue Chip Economic Indicators, the rate will be 3.9 percent for FY 2008 and 4.1 percent in FY 2009.
- *Stock market decline.* Neither the Blue Chip Economic Indicators nor CBO provide a stock market forecast. Global Insight expects the stock market to decline in FY 2008 by 4.7 percent, with 4.6 percent growth returning in FY 2009. The Financial Plan adopts the Global Insight estimate of the stock market.
- *Falling corporate profits.* CBO forecasts that the economic profits of corporations will grow by 1.1 percent and 2.7 percent in Fiscal Years 2008 and FY 2009, respectively, following a decline in FY 2007. The revenue impact would tend to lag the period when profits are earned, and CBO forecasts reductions in federal corporate income tax receipts in Fiscal Years 2008, 2009, and 2010.

The District of Columbia Economy

The outlook for the District of Columbia assumes that the District will be adversely affected by the slowdown in economic activity and turbulence in U.S. financial markets. The forecast assumes that the District will experience a brief recession (defined as two successive declines in inflation-adjusted real GDP) and that in measures such as jobs and personal income will be roughly comparable to what happens nationally. The forecast also assumes that there will be no sharp cutback in government spending that affects the D.C. area, and that the slowness already anticipated in the real estate markets does not materially worsen. The growth in output and income measures for the District's economy in FY 2008 and FY 2009 are expected to slow from FY 2007.

The economic assumptions underlying the revenue outlook are provided in Table 4-7. For the most part, these are based on the standard forecast made in April by Global Insight.[5] These assumptions include:

- *Slower growth in D.C.'s nominal Gross Domestic Product.*[6] Growth rates in FY 2008 and FY 2009 are projected to be 4.2 percent and 3.8 percent, respectively, somewhat less than the 5.0 percent growth for FY 2007. The slower growth rates in part reflect the trends in the national and regional economies, including

5 Global Insight forecast for D.C., April 2008. This is based upon the standard U.S. forecast for April. The forecast is similar to the economy.com low-growth forecast. ORA's methodology for preparing the economic forecast, is explained in ORA's draft briefing note.

6 D.C.'s Gross Domestic Product, formerly called Gross State Product, is the value added in production by the labor and property located in the District and is a measure of the gross output of all industries in D.C.

Table 4-7

Estimated Key Variables for the D.C. Economy for the Forecast Period, FY 2006 – FY 2012

	FY 2006 Actual	FY 2007 Actual	FY 2008 Est.	FY 2009 Est.	FY 2010 Est.	FY 2011 Est.	FY 2012 Est.
Gross State Product (nominal; billions of $)	86.55	90.84	94.65	98.29	103.18	108.87	114.63
	6.2%	*5.0%*	*4.2%*	*3.8%*	*5.0%*	*5.5 %*	*5.3%*
Personal Income (billions of $)	33.27	35.39	37.22	38.70	40.55	42.48	44.71
	6.9%	*6.3%*	*5.2%*	*4.0%*	*4.8%*	*4.8%*	*5.2%*
Wages and Salaries of DC Residents (billions of $)	17.7	18.7	19.6	20.3	21.1	22.0	22.9
	5.9%	*6.1%*	*4.8%*	*3.5%*	*4.0%*	*4.0%*	*4.3%*
Population (thousands)	584.6	587.7	590.5	592.9	595.4	598.0	601.1
	0.6 %	*0.5%*	*0.5%*	*0.4%*	*0.4%*	*0.4%*	*0.5%*
Households (thousands)	255.2	256.8	258.3	259.8	261.2	262.7	264.4
	0.7%	*0.6%*	*0.6%*	*0.6%*	*0.6 %*	*0.6%*	*0.6%*
At-place Employment (thousands)	686.3	692.6	700.2	703.3	708.2	714.3	721.3
	0.9%	*0.9%*	*1.1%*	*0.4%*	*0.7%*	*0.9%*	*1.0%*
Civilian Labor Force (thousands)	318.4	324.3	327.7	327.7	330.4	332.6	334.7
	0.6 %	*1.9%*	*1.0%*	*0.0%*	*0.8%*	*0.7%*	*0.6%*
Resident Employment (thousands)	299.5	305.8	309.0	308.8	311.4	313.5	315.6
	1.6%	*2.1%*	*1.0%*	*-0.0%*	*0.8%*	*0.7%*	*0.7%*
Unemployment Rate (percent)	5.9	5.7	5.7	5.8	5.8	5.7	5.7
Housing Starts	2,405	1,857	1,924	1,533	1,805	2,107	2,307
Housing Stock (thousands)	282.4	284.3	286.5	288.7	290.1	291.9	294.6
Sale of Housing Units	10,800	9,900	7,920	7,128	7,756	8,741	9,256
	-16.3%	*-8.3%*	*-20.0%*	*-10.0%*	*8.8%*	*12.7%*	*5.9%*
Average Housing Price ($)	573,100	617,500	605,100	593,000	618,800	661,900	703,500
	7.3%	*7.7%*	*-2.0%*	*-2.0%*	*4.3%*	*7.0%*	*6.3%*
Washington Area CPI (% change from prior year)	3.9	3.2	3.8	2.3	2.2	2.2	2.2
Interest Rate on 10-year Treasury Notes (%)	4.8	4.7	3.8	4.1	4.8	5.4	5.4
Change in S&P Index of Common Stock (%)	6.8	14.1	-4.7	4.6	8.7	5.9	6.0

Source: Estimated by the D.C. Office of Revenue Analysis based on forecasts of the D.C. and national economies prepared by Global Insight (April 2008) and Economy.com (April 2008); on forecasts of the national economy prepared by the Congressional Budget Office (January 2008) and Blue Chip Economic Indicators (April 2008); on Bureau of Labor Statistics labor market information from March 2008; on Bureau of Economic Analysis estimates of D.C. personal income (December 2007); on Census Bureau estimates of D.C. population (July 2007); on D.C. housing sales data (March 2008) from the Metropolitan Regional Informational Systems (MRIS), accessed through the Greater Capital Area Association of Realtors (GCAAR); and on D.C. Office of Planning information on housing construction activity (which included occupied units that have been or are being rehabilitated; Spring 2008).

some slowing in government spending that affects the D.C. area. A range of private sector services—professional and business services, education and health, and trade and hospitality--all contribute significantly to the increasing GDP in the District of Columbia.

- *Continued growth in jobs located in D.C.* The number of jobs in the District in FY 2008 is expected to show a net increase of 7,600 (1.1 percent), then increase another 3,100 (0.4 percent) in FY 2009, with most of the gains in the private sector. The gain in FY 2007 was 6,300 jobs (0.9 percent).
- *Continued growth of personal income.*[7] Growth rates in FY 2008 and FY 2009 are projected to be 5.2 percent and 4.0 percent respectively, compared to 6.3 percent for FY 2007. Increases in the number of households residing in D.C. contribute to the growth in personal income that is occurring.

- *Lower inflation by 2009.* The Financial Plan assumes the D.C. Consumer Price Index will be 3.8 percent in FY 2008 and 2.3 percent in FY 2009. The rate in FY 2007 was 3.2 percent.
- *Declining home sales and prices.* The number of housing sales (the combined total of single family and condominium units) is projected to continue to decline through FY 2009, and average prices to decrease in FY 2008 and FY 2009 before the market stabilizes.[8] In FY 2008 the number of housing sales is expected to decrease about 20.0 percent following an 8.3 percent decline in FY 2007. The average price of units sold is expected to decline by 2.0 percent in FY 2008 and another 2.0 percent in FY 2009.

Table 4-8

Percent Change in Wage and Salary Employment in D.C., the Washington Metropolitan Area, and the U.S., CY 2006Q4 – 2008Q1

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

	2006Q4	2007Q1	2007Q2	2007Q3	2007Q4	2008Q1
Total Employment						
DC	0.8	1.1	0.9	0.9	1.4	1.1
US	1.6	1.3	1.2	1.0	0.9	0.6
Metro Area	1.4	1.0	0.8	0.4	0.8	0.8
Private Sector						
DC	1.5	2.3	1.8	1.5	1.7	1.1
US	1.7	1.4	1.2	1.1	0.9	0.4
Metro Area	1.4	1.1	0.8	0.6	0.7	0.6

Source: Bureau of Labor Statistics.

Table 4-9

D.C. Wage and Salary Employment by Sector in the Quarter Ending March 31, 2008

		Change from one year ago	
Sector	**Level**	**Amount**	**Percent**
Government	**230,800**	**+2,400**	**+1.1%**
Federal Government	190,000	+700	+0.4%
Local Government	40,800	+1,800	+4.5%
Private Sector	**465,100**	**+4,900**	**+1.1%**
Professional and Business	154,400	+2,400	+1.6%
Information and Financial	49,800	-2,300	-4.4%
Education and Health	102,700	+2,200	+2.2%
Trade and Hospitality	76,100	+500	+0.6%
Organizations and Other Services	63,600	+2,100	+3.4%
All Other	18,500	0	+0.0%
Total	**695,800**	**+7,400**	**+1.1%**

Note: Percent changes calculated from un-rounded numbers; detail may not add to totals due to rounding.

Source: Bureau of Labor Statistics.

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

- *Commercial office space.* Sales levels and total value of sales in the commercial real estate market are also expected in FY 2008 and FY 2009 to be below the level of FY 2007.
- *Households and resident employment rise.* In FY 2008 new housing units and associated increases in the number of District households are expected to translate into gains in employed residents as well, but a rise in the unemployment rate results in no gain in employed residents in FY 2009. The Financial Plan assumes estimated households in FY 2008 of 258,300, up 1,500 (0.6 percent) from FY 2007, and 259,800 in FY 2009 (up another 1,500 or 0.6 percent). The unemployment rate is expected to remain at 5.7 percent in FY 2008 and to rise to 5.8 percent in FY 2009. Resident employment is forecast to increase by 1.0 percent in FY 2008 and remain flat in FY 2009.

Employment

As already noted, the forecast of employment growth is 1.1 percent in FY 2008 and 0.4 percent in FY 2009—compared to 0.9 percent in FY 2007. Of the 10,700 increase in employment from FY 2007 through FY 2009, about 76 percent is expected to be in professional, business, education, and health services. About 19 percent of the increase (2,000 jobs) is expected to be in federal and local government employment.

Employment in the District grew quite strongly in the last two quarters of FY 2007 and the first quarter of FY 2008. (See table 4-8.) However, in the quarter ending March 31, 2008, the private sector increase over the same quarter of 2007 slowed to 1.1 percent. Of the 4,900 net increase in private sector employment that occurred in that quarter, professional, business, education and health services accounted for 91.8 percent of the gain. (See table 4-9.)

Table 4-10

Hospitality Sector Indicators for the Quarter Ending March 31, 2008

		Change from one year ago	
	Level	**Amount**	**Percent**
Hotel Occupancy Rate (percent)	68.1	-1.2	-1.7%
Hotel Room Rate ($)	$204.41	+$4.67	+2.3%
Amount Spent for Hotel Stays (millions of $)	$314.5	-$7.3	-2.3%

Note: Percent changes calculated from un-rounded numbers.

Source: Smith Travel Research.

Table 4-11

Growth in Wages and Salaries in D.C., the Washington Metropolitan Area, and the U.S., FY 2005 – FY 2007

(Percent change from the prior year)

	FY 2005	**FY 2006**	**FY 2007**
Wages and Salaries			
DC			
Earned in DC	5.8	5.0	6.0
Earned by DC Residents	8.7	5.9	6.1
US	5.4	5.8	6.2
Washington Metropolitan Area	7.2	6.0	5.8

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

8 In the table, the number of sales and average price of residential real estate is measured by the average selling price of single family and condominium units as reported by Global Insight.

Trade and hospitality are important sources of employment and tax revenue. In the quarter ending March 31, 2008, these sectors added 500 jobs, a 0.6 percent gain (see table 4-9). In the quarter ending March 31, 2008, revenues earned from guests by hotels were down 2.3 percent from a year earlier. (See table 4-10)

Wages and Salaries

Wages and salaries earned in the District of Columbia are expected to grow by 4.8 percent in FY 2008 and 3.5 percent during FY 2009, down from the 6.0 percent increase in FY 2007 (see table 4-11). D.C. growth is expected to be about comparable to the U.S. in FY 2008 and FY 2009. Professional and business services and the federal government will account for about 57 percent of the increase in wages earned in the District of Columbia over the two-year period from FY 2007 to FY 2009.

D.C. Real Estate Markets

As noted earlier, the assessed value of real estate will continue to increase during FY 2008 and FY 2009 because assessments for these years, which incorporate changes in value and new construction that have already occurred, are now substantially complete. By contrast, the value of residential and commercial sales in both FY 2008 and FY 2009 are expected to be lower than the FY 2006 level.

Residential Markets

For FY 2008 the number of residential sales is expected to decline by 20.0 percent from FY 2007, continuing a decline in the number of sales that began in FY 2005. Indeed, the level of sales forecast for FY 2008 is about 60 percent of the peak level reached in FY 2004. The number of sales is expected to decrease further by 10.0 percent in FY 2009, then begin a series of pickups in each of the following years.

The revenue forecast assumes that average prices for residential sales decline for FY 2008 and FY 2009 before turning up in FY 2010. (See table 4-12.) In the longer run, gains in D.C. employment and wages, together with public confidence about safety and other city services, make the D.C. location attractive for households that prefer not to be committed to a daily commute. Homeland security spending, outsourcing of government activities, and other changes to the federal government have all helped to fuel the demand for D.C. homes.

In the quarter ending March 31, 2008, price appreciation in the single family residential market was up 6.1 percent from the same quarter of 2007. Average selling prices of condominium units, also increased by 4.6 percent. (See table 4-13.)

The price appreciation in the single family residential market reflects high demand combined with limited supply. One reason that prices are reported to be declining in the condominium

Table 4-12

D.C. Residential Real Estate Transactions, FY 2005 – FY 2007

	FY 2005	FY 2006	FY 2007
Level			
Sales	9,798	8,227	8,020
Value of Transactions (millions of $)	$4,850.0	$4,295.3	$4,242.7
Percent Change from Prior Year			
Sales	0.1%	-16.0%	-2.5%
Value of Transactions	19.2%	-11.4%	-1.2%

Note: Data include both single family and condominium units.

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

Table 4-13

Single Family and Condominium Home Sales for FY 2008Q2

		Change from one year ago	
	Level	Amount	Percent
Single Family			
Units Sold	735	-267	-26.6%
Average Price	$680,855	+$38,978	+6.1%
Median Price	$556,646	+$94,742	+20.5%
Total Value of Transactions (millions of $)	**$500**	**-$143**	**-22.2%**
Condominium			
Units Sold	661	-490	-42.6%
Average Price	$401,893	+$17,500	+4.6%
Median Price	$359,090	+25,853	+7.8%
Total Value of Transactions (millions of $)	**$266**	**-177**	**-40.0%**

Note: Median price is the weighted average of monthly values.

Source: MRIS, accessed through the Greater Capital Area Association of Realtors.

market is that a significant number of units are under construction. Delta Associates reports that as of March 31, 2008, there were 3,192 condominiums and 3,874 apartment units under construction in the District of Columbia, and 2,959 additional new condominiums and 5,953 additional apartment units likely to be built by some time in CY 2011. However, new residential construction totals do not all represent a net increase in the District's total housing stock due to demolitions and the impact of private actions which combine or subdivide existing units.

Commercial Real Estate Markets

Members of the OCFO Real Estate Advisory Group, which provides advice on real estate market developments that may affect District tax revenue, say that in the spring of 2008 the Washington area commercial market remains strong and attractive to investors from around the world although the overall level of sales is down from the prior year. New buildings are under construction or in the active planning stage, but the amount of office space under construction or renovation decreased somewhat in the first quarter of 2008 compared to the last quarter of 2007. Within the Metropolitan area and the nation, D.C.'s vacancy rates for commercial office space remain low (see table 4-14), but they did rise slightly in the March 2008 quarter compared to the December 2007 quarter.

In the quarter ending March 31, 2008, the inventory of commercial office space was up by 4.03 million square feet (3.4 percent) from the prior year, and the vacancy rate (including space for sublet) declined to 6.5 percent (low compared to the rest of the nation) from the 7.6 percent level of March 31, 2007. (See table 4-15.) According to Delta Associates, as of March 31, 2008, the number of square feet sold over the prior 12 months (4.80 million square feet) represented a decrease of 41.7 percent from the prior year. The average price per square foot in those transactions fell by 1.5 percent, with the result that the overall value of transactions fell by 42.6 percent. (It should be noted, however, that this office building sales data exclude transfers of economic interest, changes in ownership that do not involve replacing the corporate entity holding the title to the property; there was a significant increase in such economic interest transactions in FY 2007, contributing to a 114 percent increase in Economic Interest Tax collections in FY 2007.)

The District remains a top commercial office market in the nation as a result of a grow-

Table 4-14

D.C. Area Office Vacancy Rates, CY 2006Q1, 2007Q1, 2008Q1

	D.C.	No. Virginia	Suburban MD	Metro Area
March 31, 2006	6.1%	9.1%	8.4%	8.0%
March 31, 2007	7.6%	9.8%	10.2%	9.1%
March 31, 2008	6.5%	11.3%	11.0%	9.7%

Note: Data are for the end of the quarter.

Source: Delta Associates (includes sublet space).

Table 4-15

Commercial Office Space in the District of Columbia, CY 2006Q1, 2007Q1, 2008Q1

(Million square feet unless otherwise indicated)

	Mar. 31, 2006	Mar. 31, 2007	Mar. 31, 2008
Inventory	**114.34**	**119.72**	**123.75**
Vacancy Rate (no sublet)	5.1%	6.7%	5.8%
Vacancy Rate (with sublet)	6.1%	7.6%	6.5%
Under Construction	**7.63**	**6.19**	**8.69**
Net Increase in Leased Space from Prior Year	**+1.48**	**+3.18**	**+4.91**

Note: Data are for the end of the quarter.

Source: Delta Associates.

Table 4-16

Value of Real Property Transferred or Transfer of Economic Interest in Real Property, CY 2006Q4 – 2008Q1

	2006Q4	2007Q1	2007Q2	2007Q3	2007Q4	2008Q1
Value of Property sold or interest transferred Sales (billions of $)						
Deed Transfer	2.80	2.06	3.65	3.38	2.37	1.73
Economic Interest	0.20	1.89	0.51	0.34	1.73	0.34
Total	**3.00**	**3.95**	**4.16**	**3.72**	**4.09**	**2.07**
Percent Change from same quarter of Prior Year						
Deed Transfer	-3.4	-37.0	24.8	14.0	-15.4	-16.1
Economic Interest	90.9	1,099.9	903.7	-67.9	770.1	-81.8
Total	**-0.1**	**15.4**	**39.9**	**-7.6**	**36.6**	**-47.6**

Sources: Office of the Chief Financial Officer. Calculated by ORA from Deed Transfer Tax and Economic Interest Tax Collections.

ing office tenant base comprised of the federal government, the legal sector and large associations. This tenant base has been a constant source of growth since 2001 for commercial office space demand and commercial real estate investment. In its March 31, 2008 report on the D.C. office market, however, Delta Associates noted that the increase in D.C. office space rental is expected to lag behind the increase in employment, with the result that the percentage of space that is vacant will rise about 10.7 percent, close to the then average level for the metropolitan area as a whole (about 11.4 percent).

As reflected in Deed Taxes, the amount of property transferred, either by outright transfer of the deed or by transfer of economic interest has been somewhat volatile from quarter to quarter. In the first quarter of CY 2008, however, the total value of property subject either to taxes on outright transfer or on transfer of economic interest was $2.07 billion, a 47.6 percent drop from the same quarter of 2007. (See table 4-16)

Population and D.C. Labor Market

For the quarter ending March 31, 2008, the District's labor force increased by 6,300 persons compared to the same quarter of 2007. (See table 4-17.) The number of employed residents rose by 3,900 compared to the prior year, and the number of unemployed residents increased by 2,400.

The U.S. Bureau of the Census shows, in a report dated December 2007, that the District's population grew steadily over the past four years. The population in July 2007 was estimated to be 588,292, an increase of 2,833 (0.5 percent) from 2006 and 16,233 (2.8 percent) from the 2000 Census count of 572,059.

The FY 2009 Budget and Financial Plan anticipates that housing construction and renovation, together with improvements in city services and amenities, will continue to attract more households to the District even as the economy slows down.

Table 4-17

Labor Force, Resident Employment, and Unemployment in Quarter Ending March 31, 2008

		Change from one year ago	
	Level	Amount	Percent
Labor Force	329,300	+6,300	2.0
Resident Employment	308,500	+3,900	1.3
Resident Unemployment	20,800	+2,400	13.2
Unemployment Rate	6.3	+0.6	--

Source: Bureau of Labor Statistics.

Table 4-18

D.C. Tax Revenue (including revenue initiatives and before earmarking) and D.C. Personal Income, FY 2004 to FY 2012 (estimated)

(Percent change from prior year)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Actual	**Actual**	**Actual**	**Actual**	**Est.**	**Est.**	**Est.**	**Est.**	**Est.**	**Est.**
Tax Revenue	**12.4**	**11.7**	**6.3**	**14.1**	**3.2**	**5.3**	**5.2**	**5.1**	**5.3**
D.C. Personal Income	**7.6**	**9.0**	**6.9**	**6.3**	**5.2**	**4.0**	**4.8**	**4.8**	**5.2**

Note: Tax collections represent cash received; Tax revenue is based on cash collections but also reflects accounting adjustments.
Source: OCFO/OTR, U.S. Bureau of Economic Analysis, OCFO/ORA
Forecasts of Tax Revenue and DC Personal Income are from ORA's May 2008 Revenue Estimate

Longer Term (Fiscal Years 2010-2012)

In looking further ahead to FY 2010 to FY 2012, the consensus among forecasters of the U.S. economy is that the period of slow economic growth will have passed and that gains in employment and wages similar to what occurred in FY 2006 and FY 2007 will return. The outlook for the District of Columbia is similar. Annual gains in Gross State Product and personal income in the District of Columbia are each expected to average about 5.0 percent per year, and close to 6,000 additional jobs will be added each year. Inflation is expected to stay low (CPI increases by 2.2 percent each year), interest rates rise modestly (to a 5.4 percent rate for 10-year Treasury securities), and the stock market grows at a steady pace (a gain of about 20 percent over the 3-year period).

In the years 2010 through 2012, 6,219 new housing starts are anticpated, and 4,600 households will be added. In the FY 2010 to FY 2012 period it is also anticipated that the residential housing market will show signs of recovery, although not returning to the surging prices and sales of the FY 2003 to FY 2005 period.

For the years FY 2010 through FY 2012 tax revenues (before earmarking) are expected to grow at about the same rate as DC Personal Income. All major taxes contribute to the steady growth in revenues over this period.

Revenues

The chapter now turns its focus to District of Columbia revenues. Table 4-19 reports estimated revenue by revenue source for the period FY 2008 to FY 2012, along with actual FY 2007 revenues. Tables 4-36 and 4-37, at the end of this chapter, provide information on year-to-year percentage and absolute changes in revenue.

Figure 4-1 shows the FY 2008 distribution of local revenues net of dedicated taxes by the source of the revenue.

Figure 4-1
FY 2008 Distribution of General Fund Local Revenue

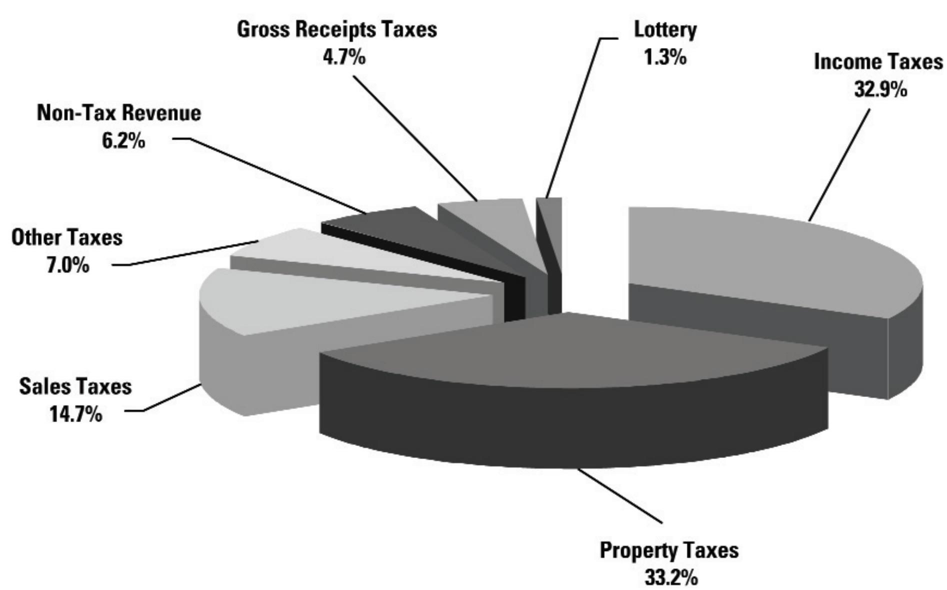


Table 4-19

Operating Revenue by Source, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Property Taxes						
Real Property (gross)	1,448,697	1,715,048	1,856,610	1,992,150	2,124,466	2,261,165
Transfer to TIF Fund	*(5,096)*	*(18,841)*	*(20,535)*	*(19,584)*	*(30,430)*	*(30,430)*
Real Property (net)	1,443,601	1,696,207	1,836,075	1,972,566	2,094,036	2,230,735
Personal Property (gross)	67,395	56,820	58,638	60,515	62,451	64,450
Transfer to Neighborhood Investment Fund	*(10,000)*	*(9,875)*	*(10,000)*	*(10,000)*	*(10,000)*	*(10,000)*
Personal Property (net)	57,395	46,945	48,638	50,515	52,451	54,450
Public Space	32,239	25,589	26,280	28,412	27,718	28,467
Transfer to DDOT	*(32,239)*	*(25,589)*	*(26,280)*	*(28,412)*	*(27,718)*	*(28,467)*
Total Property Taxes (net of dedicated taxes)	**1,500,996**	**1,743,152**	**1,884,713**	**2,023,081**	**2,146,487**	**2,285,185**
Sales and Excise Taxes						
General Sales (gross)	959,968	964,768	1,031,907	1,083,122	1,136,143	1,192,425
Convention Center Transfer	*(83,312)*	*(86,728)*	*(90,197)*	*(93,985)*	*(98,027)*	*(102,242)*
Transfer to TIF Fund	*(14,205)*	*(24,192)*	*(26,346)*	*(29,592)*	*(43,645)*	*(43,645)*
Transfer to DDOT (parking tax)	*(37,087)*	*(38,014)*	*(38,812)*	*(39,589)*	*(40,578)*	*(41,593)*
Transfer to Ballpark Fund	*(8,275)*	*(16,077)*	*(15,152)*	*(14,917)*	*(15,111)*	*(15,520)*
Transfer to School Modernization Fund	*(100,000)*	*(100,000)*	*(106,000)*	*(112,360)*	*(119,102)*	*(130,279)*
General Sales (net)	717,089	699,757	755,400	792,679	819,680	859,146
Alcohol	5,150	5,087	5,029	4,972	4,918	4,865
Cigarette	21,205	21,003	20,474	19,959	19,456	18,966
Motor Vehicle	43,681	45,571	47,548	49,611	51,764	54,010
Motor Fuel Tax	26,776	26,938	27,665	28,412	29,179	29,967
Transfer to Highway Trust Fund	*(26,776)*	*(26,938)*	*(27,665)*	*(28,412)*	*(29,179)*	*(29,967)*
Total Sales Taxes (net of dedicated taxes)	**787,125**	**771,418**	**828,451**	**867,221**	**895,818**	**936,987**
Income Taxes						
Individual Income	1,313,826	1,322,237	1,307,865	1,391,873	1,462,143	1,536,383
Corporate Franchise	255,511	255,210	262,641	269,379	290,677	303,411
U. B. Franchise	167,024	151,359	170,440	187,577	204,993	224,612
Total Income Taxes	**1,736,361**	**1,728,805**	**1,740,947**	**1,848,829**	**1,957,813**	**2,064,406**
Gross Receipts Taxes						
Public Utility (gross)	163,792	153,501	153,679	153,828	153,954	154,060
Transfer to Ballpark Fund	*(10,503)*	*(9,424)*	*(9,546)*	*(9,546)*	*(9,546)*	*(9,546)*
Public Utility (net)	153,289	144,077	144,133	144,282	144,408	144,514
Toll Telecommunication (gross)	59,071	56,637	56,665	56,685	56,697	56,707
Transfer to Ballpark Fund	*(2,285)*	*(3,165)*	*(3,165)*	*(3,165)*	*(3,165)*	*(3,165)*
Toll Telecommunication (net)	56,786	53,472	53,500	53,520	53,532	53,542
Insurance Premiums (gross)	55,016	54,460	54,900	54,964	55,029	55,094
Transfer to Healthy DC Fund	*8,100*	*5,960*	*6,400*	*6,464*	*6,529*	*6,594*
Insurance Premiums (net)	46,916	48,500	48,500	48,500	48,500	48,500

Table 4-19 *(continued)*

Operating Revenue by Source, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Healthcare Provider Tax	12,393	11,000	11,000	11,000	11,000	11,000
Transfer to Nursing Facility Quality of Care Fund	*(12,393)*	*(11,000)*	*(11,000)*	*(11,000)*	*(11,000)*	*(11,000)*
Baseball Gross Receipts Tax	24,888	14,000	14,000	14,000	14,000	14,000
Transfer to Ballpark Fund	*(24,888)*	*(14,000)*	*(14,000)*	*(14,000)*	*(14,000)*	*(14,000)*
Total Gross Receipts Taxes (net of dedicated taxes)	**256,991**	**246,049**	**246,133**	**246,302**	**246,440**	**246,556**
Other Taxes						
Estate	54,250	67,742	73,188	65,000	65,000	65,000
Deed Recordation (gross)	226,743	177,109	148,046	149,777	156,997	165,146
Transfer to HPTF	*(34,734)*	*(26,566)*	*(22,207)*	*(22,467)*	*(23,550)*	*(24,772)*
Transfer to Comp. Housing Strategy Fund	*(18,075)*	*(16,282)*	*(13,610)*	*(13,766)*	*(14,433)*	*(15,182)*
Deed Recordation (net)	173,934	134,261	112,229	113,544	119,014	125,192
Deed Transfer (gross)	152,411	126,639	110,455	110,178	114,497	119,203
Transfer to HPTF	*(23,998)*	*(18,996)*	*(16,568)*	*(16,527)*	*(17,175)*	*(17,880)*
Transfer to Comp. Housing Strategy Fund	*(12,071)*	*(11,354)*	*(9,903)*	*(9,878)*	*(10,265)*	*(10,687)*
Deed Transfer (net)	116,342	96,289	83,984	83,773	87,057	90,635
Economic Interests	64,794	70,000	25,000	16,000	8,000	8,000
Total Other Taxes (net of dedicated taxes)	**409,321**	**368,292**	**294,401**	**278,317**	**279,072**	**288,827**
Tax Revenue Net of Dedicated Taxes	**4,690,794**	**4,857,716**	**4,994,644**	**5,263,750**	**5,525,630**	**5,821,962**
Non-Tax Revenue						
Licenses & Permits	78,283	75,890	76,214	73,642	76,642	73,642
Fines & Forfeits	101,436	99,609	97,514	96,021	94,676	93,465
Charges for Services	52,421	54,983	56,122	53,897	56,274	53,899
Miscellaneous	191,735	97,142	78,718	80,834	82,555	84,249
Total Non-Tax Revenue	**423,875**	**327,624**	**308,568**	**304,394**	**310,147**	**305,255**
Lottery/Interfund Transfer	**65,376**	**70,000**	**71,000**	**71,000**	**71,000**	**71,000**
Revenue Net of Dedicated Taxes	**5,180,045**	**5,255,340**	**5,374,212**	**5,639,144**	**5,906,777**	**6,198,217**
plus Total Dedicated Tax Revenue (see Exhibit C)	431,798	437,412	441,107	455,251	495,734	516,502
less Dedicated Tax Revenue Transferred to Special Purpose (O-Type) Funds:	52,539	30,000	-	-	-	-
Nursing Facility Quality of Care Fund	12,393	-	-	-	-	-
Housing Production Trust Fund	-	-	-	-	-	-
Comprehensive Housing Task Force Fund	30,146	-	-	-	-	-
Neighborhood Investment Fund	10,000	-	-	-	-	-
DDOT Unified Fund	-	30,000	-	-	-	-
plus Special Purpose (O-Type) Fund Revenue	366,511	450,807	453,612	449,368	441,706	447,475
Total Revenue	**5,925,815**	**6,113,560**	**6,268,931**	**6,543,764**	**6,844,216**	**7,162,194**

Table 4-19 *(continued)*

EXHIBIT A: General Fund Components

($ thousands)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenue Net of Dedicated Taxes	**5,180,045**	**5,255,340**	**5,374,212**	**5,639,144**	**5,906,777**	**6,198,217**
School Modernization Fund	100,000	100,000	-	-	-	-
Local Fund Revenue	**5,280,045**	**5,355,340**	**5,374,212**	**5,639,144**	**5,906,777**	**6,198,217**
Dedicated Taxes	**66,832**	**142,699**	**267,551**	**274,090**	**283,875**	**298,626**
Nursing Facility Quality of Care Fund	-	11,000	11,000	11,000	11,000	11,000
Housing Production Trust Fund	58,732	45,562	38,775	38,993	40,724	42,652
Comprehensive Housing Task Force Fund	-	27,636	23,513	23,644	24,698	25,869
Neighborhood Investment Fund	-	9,875	10,000	10,000	10,000	10,000
School Modernization Fund	-	-	106,000	112,360	119,102	130,279
Ballpark Fund	-	42,666	41,863	41,628	41,822	42,231
Healthy DC Fund	8,100	5,960	6,400	6,464	6,529	6,594
DDOT Unified Fund, Debt Service, and PAYGO	-	-	30,000	30,000	30,000	30,000
Special Purpose (O-Type) Fund Revenue	**366,511**	**450,807**	**453,612**	**449,368**	**441,706**	**447,475**
General Fund Revenue	**5,713,388**	**5,948,847**	**6,095,375**	**6,362,602**	**6,632,358**	**6,944,317**

Table 4-19 *(continued)*

EXHIBIT B: Policy Proposals Impacting General Fund Revenue

($ thousands)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Local Fund Revenue	**5,280,045**	**5,355,340**	**5,374,212**	**5,639,144**	**5,906,777**	**6,198,217**
***plus* Local Fund Revenue Proposals:**	**-**	**1,231**	**188,708**	**192,508**	**192,458**	**204,302**
- Eliminate Dedication of Taxes to CHSF (BSA Title II)			23,513	23,644	24,698	25,869
- Increase Class 3 Property Tax Rate (BSA Title II)			7,966	7,568	7,190	6,831
- Emergency Ambulance Service Revenue (BSA Title III)			3,500	3,500	3,500	3,500
- Increase Commercial Premium Tax (BSA Title V)			1,983	1,983	1,983	1,983
- New HMO "Accident and Health" Premium Tax (BSA Title V)			2,473	3,298	3,298	3,298
- HMO Franchise Tax Revenue (BSA Title V)			(3,015)	(3,015)	(3,015)	(3,015)
- Increase Cigarette Tax from $1/pack to $2/pack (BSA Title V)			12,530	12,215	11,907	11,607
- DDOT Claims Recovery (BSA Title VI)			(250)	(250)	(250)	(250)
- Increase DC EITC (BSA Title VII)			(5,300)	(5,600)	(5,900)	(6,300)
- Savings from Modifications to Act 17-0272 (commercial property tax relief) (BSA Title VII)			75,521	80,828	86,408	91,386
- Provide a Real Property Tax Abatement for the Constitution Square Project (BSA Title VII)			(500)	(1,200)	(5,300)	-
- Increase Economic Interests Tax Rate from 2.2% to 2.9% (BSA Title VII)			7,955	5,091	2,545	2,545
- De-couple from IRS Code Section 199 (BSA Title VII)			3,382	5,092	6,279	7,743
- College Saving Benefit Plan (L 17-153)		(256)	(299)	(348)	(405)	(471)
- Motor Vehicle Theft Prevention Fund (B 17-138)			(250)	(725)	(1,000)	(1,050)
- OTR Tax Compliance Enforcement			30,000	30,000	30,000	30,000
- Implement a Check Guarantee System			1,300	1,300	1,300	1,300
- Cameras on Street Sweepers			2,456	1,922	1,922	1,922
- Parking Enforcement			14,157	15,543	15,543	15,543
- Convention Center Lease Payment		1,000	2,000	2,000	2,000	2,000
- Newseum PILOT		487	584	661	754	860
- Interest Earnings			9,000	9,000	9,000	9,000
Local Fund Revenue with Policy Proposals	**5,280,045**	**5,356,571**	**5,562,920**	**5,831,653**	**6,099,235**	**6,402,519**
Dedicated Taxes	**66,832**	**142,699**	**267,551**	**274,090**	**283,875**	**298,626**
***plus* Dedicated Tax Proposals:**	**0**	**0**	**(14,964)**	**(12,622)**	**(13,676)**	**(14,847)**
- Eliminate Dedication of Taxes to CHSF (BSA Title II)			(23,513)	(23,644)	(24,698)	(25,869)
- Increase Care First Premium Tax (BSA Title V)			1,129	1,129	1,129	1,129
- New HMO "Accident and Health" Premium Tax (BSA Title V)			7,420	9,893	9,893	9,893
Dedicated Taxes with Policy Proposals	**66,832**	**142,699**	**252,588**	**261,468**	**270,200**	**283,779**

Table 4-19 *(continued)*

EXHIBIT B: Policy Proposals Impacting General Fund Revenue *(continued)*

($ thousands)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Special Purpose (O-Type) Fund Revenue	**366,511**	**450,807**	**453,612**	**449,368**	**441,706**	**447,475**
***plus* Special Purpose Fund Revenue Proposals:**	**0**	**430**	**11,260**	**12,455**	**12,010**	**12,780**
- Increase Basic Business License Application Fee and Endorsement Application Fee (BSA Title II)			2,150	2,950	2,150	2,950
- New General Business License Fee and New General Contractor Endorsement Fee (BSA Title II)			2,530	2,450	2,530	2,450
- Increase Premium Tax Rates for Captive Insurance Companies (BSA Title II)		430	430	430	430	430
- DDOT Claims Recovery (BSA Title VI)			250	250	250	250
- Motor Vehicle Theft Prevention Fund (B 17-138)			250	725	1,000	1,050
- DDOT: Establish Public Inconvenience Fee Through Rulemaking			3,000	3,000	3,000	3,000
- DDOT: Increase Excavation/Occupancy Permit Fees Through Rulemaking			1,150	1,150	1,150	1,150
- DDOT: Increase Truck Tag Permit Fees Through Rulemaking			1,000	1,000	1,000	1,000
- DDOT: Establish Utility Marking Service Fees Through Rulemaking			500	500	500	500
Special Purpose Fund Revenue with Policy Proposals	**366,511**	**451,237**	**464,872**	**461,823**	**453,716**	**460,255**
General Fund Revenue with Policy Proposals	**5,713,388**	**5,950,508**	**6,280,379**	**6,554,944**	**6,823,151**	**7,146,553**

Table 4-19 *(continued)*

EXHIBIT C: Dedicated Tax Revenues

($ thousands)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Convention Center						
Sales Tax	*83,312*	*86,728*	*90,197*	*93,985*	*98,027*	*102,242*
Tax Increment Financing						
Real Property Tax	*5,096*	*18,841*	*20,535*	*19,584*	*30,430*	*30,430*
Sales Tax	*14,205*	*24,192*	*26,346*	*29,592*	*43,645*	*43,645*
Ballpark Fund						
Sales Tax	*8,275*	*16,077*	*15,152*	*14,917*	*15,111*	*15,520*
Public Utility Tax	*10,503*	*9,424*	*9,546*	*9,546*	*9,546*	*9,546*
Toll Telecommunications Tax	*2,285*	*3,165*	*3,165*	*3,165*	*3,165*	*3,165*
Baseball Gross Receipts Tax	*24,888*	*14,000*	*14,000*	*14,000*	*14,000*	*14,000*
Highway Trust Fund						
Motor Fuel Tax	*26,776*	*26,938*	*27,665*	*28,412*	*29,179*	*29,967*
DDOT Unified Fund and Highway Trust Fund						
Parking Tax	*37,087*	*38,014*	*38,812*	*39,589*	*40,578*	*41,593*
School Modernization Fund						
Sales Tax	*100,000*	*100,000*	*106,000*	*112,360*	*119,102*	*130,279*
Housing Production Trust Fund						
Deed Tax	*58,732*	*45,562*	*38,775*	*38,993*	*40,724*	*42,652*
Comprehensive Housing Task Force Fund						
Deed Tax	*30,146*	*27,636*	*23,513*	*23,644*	*24,698*	*25,869*
Neighborhood Investment Fund						
Personal Property Tax	*10,000*	*9,875*	*10,000*	*10,000*	*10,000*	*10,000*
Nursing Facility Quality of Care Fund						
Healthcare Provider Tax	*12,393*	*11,000*	*11,000*	*11,000*	*11,000*	*11,000*
Healthy DC Fund						
Insurance Premiums	*8,100*	*5,960*	*6,400*	*6,464*	*6,529*	*6,594*
Total Dedicated Tax Revenue	**431,798**	**437,412**	**441,107**	**455,251**	**495,734**	**516,502**
Policy Proposals Affecting Dedicated Tax Revenue	**0**	**0**	**(14,964)**	**(12,622)**	**(13,676)**	**(14,847)**
Eliminate Dedication of Taxes to CHSF (BSA Title II)	-	-	*(23,513)*	*(23,644)*	*(24,698)*	*(25,869)*
Increase Care First Premium Tax (BSA Title V)	-	-	*1,129*	*1,129*	*1,129*	*1,129*
New HMO "Accident and Health" Premium Tax (BSA Title V)	-	-	*7,420*	*9,893*	*9,893*	*9,893*
Total Dedicated Tax Revenue with Policy Proposals	**431,798**	**437,412**	**426,143**	**442,630**	**482,058**	**501,655**

Table 4-19 *(continued)*

EXHIBIT D: Summary of General Fund and Non-General Fund Revenue Sources with Policy Proposals

($ thousands)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenue Net of Dedicated Taxes	**5,180,045**	**5,255,340**	**5,374,212**	**5,639,144**	**5,906,777**	**6,198,217**
plus Local Fund Revenue Policy Proposals	-	1,231	188,708	192,508	192,458	204,302
plus Total Dedicated Tax Revenue with Policy Proposals	431,798	437,412	426,143	442,630	482,058	501,655
less Dedicated Tax Revenue Transferred to Special Purpose (O-Type) Funds*	52,539	30,000	-	-	-	-
Nursing Facility Quality of Care Fund	12,393	-	-	-	-	-
Housing Production Trust Fund	-	-	-	-	-	-
Comprehensive Housing Task Force Fund	30,146	-	-	-	-	-
Neighborhood Investment Fund	10,000	-	-	-	-	-
DDOT Unified Fund	-	30,000	-	-	-	-
plus Special Purpose (O-Type) Revenue with Policy Proposals	366,511	451,237	464,872	461,823	453,716	460,255
Total Revenue with Policy Proposals	**5,925,815**	**6,115,221**	**6,453,935**	**6,736,105**	**7,035,009**	**7,364,429**

* Dedicated taxes currently classified as Special Purpose Fund revenue.

Table 4-19 *(continued)*

EXHIBIT E: Gross Tax Revenue Before Policy Proposals

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Tax Revenue Net of Dedicated Taxes	**4,690,794**	**4,857,716**	**4,994,644**	**5,263,750**	**5,525,630**	**5,821,962**
plus Dedicated Tax Revenue (see Exhibit C)	431,798	437,412	441,107	455,251	495,734	516,502
Gross Tax Revenue (Before Transfer of Dedicated Taxes)	**5,122,592**	**5,295,129**	**5,435,751**	**5,719,002**	**6,021,364**	**6,338,464**

Specific Revenue Sources

Property Taxes

Real Property Tax

Real Property in the District

The value of all real property in the District in 2007 was $182.6 billion, up 15.4 percent from $158.2 billion in 2006. However, the District of Columbia differs from most other major cities around the country because of the exceptionally large proportion of real property that is exempt from paying the District's real property tax - roughly 57 percent of the city's land area. In 2007, the value of all exempt property, 32 percent of all property value, had a total value of $57.7 billion. Tax-exempt properties primarily include those owned by the federal government, as well as properties owned by foreign governments, non-profit organizations, educational institutions, and the District government.

The District divides all taxable properties into three separate tax classes depending on the use of the real property. The three real property classes in the District are residential (Class 1), commercial (Class 2) and vacant/abandoned (Class 3). The District taxes real property based on 100 percent of assessed value and taxes each class at a different rate. The District's total real property tax base had an assessed value of $124.9 billion in 2007. Taxable residential value, 40.1 percent of all property value in the District, amounted to $73.1 billion in 2007. Taxable nonresidential value (commercial and vacant/abandoned), 28.3 percent of all property value, amounted to $51.7 billion.

Continuously soaring assessment values throughout the city between years 2002 and 2008 have had the potential of imposing a considerable and onerous financial burden on District property owners. However, numerous legislative remedies have been implemented to prevent such an outcome for property owners, particularly homeowners. Most notably are the "Residential Property Tax Rate and Cap Reduction Act of 2005", "Calculated Residential Property Tax Rate Establishment Act of 2005", and the "Homestead Deduction Increase Act of 2007".

The "Residential Property Tax Rate and Cap Reduction Act of 2005" stipulated that beginning in FY 2006 an assessment cap of 10 percent applied to individual owner-occupied properties would generally preclude the annual property taxes for District homeowners from increasing more than 10 percent annually. When a property assessment cap is applied to a property's tax bill, the assessed value (the estimated full market value determined by the Office of Tax and Revenue) is not affected in any way. However, the assessment cap requires OTR to limit the annual growth in the taxable assessment portion of the total assessed value for eligible homesteads, which in turn limits the annual tax liability for affected properties.

The "Calculated Residential Property Tax Rate Establishment Act of 2005" limits the estimated amount of total real property taxes collected from all residential properties by limiting the annual growth in total real property taxes from all owner-occupied and non owner-occupied residential properties. If, just before the start of the fiscal year, it appears that actual revenue will exceed the targeted growth amount, the residential tax rate is to be lowered to achieve the statutorily specified revenue amount. Thus, while the "Residential Property Tax Rate and Cap Reduction Act of 2005" limits the growth in the tax liability of individual owner-occupied properties to 10 percent annually, the "Calculated Residential Property Tax Rate Establishment Act of 2005" limits the total property tax revenue from all residential properties (owner-occupied and non owner-occupied) to citywide specified amounts.

The "Homestead Deduction Increase Act of 2007" increased the annual homestead deduction from $60,000 to $64,000 for FY 2008 and beginning in FY 2009 the homestead deduction amount will be increased annually by a "cost-of living adjustment". The adjustment will correspond to the annual increase in the Washington area's Consumer Price Index as recorded by the U.S. Department of Labor.

Tax Rates

The District's real property tax system divides taxable properties into three separate tax classes, and each class is taxed at a different rate. (See table 4-20.) Class 1 properties are residential properties (owner-occupied and non owner-occupied), of which there are approximately 160,000. The tax rate for these properties was lowered from $0.88 per $100 of assessed value in FY 2007 to $0.85 per $100 of assessed value in FY 2008 via the "Calculated Residential Property Tax Rate Establishment Act of 2005". This legislation limited the growth in total real property taxes from all residential properties to 8 percent in FY 2008. In September 2007 it was estimated that the growth in total Class 1 real property tax revenue would be 12.5 percent (even after the application of the 10 percent property assessment cap and other relevant tax relief). Subsequently, to limit Class 1 real property tax revenue growth to 8 percent, the CFO calculated the FY 2008 tax rate to be $0.85 per $100 of assessed value. This legislation also limits the growth in residential real property taxes to 7 percent in FY 2009 and every year thereafter. However, it was estimated (as of February 2008) that the growth in residential real property taxes will not exceed 7 percent in FY 2009. Therefore, it is not expected that an additional tax rate reduction will occur for FY 2009.

Class 2 properties are commercial properties, of which there are approximately 9,000. In FY 2008, these properties were all taxed at the commercial rate of $1.85 per $100 of assessed value. However, in January 2008 elected officials enacted the "Small Business Commercial Property Tax Relief Act of 2007". This legislation stipulated that if projected growth in real property tax revenue from Class 2 properties in FY 2009, as of September 2008, exceeds real property tax revenue from Class 2 properties in FY 2008 by 15.3 percent, this potential excess revenue is to be used to finance a tax rate reduction for the first $3 million in assessed value for Class 2 properties. The Class 2 tax rate for the assessed valued greater than $3 million is to remain $1.85 per $100 of assessed value. Furthermore, beginning in 2010 the legislation limits the growth in total Class 2 revenue to 10 percent annually. If the growth in projected revenue exceeds this threshold, this potential excess revenue is to be used to finance a further tax rate reduction for the first $3 million in assessed value for Class 2 properties so as to limit total growth in total Class 2 revenue to 10 percent annually. In essence, this legislation potentially creates a split tax rate structure for Class 2 properties where the potential lower rate is calculated annually to limit the growth in total revenue from Class 2 properties to specified amounts. In February 2008, it was estimated that the growth in real property tax revenue from Class 2 properties for FY 2009 would be 15.5 percent. This is $95.7 million over the legislatively allowed amount. Therefore, the Class 2 tax rate for first $3 million in assessed value for Class 2 properties was estimated to be $0.91 per $100 of assessed value and the tax rate for assessed valued greater than $3 million is to remain $1.85 per $100 of assessed value.

Even as the Class 2 taxable assessment base continued to grow robustly in 2008 and 2009, the growth in the city's sales, individual income and business income tax collections began to weaken throughout 2008. This development adversely and significantly affected total estimated tax revenue for FY 2009. Consequently, the City Council proposed in the "FY 2009 Budget

Table 4-20

Real Property Tax Classes and Rates for FY 2009

Real Property Tax Class	Tax Rate
Class 1 (Residential)	$0.85 per $100 of assessed value
Class 2 (Commercial)	a) $1.65 per $100 of assessed value for the first $3 million in assessed value, and b) $1.85 per $100 of assessed value for assessed value in excess of $3 million.
Class 3 (Vacant/Abandoned)	$10.00 per $100 of assessed value

Support Act of 2008" to modify the tax relief legislation passed earlier in the year so that the Class 2 tax rate for first $3 million in assessed value for Class 2 properties in FY 2009 would be $1.65 per $100 of assessed value and the tax rate for assessed valued greater than $3 million is to remain $1.85 per $100 of assessed value. And while this proposal still limits the growth in total Class 2 revenue to 10 percent annually beginning in 2010, the change in proposed tax rates for FY 2009 would provide approximately $20 million in tax relief instead of the $95.7 million in FY 2009. The measure was intended to take into account slower expected growth in the city's other major sources of tax revenue in 2008 and 2009.

Class 3 properties are vacant and/or abandoned properties, of which there are approximately 2,500. These properties are taxed at a rate of $5.00 per $100 of assessed value. The significantly higher Class 3 tax rate is intended to prevent the proliferation of such properties by penalizing the owners of vacant and abandoned properties with a punitively high tax rate. However, in response to the seemingly growing number of complaints from residents in numerous neighborhoods in 2007, elected officials enacted the "Abatement of Nuisance Properties and Tenant Receivership Amendment Act of 2008". This legislation gives the Mayor even greater authority to abate these nuisance properties. Among the additional powers given to the Mayor to more effectively deal with this issue is the proposed ("Nuisance Properties Abatement Act Implementation Act of 2008") increase in the tax rate on Class 3 properties to an even higher rate of $10 per $100 of assessed value effective for FY 2009.

Revenue

Real property tax revenue for any given year is based on market conditions and property assessments made by OTR two years prior. For example, FY 2008 real property tax revenue is based on 2008 assessment notices that were mailed to property owners in March 2007 but reflect actual market conditions in 2006. After property owners receive their property assessment notices, owners are afforded the opportunity to contest their assessment value, if they chose to, before their tax payment is due in FY 2008.

Considering that a phenomenal number of property sales, at ever increasing sale prices, took place between the years 2002 and 2005, 2006 was the year when property market dynamics started to change significantly. On the residential side, 2006 was the first time in recent years in which the number of sales of both single-family homes and condominiums declined relative to the preceding year. Home sales in these two segments of the residential market (single-family homes and condominiums) declined 14.9 percent relative to the preceding year. The median sales price for both single-family homes and condominiums between 2002 and 2005 grew in excess of 15 percent annually. However, in 2006 the median sales price for single-family homes grew only 1.8 percent and the median sales price for condominiums declined 5.6 percent. The median sales price in 2007 for single-family homes grew 6.0 percent, but the median sales price for condominiums declined by an additional 1.2 percent. On the commercial side of the market, the number of square feet of quality commercial office space sold increased 20.1 percent annually on average between 2002 and 2005. However, the number of square feet sold in 2006 decreased by 14.9 percent and by an additional 24.1 percent in 2007. The average price of quality commercial office buildings increased 14.2 percent annually between 2002 and 2005. However, the average sale price for commercial office buildings increased by only 1.8 percent in 2006 and by 4.9 percent in 2007. In tandem, these developments in the property marketplace are now being considered to be the onset of a significant "cooling off" phase that resulted in a marked decrease in the rate of appreciation in the property tax base in 2006 and 2007 and the subsequent slowing of growth of real property tax revenue beginning in FY 2008 and FY 2009.

The average annual real property tax revenue growth between FYs 2002 and 2007 was 14.4 percent. However, the annual growth rate in real property tax revenue is expected to decline gradually from 18.4 percent in 2008 to 6.4 percent in 2012. This amounts to an expected average annual revenue growth rate of 9.3 percent between FYs 2007 and 2012. This general pattern of annual average growth rates in real prop-

Table 4-21

Property Tax Revenue, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Real Real Property (gross)	1,448,697	1,715,048	1,856,610	1,992,150	2,124,466	2,261,165
Transfer to TIF	*(5,096)*	*(18,841)*	*(20,535)*	*(19,584)*	*(30,430)*	*(30,430)*
Real Property (net)	1,443,601	1,696,207	1,836,075	1,972,566	2,094,036	2,230,735
Personal Property (gross)	67,395	56,820	58,638	60,515	62,451	64,450
Transfer to Neighborhood Investment Fund	*(10,000)*	*(9,875)*	*(10,000)*	*(10,000)*	*(10,000)*	*(10,000)*
Personal Property (net)	57,395	46,945	48,638	50,515	52,451	54,450
Public Space	32,239	25,589	26,280	28,412	27,718	28,467
Transfer to DDOT	*(32,239)*	*(25,589)*	*(26,280)*	*(28,412)*	*(27,718)*	*(28,467)*
Total Property Taxes	**1,500,996**	**1,743,152**	**1,884,713**	**2,023,081**	**2,146,487**	**2,285,185**

erty revenue for the 11 years between FY 2002 and FY 2012 underscores two important points. First, the District experienced an enormous degree of property development and assessment growth over the FY 2002 to FY 2007 period, and the extraordinary expansionary phase of the local real estate cycle that has taken root in all parts of the city began to wind down in FYs 2006 and 2007. Second, even though the extreme robustness in property development and property assessment growth is expected to be much abated throughout the city, the fundamentals of the local real estate market remain strong and intact. These fundamentals include continued growth in the number of new jobs, population, and households, as well as a growing list of entertainment/retail outlets and other attractive amenities throughout the city. Just as importantly there exists an incredibly limited supply of developable land but continued strong demand for property ownership (at justifiable prices). While real property tax revenue is expected to grow at a relatively subdued overall growth rate over the next several years, the average annual growth rate of 9.3 percent may still be considered robust with all things considered.

Many real property tax relief initiatives have been implemented since 2002 that have abated the overall growth in total real property tax revenue. Nonetheless, the growing importance of real property tax revenue as the major revenue source to the Local Fund is not without significance. In FY 2007 real property tax revenue was the largest single source of revenue (27.4 percent) to the Local Revenue Fund. This marked the first time since the early 1990s—the last time the local real estate market was extremely robust—that revenue from the real property tax surpassed total individual income tax revenue as the major source of tax revenue to the District government. While real property tax revenue as a share of total Local Fund revenue was 20.8 percent in FY 2002, the share is expected to increase from 32.2 in 2008 to 36.0 percent in 2012. These results stem from the fact that the city's entire 2007 property tax base has almost tripled in value since 1997, presumably due the aforementioned strong fundamentals and other favorable market dynamics that have been in play over the past decade. This overall trend is expected to continue in the years to come, albeit at a somewhat reduced rate. Actual FY 2007 and projected FY 2008 to FY 2012 revenue from the real property tax are shown in table 4-21.

General Obligation Bond - Debt Service

Each year the District dedicates a percentage of its real property tax collections to pay off the principal and interest on its General Obligation Bonds. For FY 2008, the percentage of real property tax collections dedicated to the repayment of principal and interest on the District's General Obligation Bonds is 32 percent.

Personal Property Tax

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

In January 2008, elected officials enacted the "Small Business Commercial Property Tax Relief Act of 2007" in efforts to provide small businesses with more comprehensive tax relief that is beyond the scope of the real property tax. More specifically, this legislation increases the tangible personal property tax exemption amount from $50,000 to $225,000 beginning in FY 2008. In FY 2007, gross total personal property tax collections totaled $67.4 million (see table 4-21), a 2.9 percent increase over FY 2006 collections of $65.5 million. Based on national and regional economic indicators that suggest that while economic growth will continue over the next several years, this growth is expected to occur at a slower annual rate. Therefore, gross collections in FY 2008 will decline to $56.8 million due the increased exemption level that takes effect in FY 2008. But, annual growth in collections is expected to resume in FY 2009 but at about 3.2 percent per annum for FYs 2009 to 2012.

In 2004 District legislation created a Neighborhood Investment Fund (NIF) and a Neighborhood Investment Program that dedicates a maximum of $10 million annually from personal property tax revenue to pay for a variety of community revitalization projects, including commercial, residential, and civic uses for twelve priority neighborhoods. In FY 2007, approximately $10.0 million of personal property tax revenue was diverted to the NIF, and it is estimated that a similar amount will go to the NIF in FY 2008. In FYs 2009 through 2012, the maximum $10 million amount is projected to be dedicated to the NIF. (See table 4-21.)

Public Space Rental

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

In FY 2007, revenue from public space rentals amounted to $32.2 million (see table 4-21), a 45.2 percent increase from FY 2006. This strong surge in revenue in FY 2007 was a result of fee rate increases and accumulated billing in FY 2007. The "Public Space Rental Fees Amendment Act of 2006" increased rental rates by 20 percent beginning in FY 2006. However, due to administrative complications, the additional levy due to the increased fee rate for 2006 was not billed until 2007. Thus, actual 2007 revenue was higher than in 2006 not only because of the fee rate increase but also because of the additional levy for 2006 that was not billed to fee payers until 2007. Beginning in FY 2008, the revenue from this source is expected to stabilize and approximate its trend growth rate of about one percent per annum to FY 2012.

The "District Department of Transportation Unified Fund Amendment Act of 2007" requires that all revenue from the public space rentals be deposited annually into the District Department of Transportation Unified Fund. Although this tax is expected to produce over $26 million each year for the foreseeable future, the revenue will no longer be available to the General Fund. It is planned to be used for local road construction and maintenance and related debt servicing.

Sales and Excise Taxes

General Sales and Use Tax

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

Table 4-22

Estimated Sales Tax Base and Payments by Tax Type, FY 2007

($ millions)

	Retail	Liquor	Restaurant	Parking	Hotel	Transfer	Total
Base	6,502.5	267.6	3,089.4	384.6	1,427.1	-	11,671.2
Rate	5.75%	9%	10%	12%	14.5%		
Collections	373.9	24.1	308.9	46.2	206.9	-	960.0
Convention Center Transfer	-	-	26.9		56.4	-	83.3
TIF Transfer	4.3	0.3	2.8	4.2	2.7	-	14.2
Ballpark Transfer	-	-	8.0	0.3	-	-	8.3
Parking Tax Transfer	-	-	-	37.1	-	-	37.1
School Modernization Fund Transfer	-	-	-	-	-	100.0	100.0
Local Fund	**369.6**	**23.8**	**271.3**	**4.5**	**147.8**	**(100.0)**	**717.1**

Parking and storing of vehicles are taxed at 12 percent. Transient accommodations are taxed at 14.5 percent (with 4.45 percent supporting the Convention Center Authority).

The multiplicity of rates is intended to accomplish several goals, including revenue generation from visitors to the District and supporting the hospitality industry via the Convention Center transfer. The multiplicity of rates, with special exemptions provided in each category, complicates the administration of sales tax for the Office of Tax and Revenue and adds to compliance costs for businesses such as hotels and food stores, where transactions may involve several tax categories.

Revenue collected under the sales and use tax in FY 2007 was $960.0 million (see table 4-22), gross of the Convention Center transfer of $83.3 million, a TIF transfer of $14.2 million, a Ballpark Fund transfer of $8.3 million, a transfer to DDOT of $37.1 million, and a transfer to the School Modernization Fund of $100 million. In FY 2008 net sales and use tax collections are projected to contribute 13.3 percent of total local fund revenue net of dedicated taxes. This amount can be compared to sales and use taxes comprising 13.8 percent of total local fund revenue net of dedicated taxes in FY 2007.

D. C. personal income grew by 6.3 percent in FY 2007 and is expected to increase at a slower rate of 5.2 percent for FY 2008. If personal income on the national level is similar to that of the District, individuals will have less personal income to spend on vacations. This would likely result in a slowing of the growth rate of tourism spending in the

Table 4-23

General Sales and Use Tax Revenue, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
General Sales and Use	959,968	964,768	1,031,907	1,083,122	1,136,143	1,192,425
Convention Center Transfer	*(83,312)*	*(86,728)*	*(90,197)*	*(93,985)*	*(98,027)*	*(102,242)*
Transfer to TIF	*(14,205)*	*(24,192)*	*(26,346)*	*(29,592)*	*(43,645)*	*(43,645)*
Transfer to DDOT Unified Fund (parking tax)	*(37,087)*	*(38,014)*	*(38,812)*	*(39,589)*	*(40,578)*	*(41,593)*
Transfer to Ballpark Fund	*(8,275)*	*(16,077)*	*(15,152)*	*(14,917)*	*(15,111)*	*(15,520)*
Transfer to School Modernization Fund	*(100,000)*	*(100,000)*	*(106,000)*	*(112,360)*	*(119,102)*	*(130,279)*
General Sales and Use (net)	**717,089**	**699,757**	**755,400**	**792,679**	**819,680**	**859,146**

District. We estimate sales and use tax revenues in FY 2008 of $699.8 million (see table 4-23), net of the Convention Center Transfer of $86.7 million, a TIF transfer of $24.2 million, a DDOT Unified Fund (parking tax) transfer of $38.0 million, a Ballpark Fund transfer of $16.1 million, and the School Modernization Fund transfer of $100.0 million. Sales tax revenue net of dedicated taxes is projected to grow at an annual average rate of 4.4 percent for FY 2009 through FY 2012. We are expecting continuous positive growth from the hospitality industry, which will contribute to sales tax revenue for the District over the next five years.

Convention Center Transfer

The convention center transfer in FY 2008 is estimated to be 4.1 percent higher than the transfer in FY 2007. During the period FY 2009 to FY 2012, the convention center transfer is expected to grow at an annual average rate of 4.3 percent.

Sales Tax TIF Transfer

The District utilizes an economic development tool called Tax Increment Financing (TIF) to assist in financing economic development projects. TIF allows the incremental future revenue stream from a development project to be pledged to pay back bonds issued to help finance the development. In FY 2006, $11.6 million in sales tax revenue was transferred to the TIF program. In FY 2007, $14.2 million in sales tax revenue was transferred to the TIF program. In FY 2008, the transfer is expected to be $24.2 million. In FY 2009 the estimated transfer is $26.3 million. The transfer is projected to be $43.6 million in FY 2011 and 2012.

Parking Tax Transfer

As part of the FY 2006 budget, the parking tax revenue stream was transferred out of the general fund to the Department of Transportation to fund capital expenditures. In FY 2006, the parking tax revenue was $33.6 million. In FY 2007, parking tax revenue was $37.1 million. In FY 2008 the transfer to the Department of Transportation is estimated to be $38.0 million, $1.0 million (2.5 percent) above FY 2007. Over the FY 2009-FY 2012 period, the parking tax transfer is projected to grow at an annual average rate of 2.3 percent.

Transfer to Ballpark Fund

Stadium related sales tax streams are dedicated to the Ballpark Fund to pay the debt service on the baseball stadium revenue bonds. These revenue streams include taxes on tickets sold, taxes on parking at the stadium, taxes on stadium concessions and taxes on food and beverages sold in the stadium. In FY 2007, $8.3 million was transferred to the Ballpark Fund. In FY 2008, $16.1 million is expected to be transferred to the Ballpark Fund. This is an $7.8 million (94.3 percent) increase over the amount of revenue transferred in FY 2007. The transfer is projected to remain at approximately $15 million per year over the FY 2009 to FY 2012 period. For more information on this revenue transfer, see the separate section on the Ballpark Fund that appears later in this chapter.

Transfer to School Modernization Fund

In FY 2006, the District enacted the "School Modernization Financing Act of 2006" which established the Public School Capital Improvement Fund for the purpose of funding capital improvements throughout the District of Columbia school system. In FY 2007 $100 million of sales tax revenue was to be transferred to this fund. In fiscal years 2008-2011, $100.0 million, $106.0 million, $112.4 million, and

Table 4-24

Sales Tax Revenue for the Convention Center Fund, Fiscal Years 2007-2012

($ thousands)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Restaurant Sales Tax	26,901	28,004	29,124	30,347	31,652	33,013
Hotel Sales Tax	56,411	58,724	61,073	63,638	66,375	69,229
Total	**83,312**	**86,728**	**90,197**	**93,985**	**98,027**	**102,242**

Table 4-25

Selective Sales and Excise Tax Revenue, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Alcoholic Beverages	5,150	5,087	5,029	4,972	4,918	4,865
Cigarette	21,205	21,003	20,474	19,959	19,456	18,966
Motor Vehicle Excise	43,681	45,571	47,548	49,611	51,764	54,010
Total Selective Sales and Excise	**70,036**	**71,661**	**73,051**	**74,542**	**76,138**	**77,841**

$119.1 million, respectively, will be transferred to the fund. Beginning in FY 2012, the amount of funds transferred to the Public School Capital Improvement Fund will be indexed based on the RSMeans Construction Cost Index for Washington, DC.

Transfer to the Verizon Center

Effective March 2008, in order to service a loan to renovate the Verizon Center at Gallery Place, merchandise and tickets for events at the Verizon Center will be subject to a tax of 10 percent (compared to the prior rate of 5.75 percent). The revenue collected from the increased rate (10 percent less 5.75 percent or 4.25 percent) will be placed into a separate fund and used to make principal and interest payments on the loan.

Selective Sales and Use Taxes

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

Alcoholic Beverage Tax

The alcoholic beverage tax is levied on wholesale sales of beer, wine, and liquor in the District. The tax rates vary by type of product. Beer is taxed at $2.71 per 31 gallon barrel; light wine (14 percent alcohol or less) is taxed at $0.30 per gallon; heavy wine (over 14 percent alcohol) is taxed at $0.40 per gallon; champagne and sparkling wines are taxed at $0.45 per gallon; and spirits are taxed at $1.50 per gallon.

After a peak in the first half of FY 2004, revenue collected from the alcoholic beverage tax has declined at a moderate pace. There has been no change in the tax rate since 1990. This suggests the change in revenue is directly linked to consumption patterns. If individuals are consuming as much alcohol as before, they are buying less from District retailers. Alcohol tax collections are projected to be $5.1 million and $5.0 million in FY 2008 and FY 2009, respectively. (See table 4-25.) Alcohol tax collections are expected to decrease slightly throughout the FY 2009 through FY 2012 projection period because alcohol purchased in the District is expected to continue to decrease moderately.

Cigarette Tax

The cigarette tax is levied on the sale or possession of all cigarettes in the District with the exception of sales to or by the United States or the District government or their instrumentalities (e.g., the military and Congress). Cigarette consumption has been declining in recent years and is expected to continue declining. An increase in wholesale prices (as a result of the settlement between tobacco companies and states and the District of Columbia), an increase in taxes on cigarettes, anti-smoking efforts, and a greater awareness of health risks are likely factors contributing to this decline. Revenue collected from the cigarette tax in FY 2007 was approximately $21.2 million. Revenues are estimated to be slightly lower in FY 2008 ($21.0 million) and to fall further in FY 2009 (to $20.5 million). We project revenue to decline slightly between FY 2009 and FY 2012. (See table 4-25.)

Motor Vehicle Excise Tax

The motor vehicle excise tax is imposed on the issuance of every original and subsequent certificate of title on motor vehicles and trailers. The tax is 6 percent of fair market value for vehicles 3,499 pounds or less, 7 percent of fair market value for vehicles 3,500 pounds to 4,999 pounds, and 8 percent for vehicles weighing more than 5,000 pounds. The 8 percent rate was introduced in April 2005. Collections from motor vehicle excise taxes totaled $43.7 million in FY 2007, a 2.6 percent increase in collections over FY 2006 collections.

The District's Department of Motor Vehicles (DMV) has reported that major improvements in the administration of imposing the excise tax on all newly titled vehicles were made in FY 2005. The Department has programmed computers to ensure the application of the correct excise tax rate on the Fair Market Valuation. Administrative improvements may have contributed to the increase in collections noted since FY 2005. Another possible factor behind the increase in collections is the increase in rates on popular larger vehicles. Collections are projected to increase by an annual average growth rate of 4.3 percent between FY 2009 and FY 2012. (See table 4-25.) The strong growth rate expected is due to a combination of continued growth in the numbers of cars sold, the price of cars sold, and the percentage of cars sold that are in the heavier category.

Income Taxes

The individual income tax, the corporate franchise tax, and the unincorporated business franchise tax are significant sources of District revenue. In FY 2007, these taxes accounted for 33.5 percent of local source revenue. Actual FY 2007 revenue from these sources is shown in Table 4-26. This table also shows projected revenue from each of these taxes for the period FY 2008 through FY 2012.

Individual Income Tax

Base and Rate

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

The individual income tax accounted for 25.2 percent of total local source revenue in FY 2007. Table 4-27 reports the tax rates and brackets scheduled to be applied to net taxable income (NTI) across the planning period. The current tax rate is 4 percent for NTI up to $10,000. For

Table 4-26

Income Tax Revenue, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Individual Income	1,313,826	1,322,237	1,307,865	1,391,873	1,462,143	1,536,383
Corporate Franchise	255,511	255,210	262,641	269,379	290,677	303,411
U.B. Franchise	167,024	151,359	170,440	187,577	204,993	224,612
Total Income Taxes	**1,736,361**	**1,728,805**	**1,740,947**	**1,848,829**	**1,957,813**	**2,064,406**

Table 4-27

Income Tax Rates, Fiscal Years 2007-2012

Net Taxable Incone	FY 2007 to FY 2012
$0 - $10,000	4.0%
$10,001 - $40,000	6.0%
Greater than $40,000	8.5%

NTI between $10,001 and $40,000, the marginal tax rate is 6 percent, while a marginal rate of 8.5 percent is applicable for NTI greater than $40,000. Because marginal tax rates increase as income rises, table 4-27 suggests that the District has a progressive tax system.

Effective January 2008 the standard deduction and personal exemption amounts increased. The deduction amount increased from $2,500 ($1,250 for married filing separate) to $4,000 ($2,000 for married filing separate). The personal exemption increased from $1,500 to $1,675. Beginning in January 2009, these two items will be adjusted annually for inflation.

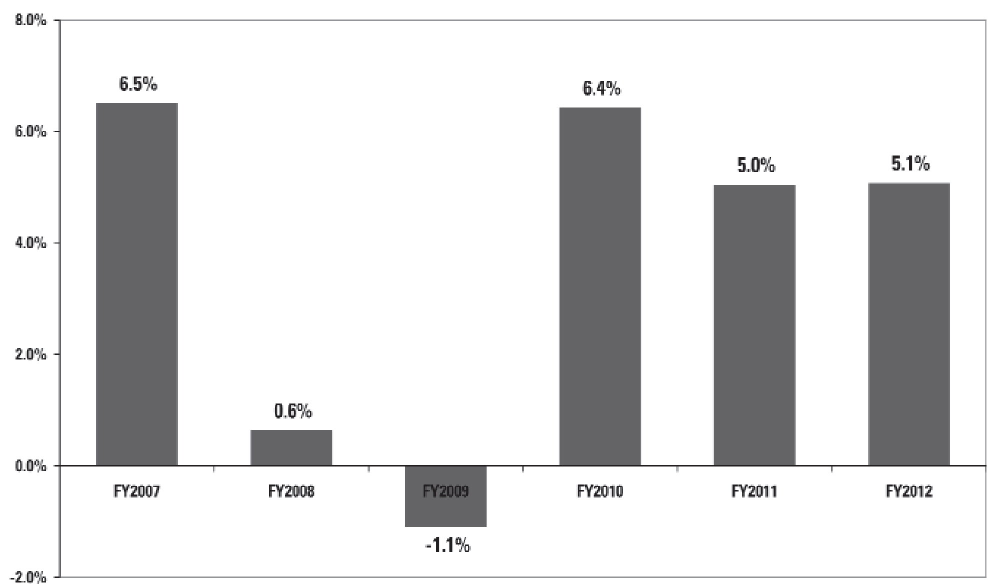
FY 2007

In FY 2007, individual income tax revenue grew by 6.5 percent, which is slightly more than the 6.3 percent growth rate that was experienced in FY 2006, but less than the 11.3 percent growth rate in FY 2005. The earnings of District residents increased by 5.8 percent in FY 2007, which is a slight increase over the 5.7 percent growth rate in FY 2006 and less than the 9.3 percent growth rate in FY 2005. The wages and salaries of the District's residents increased by 6.1 percent in FY 2007, an increase over the 5.9 percent rate of growth in FY 2006, but less than FY 2005's 8.7 percent growth rate. The withholding component of the individual income tax, which is tied directly to wages and salaries, grew by 0.4 percent in FY 2007; this was lower than the 5.6 percent growth that was experienced in FY 2006 and the 4.9 percent growth rate in FY 2005. The reduction in the city's individual income tax rates contributed to the slowed growth in the withholding component.

The declarations component (also called estimated payments) of total revenue from individual income increased by approximately 20 percent in FY 2007; this was larger than the 11 per-

Figure 4-2

Individual Income Tax Revenue Growth Rate for FY 2007 and Estimated Growth Rates for FY 2008 to FY 2012)



cent and 15 percent growth rates in FY 2006 and FY 2005, respectively. Relative to FY 2005 and FY 2006, the stock market experienced double digit growth in FY 2007 (14.1 percent in FY 2007 versus 6.8 in FY 2006 and 7.8 percent in FY 2005. The behavior of the declarations component of the individual income tax is tied to the behavior of the stock market, so that faster growth in declarations in FY 2007 was assisted by the stronger growth in the stock market.

FY 2008-FY 2012

In FY 2008 the District anticipates $1,322 million in individual income tax revenue; which is 0.6 percent growth over FY 2007 revenue. In FY 2009 it is anticipated that there would be a decline of 1.1 percent growth in individual income tax revenue resulting in revenue of $1,308 million. In FY 2010 it is projected that revenue would be $1,392 million (6.4 percent increase), while in FY 2011 and FY 2012 revenue is projected to be $1,462 million (5.0 percent increase) and $1,536 million (5.1 percent increase), respectively. Figure 4-2 shows the anticipated growth rates.

As uncertainty about the regional and national economies persists, the District anticipates that revenue from the individual income tax would be affected. Based on forecasts from Global Insight and Economy.com, it is expected that there would be a downturn in the stock market in FY 2008; the stock market is expected to experience a decline of 4.7 percent in FY 2008 before rebounding in FY 2009 with a 4.6 percent growth rate. Because of the uncertainty in the stock market, the behavior of individual income tax revenue continues to be a source of volatility in the city's revenue. Based on employment data from the Bureau of Labor Statistics (BLS), resident employment is expected to experience one percent growth in FY 2008. In FY 2009 resident employment is not expected to grow. It is expected to decline approximately 0.1 percent. In FY 2010 through FY 2012 it is expected that resident employment would have a growth rate of slightly less than one percent each year. In addition, there is the expectation that the wages and salaries of District residents would experience slower growth in FY 2008 (4.8 percent) and FY 2009 (3.5 percent) relative to FY 2007 (6.1 percent). In FY 2010 through FY 2012, wages earned by District residents are expected to grow approximately 4 percent each year. Changes in the growth rate of wages impacts the performance of individual income tax revenue.

Corporate Franchise and Unincorporated Business Franchise Taxes

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

Corporate Franchise

Corporate franchise tax revenue as a share of total local fund revenues has declined as a percentage of total revenues. Corporations have increasingly used tax planning to lower their taxable income. As a result, many corporations, regardless of the amount of their gross profits, have only a minimum tax liability. This situation exists nationwide. Some state taxing authorities have attempted to disallow specific types of deductions through the courts (for example: Geoffrey, Inc. v. South Carolina Tax Commission). The District watches these cases with interest in order to benefit from legal events and interpretations that may help to improve corporate franchise tax collections.

Corporate franchise tax revenue is a small share of total revenues both because a large number of corporate franchise taxpayers pay the minimum tax liability and because the minimum tax liability is $100. The minimum amount is unchanged since 1983. If the minimum tax had grown with inflation since 1983, the minimum tax amount would be about $200. Growth rates of net incomes and taxes from them since 1983 are not reflected in minimum tax payments. Over the years, other categories of tax collections have therefore shown more growth when compared to the growth of corporate franchise tax collections. In 2004 approximately 65 percent of the District's corporate franchise taxpayers paid the minimum tax, and approximately 51 percent of unincorporated business taxpayers paid the minimum.

The District estimates approximately $262.6 million of corporate franchise tax revenue in FY 2009 (see table 4-26), a 2.9 percent increase over the $255.2 million estimate for FY 2008. We project annual average growth of approximately 4.9 percent from FY 2009 to FY 2012.

Unincorporated Business Franchise

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

The District estimates approximately $170.4 million in unincorporated business franchise tax revenue in FY 2009 (see table 4-26), a 12.6 percent increase over the FY 2008 revenue estimate of $151.4 million. We project average annual growth of approximately 9.6 percent between FY 2009 and FY 2012.

Many of the District's unincorporated business tax filers who pay taxes on unincorporated business income are private consultants. As a result of increased federal contracting related to Homeland Security projects, we anticipate growth from this sector of unincorporated business filers to remain strong.

Real estate investors also pay the unincorporated business tax. Collections from this revenue source, which are based on profits from unincorporated businesses located in the District, are linked to factors such as personal income growth, the local commercial real estate sector, and collections in the transfer and recordation taxes. In FY 2003 and FY 2004 the real estate market in the District saw real estate investors' profits substantially increase from sales and leases of commercial and residential property. As a result, there was strong growth in unincorporated business collections between FY 2003 and FY 2007. Compared to that period, the real estate market in the coming FY 2009 to FY 2012 period is expected to be much less robust. Collections from the sector will reflect the decrease.

In March 2006, a Superior Court decision on the franchise taxes of a D.C. unincorporated business owned by non-residents was given in the case of Bender, et. al. v. the District of Columbia. The Superior Court decision went against the District, which filed an appeal. In August 2006, the D.C. Court of Appeals ruled in favor of the District. The decision of the D.C. Court of Appeals holds that the District's unincorporated business franchise tax applies to a nonresident partner's share of a real estate partnership's net income if that income is derived from the operation of an unincorporated business within the District. The appeals court also held that such a tax does not violate the D.C. Home Rule Charter's prohibition against imposing a tax on the personal income of nonresidents. In February 2007, the United States Supreme Court let stand the D.C. Court of Appeals ruling in favor of the District in the case of the District of Columbia v. Bender.

Gross Receipts Taxes

Taxes in this category include: a tax on the gross receipts of public utilities and toll telecommunications companies operating in the District (the rate is 10 percent for residential use and 11 percent for non-residential use where 1 percent of the 11 percent is dedicated to financing the new baseball stadium), a tax of 1.7 percent on the gross receipts of insurance companies, a tax of 6 percent of net resident revenue on each nursing facility in the District of Columbia.

Table 4-28 shows actual revenue in FY 2007, estimates for FY 2008 and FY 2009 and projected revenue from public utilities, toll telecommunications and insurance premiums for fiscal years 2010 through 2012.

Table 4-28

Gross Receipts Tax Revenue, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Public Utility (gross)	163,792	153,501	153,679	153,828	153,954	154,060
Transfer to Ballpark Fund	*(10,503)*	*(9,424)*	*(9,546)*	*(9,546)*	*(9,546)*	*(9,546)*
Public Utility (net)	153,289	144,077	144,133	144,282	144,408	144,514
Toll Telecommunication (gross)	59,071	56,637	56,665	56,685	56,697	56,707
Transfer to Ballpark Fund	*(2,285)*	*(3,165)*	*(3,165)*	*(3,165)*	*(3,165)*	*(3,165)*
Toll Telecommunication (net)	56,786	53,472	53,500	53,520	53,532	53,542
Insurance Premiums (gross)	55,016	54,460	54,900	54,964	55,029	55,094
Transfer to Healthy DC Fund	*(8,100)*	*(5,960)*	*(6,400)*	*(6,464)*	*(6,529)*	*(6,594)*
Insurance Premiums (net)	46,916	48,500	48,500	48,500	48,500	48,500
Healthcare Provider Tax	12,393	11,000	11,000	11,000	11,000	11,000
Transfer to Nursing Facility Quality of Care Fund	*(12,393)*	*(11,000)*	*(11,000)*	*(11,000)*	*(11,000)*	*(11,000)*
Baseball Gross Receipts Tax	24,888	14,000	14,000	14,000	14,000	14,000
Transfer to Ballpark Fund	*(24,888)*	*(14,000)*	*(14,000)*	*(14,000)*	*(14,000)*	*(14,000)*
Total Gross Receipts Taxes	**256,991**	**246,049**	**246,133**	**246,302**	**246,440**	**246,556**

Public Utility Taxes

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

In FY 2000, as part of the process of deregulation of the electricity market and Pepco's transformation from an electric power producer to an electric power distribution company, the District replaced the gross receipts tax imposed on electric utilities with a unit tax on electricity distribution companies. This "distribution" tax revenue is included with the city's gross receipts tax collections. The tax is imposed on electricity distributors who operate in the District. The tax rate was $0.007 per kilowatt-hour. This rate was equivalent to the gross receipts tax at the time of conversion. Effective January 1, 2003, the rate was changed to $0.0077 per kilowatt-hour for non-residential customers.

In FY 2006, the tax structure on natural gas was changed from a rate on the gross receipts to a charge based on the amount used. For residential users, the tax per therm of natural gas was $0.0703 from 12/02/05 to 9/28/06 and $0.0707 after 09/29/06. For non-residential users, the tax per therm of natural gas was $0.0703 from 12/02/05 to 9/28/06 and $0.0707 plus $0.00707 from 09/29/06. The current charge for heating oil is $0.17 per gallon and $0.187 per gallon for residential and nonresidential customers respectively. For electricity, natural gas and heating oil, the additional surcharge on nonresidential customers is dedicated to funding the baseball stadium.

Because of the current tax structure, the tax collected is closely related to energy use. Therefore tax collections from electricity, natural gas and heating are more closely linked to weather extremes rather than to the fuel cost. During the forecast period, we assume average weather patterns.

We estimate gross revenue from public utilities taxes (before the transfer for baseball stadium funding is taken) to be $153.5 million in FY

2008 and $153.7 million in FY 2009. Gross revenue from public utility taxes is estimated to increase by an average of 0.1 percent a year from FY 2009 through FY 2012.

Toll Telecommunication Taxes

The toll telecommunications tax is levied on the gross receipts of long distance and wireless telecommunications companies.

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

In recent years the telecommunications industry has faced challenges. Changes in regulation, over capacity of lines, and stiff competition to long distance providers (such as AT&T, MCI, Sprint) by local telephone companies such as Verizon are among these challenges. Long distance providers are also suffering because of the growth of the wireless telephone industry. Most wireless telephone companies now include inexpensive long-distance calling plans as a standard feature. The technological advancement known as Voice Over Internet Protocol (VOIP) is another challenge to traditional long distance/overseas telephone service providers. VOIP providers allow users with a high speed internet connection to make telephone calls from their computer to another telephone anywhere in the world. This service is normally provided at a flat rate for unlimited use.

We estimate gross revenue from the Toll Telecommunications tax (before the 1 percent transfer for baseball stadium funding) to be $56.6 million in FY 2008 and $56.7 million in FY 2009. We project gross revenue to remain at $56.7 million from FY 2010 to FY 2012.

Insurance Premiums Tax

The District's insurance premiums tax rate is 1.7 percent of gross premium receipts. Annuities are tax-exempt. The insurance premiums tax is levied on insurance policies taken out by District residents as well as on property that is registered in the District, regardless of where the policies are written or initiated. Approximately 50 percent of the revenue from the insurance premiums tax comes from life insurance policies, with a combination of other premiums (including business, health, property and motor vehicle) making up the other half. After September 11, 2001 and the Atlantic Ocean hurricane season of 2005, insurance rates increased. Following 2001, insurers either substantially increased the price for terrorism coverage or dropped the coverage completely. However, District regulators reached an agreement that capped premium increases for terrorism coverage at 24 percent.

In FY 2007, revenue collected from insurance premium tax was $55.0 million. Collections from taxes on insurance premiums are estimated to be $48.5 million in FY 2008 (after the transfer of insurance premium taxes to the Healthy DC Fund) and to remain at that level through FY 2012, unless there is an external jolt to the insurance industry.

Healthcare Provider Tax

The healthcare provider tax imposes a 6 percent tax on the District's nursing homes. The legislation was passed during 2004. The tax is estimated to generate $11 million in general fund revenue from FY 2009 through FY 2012. All of the funds raised are designated to go to the Nursing Facility Quality of Care Fund.

Other Taxes

Deed Recordation and Deed Transfer Taxes

While the real property tax is an annual tax on the value of all existing taxable properties in the District, deed taxes are levied only when taxable properties are sold or transferred. More specifically, the deed recordation tax is imposed on the recording of all deeds to real estate in the District, and the deed transfer tax is imposed on each transfer of real property at the time the deed is submitted for recordation. The deed recordation tax must also be paid on the increased value when commercial property is refinanced.

The "Deed Transfer and Recordation Clarification Act of 2006" increased both the deed recordation and deed transfer tax rates from 1.1 percent to 1.45 percent effective October 1, 2006. However, both the deed recordation and deed transfer tax rates for residential property transfers with a total consideration of less than $400,000 remain 1.1 percent.

In light of recent deed tax rate changes, the following analysis of deed tax trends uses normalized deed tax collection data. Normalized deed tax data transforms all deed tax revenue, regardless of the effective tax rate, into tax revenue as if it was taxed at a 1.1 percent tax rate. This method nullifies the effect of the two tax rate changes in recent years in order to extract and better understand the underlying economic activity that is reflected by deed tax collections.

There are three general component sources of deed tax revenue: commercial property sales, residential property sales and refinancing of commercial property. In FY 2007, it is estimated that the commercial sales sector accounted for 44.7 percent of deed tax collections, the housing sector accounted for 35.6 percent, and the commercial refinancing sector accounted for 19.8 percent. Refinancing activity is measured by the difference between deed recordation and deed transfer taxes. Deed tax revenue from commercial property sales was 26.6 percent lower in FY 2007 than in FY 2006, while deed tax revenue from residential property sales was down 2.4 percent and commercial refinancing down 16.3 percent. As stated earlier, the city's real estate market for calendar years 2001 to 2005 was spectacular in terms of the number of sales and continuously increasing sale prices. But 2006 was the year in which the market began to soften in terms of the number of property sales and the average sale price for certain types of properties. This softness in the market continued in 2007, particularly in the commercial sales sector.

Using normalized deed tax data, deed recordation tax revenue grew by 3.9 percent in FY 2006, and deed transfer tax revenue declined by 9.7 percent in FY 2006. However, deed recordation tax revenue in FY 2007 declined by 11.6 percent over revenue in FY 2006, and deed transfer tax collections declined by 10.8 percent in FY 2007 over FY 2006. Clearly, the market began a transition in FY 2006 that adversely affected deed tax collections, and the trend continued in FY 2007. It appears that for this two year period many potential buyers of property have begun to shy away from rapidly escalating average sale prices. This, in turn, forced sellers of property to lower their expectations for sale prices and rates of return. This adjustment period is likely to continue through the end of FY 2009. It is expected that baseline deed recordation activity (prior to FY 2007 fiscal policy changes) will decline 21.9 percent in FY 2008 and 16.4 percent in FY 2009. But baseline deed recordation collections are expected to grow 1.2 percent in FY 2010. Baseline deed transfer activity (prior to FY 2007 fiscal policy changes) is expected to decline 16.9 percent, 12.8 percent and 0.3 percent in FYs 2008, 2009 and 2010, respectively.

Even though the annual revenue forecast for the deed taxes (and the related real property tax) for FYs 2008 to 2012 may suggest a relative declining property market, the underlining market fundamentals are strong nonetheless. These fundamentals include continued growth in the number of new jobs, population, households, as well as a growing list of entertainment/retail outlets and other attractive amenities throughout the city. And just as importantly, there exist an incredibly limited supply of developable land but continued strong demand for property ownership (at justifiable prices). With respect to the acute shortage of developable land in the District of Columbia, it has been easier (more cost effective) to increase the supply of condominium units in the city than to increase the supply of both large office buildings and single family homes. Thus, while there has been a decrease in median condominium sale prices in 2006 and 2007, there have been modest increases in the sales prices of large office buildings and single family homes during the same time period. These increases in sales prices should be seen in the context of corresponding significant decreases in the number of sales in these same two sectors. In short, the local real estate market of 2006 and 2007 has responded to the frenzied real estate market of years 2002 to 2005 by demanding lower sale prices in 2006 and 2007 in the condominium sector in the context of a increasing supply, but by engaging in a significantly fewer number of sales in the large office building and single family home sectors in the context of an extremely limited supply of available developable land. In all cases, however, the value of total sale transactions in the condominium, large office buildings and single family home sectors has declined in 2006 and 2007.

In retrospect, it appears that real estate market of years 2002 to 2007 may have been subject to what is characterized as a market bubble. A market bubble is said to exist when asset prices are driven well above their intrinsic value. Often, the end of a bubble is marked by sharp, sometimes disruptive, price declines as buyers/investors conclude assets are overvalued. The subprime mortgage and the subsequent corporate credit crises that began in 2007 suggest that the frenzied market activity of years 2002 to 2005 was fueled in part by historically low interest rates, excessively lax (debt) lending standards, and scores of exuberant real estate investors that inappropriately assessed the downside risks of certain real estate investments. The subsequent market softening that began in 2006, which is likely to continue until 2009, can be considered a transition from a phase of frenzied market activity to a more balanced and disciplined phase (i.e. a market correction).

The deed taxes have also been subject to major legislative changes in recent years. The "Housing Production Trust Fund Second Amendment Act of 2002" requires that 15 percent of the District's deed recordation and transfer tax revenue be transferred to the Housing Production Trust Fund annually. The Housing Production Trust Fund provides funds for the acquisition, construction and rehabilitation of affordable multifamily housing projects. Funds dedicated to housing production are projected to be $45.6 million in FY 2008 and $38.8 million in FY 2009. The "Fiscal Year 2007 Budget Support Act of 2006" established the Comprehensive Housing Task Force Fund. This fund will support a number of affordable housing initiatives including rent supplements, work force housing and energy assistance. The funding source for this fund is a 39.93 percent portion of the increase in the deed transfer and recordation tax rates from 1.1 percent to 1.45 percent. Funds newly dedicated to this task force fund are projected to be $27.6 million in FY 2008 and $23.5 million in FY 2009.

Table 4-29

Other Tax Revenue, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Estate	54,250	67,742	73,188	65,000	65,000	65,000
Deed Recordation (gross)	226,743	177,109	148,046	149,777	156,997	165,146
Transfer to HPTF	*(34,734)*	*(26,566)*	*(22,207)*	*(22,467)*	*(23,550)*	*(24,772)*
Transfer to Comp. Housing Strategy Fund	*(18,075)*	*(16,282)*	*(13,610)*	*(13,766)*	*(14,433)*	*(15,182)*
Deed Recordation (net)	173,934	134,261	112,229	113,544	119,014	125,192
Deed Transfer (gross)	152,411	126,639	110,455	110,178	114,497	119,203
Transfer to HPTF	*(23,998)*	*(18,996)*	*(16,568)*	*(16,527)*	*(17,175)*	*(17,880)*
Transfer to Comp. Housing Strategy Fund	*(12,071)*	*(11,354)*	*(9,903)*	*(9,878)*	*(10,265)*	*(10,687)*
Deed Transfer (net)	116,342	96,289	83,984	83,773	87,057	90,635
Economic Interests	64,794	70,000	25,000	16,000	8,000	8,000
Total Other Taxes	**409,321**	**368,292**	**294,401**	**278,317**	**279,072**	**288,827**

As a result of the rate hike for the deed taxes, and the dedication of a portion of annual deed tax revenue, net deed recordation tax revenue expected to go to the General Fund is estimated to be $134.3 million in 2008 and $112.2 million in 2009. (See table 4-29.) This is a 22.8 percent decrease in net revenue to the General Fund in FY 2008 and a 16.4 percent decrease in FY 2009. Net deed transfer revenue expected to go to the General Fund is estimated to be $96.3 million in 2008 and $84.0 million in 2009. This is a 17.2 percent decrease in net revenue to the General Fund in FY 2007 and a 12.8 percent decrease in FY 2009.

Economic Interests Tax

The economic interest transfer tax is triggered by the sale of a controlling interest in a business entity that includes one or two of the following elements: 1) 80 percent or more of the assets of the entity consist of real property located in the District of Columbia; or 2) more than 50 percent of the gross receipts of the entity are derived from ownership or disposition of real property in the District. In FY 2008, if either of these two elements was present, then the tax rate was 2.2 percent of the consideration. This tax is generally paid by real estate investment trusts and similar partnerships.

Economic interest transfers are normally very large and infrequent. It is difficult to predict when business entities that are subject to the economic interest tax will sell their ownership interest instead of just selling the property. But, by examining the trends of recent years, it can be determined that the increase in revenue from this source is correlated with the overall robustness of the commercial real estate market.

Between 1990, the year this tax was first enacted, and 2005, the annual revenue from that tax did not exceed $17 million. But because of the extremely robust activity in the city's commercial real estate sector in 2006 and 2007, the revenue from transactions subject to the economic interest tax reached $30.3 million in FY 2006 and a record level of $64.8 million in FY 2007. Additionally, for the first three months of FY 2008, cash collections for this revenue source amounted to $38.0 million. This appears to be a combination of 1) the residual effects of the peaking of the commercial real estate market in 2007; 2) the preference of owners of large commercial buildings to transfer economic (ownership) interests instead of formally transferring the deed of property between buyers and sellers of large commercial assets; and 3) the continued sales of large portfolios of many large commercial buildings. The "FY 2009 Budget Support Act of 2008" increased the tax rate for this tax from 2.2 percent to 2.9 percent beginning in FY 2009. It is expected that total revenue from economic interest transfers will total $92.3 million in FY 2008. But given the slowing commercial real estate market and the high degree of volatility and unpredictability in annual collections for this tax, it is expected that the District will receive $25.0 million in economic interest tax collections in 2009, $16.0 million in FYs 2009 and $8.0 million annually in both FYs 2011 and 2012.

The Estate Tax

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

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

- Lowered tax rates for the largest estates;
- Raised the current exemption level from $1.5 million to $2 million in 2006, and further to $3.5 million in 2009; and
- Eliminated the state credit.

District law, however, stipulates that existing District estate tax laws are automatically decoupled from the recent and forthcoming federal estate tax law changes. For example, while the federal threshold was $2 million in FYs 2006 and 2007 the District threshold was $1 million. Furthermore, when the federal threshold is raised to $3.5 million in FY 2009, the District threshold will remain $1 million. Hence, some District estate tax payers may be required to file and pay District estate taxes even when no federal filing or tax is due. This divergence in thresholds for the District and federal estate taxes increases the complexity for applicable District tax payers and is more likely to adversely affect collections in terms of tax compliance.

From the Government of the District of Columbia's perspective, it is important to note that the current estate tax is primarily a federal tax that is overwhelmingly governed by complex federal regulations. The federal estate tax return takes at least nine months to complete and practically compels affected decedent estates to hire lawyers to ensure compliance. Also, federal estate tax forms must be filled-out completely in order to calculate District estate tax liability, even when no federal estate tax is due but District estate tax is due. Essentially, the District does not have a stand-alone estate tax structure. District estate tax legislation is a diminutive appendage to a complicated set of unwieldy federal rules and regulations. Therefore, no District legislative action, short of creating an entirely stand-alone estate tax system, will completely offset the adverse effects of EGTRRA, which is estimated to adversely affect estate tax revenues at the federal and District levels annually.

Notwithstanding the current status of federal legislation and District legislation and its interplay, there is evidence that many wealthy District residents, potentially subject to the estate tax, have significantly enhanced their wealth positions in recent years (possibly through the stock markets and/or real estate related developments). And while District estate tax revenue between years 1995 and 2006 amounted to an average of approximately $30 million a year, enormous equity and asset appreciation for the city's wealthiest residents is believed to have been a factor in $30.1 million being collected in FY 2006 and $54.3 being collected in FY 2007. It is expected that total revenue from the estate tax will total $73.2 million in FY 2009. In FYs 2010 to 2012 annual revenue is expected to amount to $65 million annually. (See table 4-29.)

Non-Tax Revenues

General Purpose Non-Tax Revenues

Total general purpose non-tax collections are projected to be $327.6 million in FY 2008. (See table 4-30.) This is $96.3 million or 22.7 percent less than FY 2007 non-tax revenue collections. Factors contributing to this decrease in general purpose non-tax revenue in FY 2008 include the following:

- Collections from licenses and permits are projected to be 3.1 percent lower than FY 2007 revenue collections.
- Collections from fines and forfeitures are expected to be 1.8 percent lower in FY 2008 than in FY 2007.
- Collections from charges for services are expected to be 4.9 percent higher in FY 2008 than in FY 2007.
- Collections from miscellaneous revenues are estimated to be 49.3 percent lower in FY 2008 than in FY 2007, primarily due to a $36.2 million decline in interest income, an $11 million decline in unclaimed property, and a $36.4 million decline in other revenue.

For FY 2009, total general purpose non-tax collections are expected to be $308.6 million (see table 4-30), which is down $19.1 million (5.8 percent) from FY 2008. Contributing factors to this decrease in general purpose non-tax revenue in FY 2009 include:

- Collections from licenses and permits are expected to be only slightly higher than in FY 2008.

Table 4-30

General Purpose Non-Tax Revenue, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Licenses & Permits	78,283	75,890	76,214	73,642	76,642	73,642
Fines & Forfeitures	101,436	99,609	97,514	96,021	94,676	93,465
Charges for Services	52,421	54,983	56,122	53,897	56,274	53,899
Miscellaneous	191,735	97,142	78,718	80,834	82,555	84,249
Total General Purpose Non-Tax Revenue	**423,875**	**327,624**	**308,568**	**304,394**	**310,147**	**305,255**

Note: Table 4-40 (at the end of this chapter) provides a detailed listing of non-tax revenue by source.

- A 2.1 percent decrease in fines and forfeitures is expected in FY 2009. This decrease is due to an expected decrease in photo radar enforcement fines of $1.4 million.
- A 19.0 percent decrease in miscellaneous revenue is expected in FY 2009 from FY 2008. This is due to an expected decrease in interest income ($21.8 million or a 46.5 percent decrease).
- Revenue from charges for services is expected to increase by 2.1 percent in FY 2009. This is due to an expected increase in corporate recordation fees ($1.7 million or a 23.5 percent increase).

Special Purpose Non-Tax Revenue

Special purpose non-tax revenues, often times referred to as O-Type or Other revenues, are funds generated from fees, fines, assessments, or reimbursements that are dedicated to the District agency that collects the revenues to cover the cost of performing the function. The "dedication" of the revenue to the collecting agency is what distinguishes this revenue from the general-purpose non-tax revenues. The legislation that creates the fee, fine or assessment must stipulate its purpose-designation and must also state whether any unspent funds are to retain designation at the conclusion of the fiscal year or revert to general-purpose funds. Unspent revenue in certain funds cannot revert to general purpose funds. Dedicated revenues limit the use of the District's General Fund revenue by earmarking a portion of the revenue for special purposes. Prior to FY 2002 dedicated non-tax revenues were not considered local revenues and as such were reported differently in the Comprehensive Annual Financial Report (CAFR) and reported with the District's federal and private grants in the Financial Plan.

In FY 2009 the District is anticipating $453.6 million in revenue and use of fund balance of $79.3 million for a total of $533.0 million to cover the cost of performing the functions associated with these resources. The use of fund balance is a one-time revenue source and as such is not projected for future years. Table 4-41 (at the end of this chapter) shows the dedicated non-tax revenue by agency and fund.

Special Funds

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

Convention Center Fund. Beginning in FY 1999, the formula financing the Convention Center Fund includes only sales tax revenue from hotels, restaurants, rental vehicles, and sale of prepaid phone cards. Prior to FY 1999, revenues from a 5 percent surtax on franchise taxes and a $1.50 tax on each hotel room-night were dedicated to the Convention Center Fund. These funding sources were eliminated and replaced by a larger share of the hotel sales tax dedicated to that purpose. The hotel tax rate is 14.5 percent—a 4.45 percent rate dedicated to the Convention Center Fund and a 10.05 percent rate to the District's General Fund. The 10 percent restaurant sales tax is divided so that a 1 percent rate is dedicated to the Convention Center Fund and a 9 percent rate to the General Fund.

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

Nationally, the growth in fuel consumption has been modest. However, the growth rates have fluctuated from year to year. Fuel consumption across the nation grew 0.55 percent in 2005, 0.98 percent in 2006, and 0.54 percent in 2007. Locally, District annual fuel tax collections have also been fluctuating but between positive and negative growth in recent years. For example, FY 2004 collections declined 1.2 percent while FY 2005 collections increased 4.2 percent. Also, FY 2006 collections decreased 12.5 percent but FY 2007 collections increased 10.6 percent.

Although the exact cause for the fluctuation in local fuel tax collections on the local level is not known, it is believed to be trending upward overall. And just as the Energy Information Agency is forecasting growth nationally to be 0.8 percent in 2008 and 1.0 percent in 2009, the forecast model for local collections predicts that annual fuel consumption demanded of District fuel retailers will grow at an average rate of 0.23 percent annually beginning in 2008. Thus, District fuel tax cash collections for FYs 2008 and 2009 are expected to be $26.9 million and $27.7 million, respectively.

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

- The incremental revenue from a 20 percent increase in the right-of-way fees paid by utility companies.
- The incremental revenue from a 20 percent increase in the public space rental fees paid on underground vaults.
- The incremental revenue from charging cable companies 20 percent of the revised right-of-way fee rates paid by utility companies.

Ballpark Fund. The "Ballpark Omnibus Financing and Revenue Act of 2004" (the "Ballpark Act") provides for the creation of a Ballpark Revenue Fund, into which the Chief Financial Officer of the District (the "CFO") is required to deposit "all receipts from those fees and taxes specifically identified by any provision of District of Columbia law to be paid into the fund and any rent paid pursuant to a lease of the ballpark." Those fees and taxes are described below (see table 4-32), and include the Ballpark Fee, utility taxes, stadium revenue and rent. The Ballpark Revenue Fund will be established within the District's General Fund, and will be pledged to pay debt service on the District's baseball stadium revenue bonds (the "Baseball Stadium Bonds").

The Ballpark Fee is a gross receipts fee that is levied on businesses within the District with over $5 million in gross receipts. (See table 4-33 for the fee schedule.) On or before December 1 of each year, the CFO is required to compute the amount of the Ballpark Fee collected in the prior fiscal year and the amount estimated to be collected in the current fiscal year. If the estimate for the current fiscal year is less than $14 million, the CFO must calculate an adjustment of the schedule to provide for an estimated receipt of $14 million in the next fiscal year. This adjusted schedule will then take effect on the following October 1. The fees are due in a single payment

Table 4-31

Motor Fuel Tax Dedicated to the Highway Trust Fund, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Motor Fuel Tax	26,776	26,938	27,665	28,412	29,179	29,967

Table 4-32
Ballpark Fund Revenue, Fiscal Years 2007-2012
($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Ballpark Fee	24,888	14,000	14,000	14,000	14,000	14,000
Utility Taxes Dedicated to Ballpark	12,788	12,589	12,711	12,711	12,711	12,711
Stadium Revenue	8,275	16,077	15,152	14,917	15,111	15,520
Rent Payment*	0	3,500	3,750	4,000	4,500	5,000
Total Ballpark Fund Revenue	**45,951**	**46,166**	**45,613**	**45,628**	**46,322**	**47,231**

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

on June 15th annually. The District expects to receive about $14 million annually from the Ballpark Fee.

The District collects a fee of 11 percent of the gross receipts from sales for nonresidential customers of telephone companies, television and radio broadcasting companies. 1 percent of the 11 percent is deposited into the Ballpark Revenue Fund to be used for debt service on the Baseball Stadium Bonds. In FY 2000 the tax structure on electricity distribution was changed. In FY 2006, the tax structure on natural gas and heating oil was changed. Currently in addition to 1 percent of the gross receipts of nonresidential customers' telephone, cable and radio subscription bills, the District collects and deposits to the Ballpark Revenue Fund a tax of $0.0007 for each kilowatt-hour of electricity delivered to non residential end-users in the District of Columbia, $0.00707 per therm of natural gas, and $0.017 per gallon of heating oil. Taxes are remitted to the District monthly. The District expects to receive about $12.6 million in FY 2008 and $12.7 million in FY 2009 from these utility taxes.

The stadium-related sales tax streams include:

- Taxes on tickets sold. In addition to the 5.75 percent generally applicable tax, there is an additional 4.25 percent Stadium-specific tax.
- Taxes on parking at the stadium for baseball games. This tax is a 12 percent generally applicable tax.
- Taxes on stadium concessions (excluding food and beverages). In addition to the 5.75 percent generally applicable tax, there is an additional 4.25 percent Stadium-specific tax.
- Taxes on food and beverages sold in the stadium. This tax is a 10 percent generally applicable tax, less one-tenth that must be transferred to the Washington Convention Center Authority Fund for payment of debt service on Washington Convention Center bonds.

The District expects to receive about $16.1 million in FY 2008 and $15.2 million in FY 2009 from these stadium-related sales taxes.

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

Neighborhood Investment Fund. In 2004, District legislation created a Neighborhood Investment Fund and a Neighborhood Investment Program which dedicates approximately $10 million annually from personal property tax revenue to pay for a variety of communi-

Table 4-33

Ballpark Fee Schedule

Gross Receipts	Fee	Approximate Number of Feepayers in FY 2007
$5,000,000 - $8,000,000	$5,500	503
$8,000,001 - $12,000,000	$10,800	326
$12,000,001 - $16,000,000	$14,000	234
Greater than $16,000,000	$16,500	732

ty revitalization development purposes, including commercial, residential, and civic uses for twelve priority neighborhoods. (See table 4-34.)

Housing Production Trust Fund. The "Housing Production Trust Fund Second Amendment Act of 2002" requires that 15 percent of the District's deed recordation and transfer tax revenue be transferred to the Housing Production Trust Fund annually. The Housing Production Trust Fund provides funds for the acquisition, construction and rehabilitation of affordable multifamily housing projects. Funds newly dedicated to housing production will be $45.6 million in FY 2008 and $38.8 million in FY 2009. (See table 4-35.)

Comprehensive Housing Task Force Fund. The "Fiscal Year 2007 Budget Support Act of 2006" established the Comprehensive Housing Task Force Fund and increased the deed tax rates from 1.1 percent to 1.45 percent beginning in FY 2007. A portion of the increase in the deed tax revenue that comes from the increase in the deed tax rates is the funding source for this fund. This fund will support a number of affordable housing initiatives including rent supplements, workforce housing and energy assistance. The estimated amount being transferred to the fund is $27.6 million in FY 2008 and $23.5 million in FY 2009. (See table 4-35.)

School Modernization Fund. In FY 2006, the District enacted the "School Modernization Financing Act of 2006" which established the Public School Capital Improvement Fund for the purpose of funding capital improvements throughout the District of Columbia school system. In FY 2007 $100 million of sales tax revenue was to be transferred to this fund. In fiscal years 2008-2011, $100.0 million, $106.0 million, $112.4 million, and $119.1 million, respectively, will be transferred to the fund. Beginning in FY 2012, the amount of funds transferred to the Public School Capital Improvement Fund will be indexed based on the RSMeans Construction Cost Index for Washington, DC. (See table 4-23 for the amount of sales tax transferred to the Public Capital Improvement Fund in each year of the Financial Plan.)

Table 4-34

Neighborhood Investment Fund, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Personal Property Tax	10,000	9,875	10,000	10,000	10,000	10,000

Table 4-35

Estimated Deed Tax Receipts Transferred to the Housing Production Trust Fund and the Comprehensive Housing Task Force Fund, Fiscal Years 2007-2012

($ thousands)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Total Deed Tax Receipts Transferred to HPTF	58,732	45,562	38,775	38,993	40,724	42,652
Total Deed Tax Receipts Transferred to CHTFF	30,146	27,636	23,513	23,644	24,698	25,869
Total	**88,878**	**73,198**	**62,288**	**62,638**	**65,422**	**68,522**

Policy Proposals and Other Revenue Enhancements

A number of policy proposals and other revenue-affecting actions would affect District of Columbia Local and Special Purpose revenue beginning in FY 2009.

The following proposals would affect the District's revenue for the Local Fund component of the General Fund.

- Provide that deed recordation and transfer taxes dedicated under current law to the Comprehensive Housing Strategy Fund be deposited in the General Fund after fiscal year 2008. This proposal is estimated to increase Local Fund revenue by $23.5 million in FY 2009; it would also reduce the amount of tax revenue that would be dedicated to the Comprehensive Housing Strategy Fund by the same amount.
- Increase the Class 3 property tax rate from $5 to $10 per $100 of assessed value. This proposal is estimated to increase property tax revenue by $8.0 million in FY 2009.
- This proposal would repeal the rules (55 DCR 4373, adopted April 18, 2008) that increased emergency ambulance services fees. Repeal would restore the ambulance fees that were in place before the rulemaking. The proposal would also require the Mayor to explore all reasonable options for billing Medicaid and Medicare for the costs of ambulance services. If $3.5 million could not be raised from vigorous Medicaid and Medicare billing, the Mayor would be required to issue rules, effective October 1, 2008, to increase ambulance fees to an amount sufficient to raise up to $3.5 million in revenue in fiscal year 2009.
- Increase the health insurance commercial premium tax. The proposed subtitle would amend D.C. Code § 47-2608(a) to increase the tax rate on all companies which issue contracts of insurance against accident and loss of health from 1.7 percent to 2.0 percent of policy and membership fees and net premium receipts or consideration received in such calendar year on all accident and loss of health policies or contracts in the District of Columbia. This tax would be in lieu of all other taxes except: taxes upon real estate; and fees and charges provided for by insurance laws of the District including amendments made to such laws by this chapter. This proposal is estimated to raise revenue by approximately $2.0 million in FY 2009.
- New HMO "accident and health" premium tax. The proposed subtitle would amend D.C. Code § 31-3401 et seq. to require, effective January 1, 2009, all health maintenance organizations (HMOs) to pay to the District of Columbia, for each calendar year, a sum of money as taxes equal to 2.0 percent of their policy and membership fees and net premium receipts or consideration received in such calendar year. Excluded from this taxable amount would be fees, receipts, or consideration received pursuant to the District Medicaid program, the District of Columbia HealthCare Alliance, any federal employee

health benefit program or Medicare, on all policies or contracts in the District of Columbia. Such tax would be in lieu of all other taxes except: Taxes upon real estate; and Fees and charges provided for pursuant to the Health Maintenance Organization Act of 1996. Twenty-five percent of the revenue raised from this proposal would be directed to the Local Fund component of the General Fund. This is estimated to increase FY 2009 revenue by $2.5 million.

- As a result of the new HMO "accident and health" premium tax, franchise tax revenue currently paid by HMOs would decrease by $3.0 million in FY 2009 because HMOs would be exempt from this tax and would pay the new premium tax in lieu of a franchise tax.
- Increase the cigarette tax from $1 per pack to $2 per pack. The proposed subtitle would amend D.C. Code § 47-2402(a) to increase the cigarette tax from $0.05 to $0.10 per cigarette, effectively increasing the cigarette tax from $1.00 to $2.00 for each pack of 20 cigarettes. This would raise Local Fund revenues by approximately $12.5 million in FY 2009.
- Increase the District's Earned Income Tax Credit from 35 percent to 40 percent of the federal benefit. This proposal is estimated to reduce income tax revenue by $5.3 million in FY 2009.
- Repeal Act 17-0272 and reduce the property tax rate for Class 2 properties. The components of this proposal are estimated to increase property tax revenue by a total of $75.5 million in FY 2009. The "FY 2009 Budget Support Act of 2008" would modify the tax relief legislation passed earlier in the year so that the Class 2 tax rate for first $3 million in assessed value for Class 2 properties in FY 2009 would be $1.65 per $100 of assessed value and the tax rate for assessed valued greater than $3 million would remain $1.85 per $100 of assessed value.
- The Constitution Square Economic Development Act of 2007 provides a real property tax abatement to "CS Master V, LLC", the developer for the Constitution Square Project, which is located on Lot 160 in Square 771. The legislation provides an exemption from real property tax increases above the projected average growth in the District-wide real property tax revenue for the FY 2008 through FY 2011 period. The owners of the property will continue to pay the amount of Tax Year 2008 real property taxes adjusted annually for the projected growth in real property tax revenues for the District as a whole. This legislation is estimated to reduce real property tax revenue by $500,000 in FY 2009.
- Increase the tax rate on sales of economic interests in real property from 2.2 percent to 2.9 percent. Current District law imposes a deed recordation tax of 1.45 percent on transfers of properties valued at $400,000 or more, and a deed transfer tax at the same rate, for a combined total tax of 2.9 percent. (The sum of recordation and transfer tax rates for properties valued at less than $400,000 is 2.2 percent.) Sales of economic interests do not trigger deed recordations or transfers. They are currently taxed at 2.2 percent. The proposal (The Economic Interest Tax Amendment Act of 2008) would change the tax rate on sales of economic interests in real property from 2.2 percent to 2.9 percent, corresponding to the combined rate on deed recordations and transfers for properties valued at more than $400,000. The proposal would raise District revenue by $8.0 million in FY 2009.
- De-couple from Internal Revenue Code Section 199. This section allows corporations to reduce their taxable net incomes by 9 percent of that portion of their business arising from manufacturing, food processing, software development, filmmaking, mineral and oil extraction, publishing, wholesale trade, or construction. Under current DC law, this deduction reduces the net income subject to the corporate franchise tax, even if the qualifying activity occurs outside the District. The revenue loss estimated for DC is $3.4 for FY 2009. This DC tax loss could approach $5.1 million in FY 2012. De-coupling would prevent those revenue losses and follows the decisions of 18 states, including Maryland.

- The College Savings Program Increased Tax Benefit Act of 2007 would amend DC Code § 47-4509 to increase the maximum allowable income tax deduction from contributions to the District of Columbia College Savings Program from $3,000 to $4,000 per year. The increased deduction is estimated to reduce revenue by $299,000 in FY 2009.
- The Motor Vehicle Theft Prevention Act of 2007 established a Motor Vehicle Theft Prevention Fund. This fund will receive the fines and penalties assessed for failure to have motor vehicle insurance. Since the fines and penalties currently go to the Local Fund component of the General Fund, this legislation diverts this revenue from the General Fund to the new Motor Vehicle Theft Prevention Fund, which is a Special Purpose Revenue fund. Consequently, the "lost" revenue ($250,000 in FY 2009) is a revenue-reducing item for the Local Fund component of the General Fund.
- Increase OTR enforcement activities to bring about increased taxpayer compliance. OTR estimates that $30 million will be added to Local Fund revenue in FY 2009 from this increased enforcement.
- Implement a Check Guarantee system that would guarantee the payment of all checks presented to the District upon submission of the check. It is estimated that $1.3 million will be added to the District's Local Fund revenue because of this system.
- Street sweepers will be equipped with traffic enforcement cameras that will photograph the license plate numbers of vehicles illegally parked in marked street cleaning zones. This initiative is estimated to raise approximately $2.5 million in FY 2009.
- Beginning October 1, 2009 the Department of Motor Vehicles (DMV) will add 43 trained Parking Control Officers (PCO) and 18 Registration of Out-of-State Automobile (ROSA) enforcement officers to its traffic enforcement staff. PCO's enforce laws and regulations relating to traffic fines, booting fees, towing fees, and impound fees and abandoned property sales revenue. ROSA officers enforce the failure of owners of motor vehicles to properly register their motor vehicles in the District of Columbia (and who are thereby driving in DC with out-of-state license plates and registrations). This initiative is estimated to raise $14.2 million in FY 2009.
- In mid-year FY 2008, the District of Columbia began collecting lease payments on the Old Convention Center site. It is estimated that the payments will equal $1 million in FY 2008 and $2 million in each year of the FY 2009 to FY 2012 financial period. As these lease payments were never included in the DMPED projections of non-tax revenues, they are included as revenue enhancements in Table 4-19.
- As with the Convention Center lease payments, Newseum PILOT payments were never included by DMPED in projections of FY 2009 revenues. As such, we include estimated Newseum PILOT payments as revenue enhancements in Table 4-19. It is estimated that the payments will equal $487,000 in FY 2008 and $584,000 in FY 2009.
- The Mayor's FY 2009 budget that was sent to the Council in March assumed a curtailment of the city's short term borrowing program. The revenue estimate underlying the Mayor's budget reduced the estimate of revenue from interest income accordingly. As a result of the Council's reinstatement of the District's short-term borrowing program there will be $9.0 million in additional revenue from interest earnings in FY 2009.

The following proposals would affect the District's revenue for the Dedicated Taxes component of the General Fund.

- Provide that deed recordation and transfer taxes dedicated under current law to the Comprehensive Housing Strategy Fund be deposited in the General Fund after fiscal year 2008. This proposal is estimated to increase Local Fund revenue by $23.5 million in FY 2009; it would also reduce the amount of tax revenue that would be dedicated to the Comprehensive Housing Strategy Fund by the same amount.
- Increase CareFirst, Inc. premium tax. The proposed subtitle would amend D.C. Code § 47-2608(a) to increase the tax rate on all companies which issue contracts of insur-

ance against accident and loss of health from 1.7 percent to 2.0 percent of policy and membership fees and net premium receipts or consideration received in such calendar year on all accident and loss of health policies or contracts in the District of Columbia. This tax would be in lieu of all other taxes except: taxes upon real estate; and fees and charges provided for by insurance laws of the District including amendments made to such laws by this chapter. The premium tax increase paid by CareFirst is to be directed to the Healthy DC Fund, which is where the tax revenues currently go, and is estimated to raise revenue by approximately $1.1 million in FY 2009.

- New HMO "accident and health" premium tax. The proposed subtitle would amend D.C. Code § 31-3401 et seq. to require, effective January 1, 2009, all health maintenance organizations (HMOs) to pay to the District of Columbia, for each calendar year, a sum of money as taxes equal to 2.0 percent of their policy and membership fees and net premium receipts or consideration received in such calendar year. Excluded from this taxable amount would be fees, receipts, or consideration received pursuant to the District Medicaid program, the District of Columbia HealthCare Alliance, any federal employee health benefit program or Medicare, on all policies or contracts in the District of Columbia. Such tax would be in lieu of all other taxes except: Taxes upon real estate; and Fees and charges provided for pursuant to the Health Maintenance Organization Act of 1996. Seventy-five percent of the revenue raised from this proposal would be dedicated to the Healthy DC Fund. This is estimated to increase FY 2009 revenue by $7.4 million.

Proposals affecting the District's revenue for the Special Purpose Revenue component of the General Fund consist of:

- Increase the Basic Business License application fee and the license renewal fee, and increase any associated endorsement application fees for both new and renewal applications. An estimated $2.2 million would result from these fee increases in FY 2009 and would go into the Department of Consumer and Regulatory Affairs' "Basic Business License Fund." Under the proposal, BBL application fees would increase from $35 to $70 for new licenses and from $20 to $70 for a renewal. The proposed subtitle would also raise any associated endorsement fees from $10 for a new application and $5 for a renewal application to $25 for all endorsement applications.
- Establish a new General Business License fee and a new General Contractor/Construction Manager License fee. The estimated $2.5 million of revenue resulting from these new fees would go into a Department of Consumer and Regulatory Affairs Special Purpose Revenue fund in FY 2009. The biennial fee for a General Business License would be $200 under this proposal and the biennial fee for a General Contractor/Construction Manager License would be $500.
- Increase premium tax rates on captive insurance companies organized as risk retention groups. For FY 2009, it is estimated that $430,000 of revenue would result and would go to a Special Purpose Revenue Fund within the Department of Insurance, Securities and Banking. The current rate schedule is: a rate of 0.25 percent on the first $25 million of net direct premiums, a rate of 0.15 percent on the next $25 million of net direct premiums, and a rate of 0.05 percent on each additional dollar of net direct premiums. The proposed rate schedule is: a rate of 0.38 percent on the first $20 million of net direct premiums, a rate of 0.25 percent on the next $20 million of net direct premiums, and a rate of 0.18 percent on each additional dollar of net direct premiums.
- Establish an enhanced claims recovery program to better recover the cost of damages to DDOT property. DDOT estimates that $250,000 of Special Purpose revenue would be raised in FY 2009 from this program, which would go to DDOT's "Unified Fund."

- The Motor Vehicle Theft Prevention Act of 2007 established a Motor Vehicle Theft Prevention Fund. As described above, this fund will receive payments from fines and penalties for failure to have motor vehicle insurance. In FY 2009 $250,000 of revenue is estimated for this new Special Purpose Revenue Fund.

Additional proposals affecting DDOT's Special Purpose Fund revenue would be implemented through rulemaking. The revenue resulting from these proposals would be directed to DDOT's "Unified Fund."

- Establish a new initiative to charge a "public inconvenience fee" to private developers for their use of public space while constructing their facilities ($3.0 million of revenue in FY 2009). Under this proposal, fees would differ based on: duration (number of days), area (e.g., Central Business District, non-CBD residential and commercial), and amount (square footage) and type of public space being used (e.g., parking lane, 1st travel lane, 2nd travel lane, alley, sidewalk).
- Increase excavation and occupancy permit fees ($1.2 million of revenue in FY09). For example, under this proposal, excavation permit fees would increase from $85 to $135 for a manhole installation, from $24 to $50 for a utility service connection, from $85/200 ft. to $135/150 ft. for a linear excavation conduit, and from $7 to $50 for a permit renewal.
- Increase truck tag permit fees ($1.0 million of revenue in FY 2009). Under this proposal, fees would increase from $19 to $30 for a single trip permit, from $36 to $50 for a round trip permit, from $85 to $340 for a tractor trailer annual tag/permit, from $85 to $340 for a truck crane annual tag/permit, and from $1,193 to $1,800 for a dump, cement trash truck annual weight tag/permit.
- Establish a utility marking fee ($500,000 of revenue in FY 2009) to recover a portion of the costs to DDOT to mark its facilities located in the right-of-way (e.g., conduit for traffic signals and streetlights). Currently, DDOT does not recover any of the costs from parties permitted to excavate unlike utilities (e.g., PEPCO, Washington Gas, and Verizon) which recover their cost for marking their facilities by billing the customer permitted to excavate.

Procedures for Estimating Revenue

The process of estimating revenue begins a year in advance. The estimates for FY 2009, for instance, began in September 2007. Every September we issue a revenue call to all agencies requesting reports and projections on the amount of user fees, fines, and other types of non-tax income agencies expect to generate.

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

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

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

Three advisory groups help us understand the economy:

- The first, a technical advisory group, is composed of experts in revenue forecasting. Membership includes representatives from the Congressional Budget Office (CBO), the Richmond Federal Reserve, the Commonwealth of Virginia, the State of Maryland, and other jurisdictions and related organizations.
- The second advisory group, composed of knowledgeable local business representatives, advises us about current economic trends and helps us understand where the private sector thinks things are heading. Members of this group represent the hotel and tourism

industry, real estate and housing, banking and finance, neighborhood groups, downtown development interests, the education sector, and other interests.

- The third advisory group is focused on the District's real property market. The real property tax is the District's single largest individual tax and generates about a third of non-dedicated general fund revenue. In addition, the property market functions differently compared to other parts of the District economy. As such, consultation with experts in the real property field is a critical step in the revenue estimating process. This group includes developers, realtors, academics and mortgage finance experts.

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

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

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

The rest of the process is where the investigating comes into play. The next step is to incorporate the revenue impact of legislation and additional factors that cannot be captured by econometric models. For instance, when we were developing revenue projections prior to the opening of the new convention center we knew there would be an impact in the amount of revenue generated by the sales tax, particularly at the restaurant and hotel sales tax rates. No econometric model can capture this impact. However, an estimate of the impact must be included in our revenue projections.

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

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

Additional Information on D.C. Revenues

Table 4-36 through 4-41 provide additional detail on what the District taxes and collects, at what rates, and how much revenue these taxes and non-tax revenues yield.

Table 4-36

Percentage Changes in General Fund Local Revenue by Source

(percentage changes from prior fiscal year)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Proj.	FY 2011 Proj.	FY 2012 Proj.
Real Property (gross)	25.6%	18.4%	8.3%	7.3%	6.6%	6.4%
Transfer to TIF	*208.5%*	*269.7%*	*9.0%*	*-4.6%*	*55.4%*	*0.0%*
Real Property (net)	25.3%	17.5%	8.2%	7.4%	6.2%	6.5%
Personal Property (gross)	2.9%	-15.7%	3.2%	3.2%	3.2%	3.2%
Transfer to Neighborhood Investment Fund	*0.3%*	*-1.3%*	*1.3%*	*0.0%*	*0.0%*	*0.0%*
Personal Property (net)	3.3%	-18.2%	3.6%	3.9%	3.8%	3.8%
Public Space (gross)	45.2%	-20.6%	2.7%	8.1%	-2.4%	2.7%
Transfer to DDOT	*45.2%*	*-20.6%*	*2.7%*	*8.1%*	*-2.4%*	*2.7%*
Total Property	**24.3%**	**16.1%**	**8.1%**	**7.3%**	**6.1%**	**6.5%**
General Sales (gross)	5.6%	0.5%	7.0%	5.0%	4.9%	5.0%
Convention Center Transfer	*4.5%*	*4.1%*	*4.0%*	*4.2%*	*4.3%*	*4.3%*
Transfer to TIF	*22.9%*	*70.3%*	*8.9%*	*12.3%*	*47.5%*	*0.0%*
Transfer to DDOT Unified Fund (parking tax)	*10.4%*	*2.5%*	*2.1%*	*2.0%*	*2.5%*	*2.5%*
Transfer to Ballpark Fund	*-4.5%*	*94.3%*	*-5.8%*	*-1.6%*	*1.3%*	*2.7%*
Transfer to School Modernization Fund	*NA*	*0.0%*	*6.0%*	*6.0%*	*6.0%*	*9.4%*
General Sales (net)	-7.5%	-2.4%	8.0%	4.9%	3.4%	4.8%
Alcohol	1.6%	-1.2%	-1.1%	-1.1%	-1.1%	-1.1%
Cigarette	-7.8%	-1.0%	-2.5%	-2.5%	-2.5%	-2.5%
Motor Vehicle	2.6%	4.3%	4.3%	4.3%	4.3%	4.3%
Motor Fuel Tax	7.3%	0.6%	2.7%	2.7%	2.7%	2.7%
Transfer to Highway Trust Fund	*7.3%*	*0.6%*	*2.7%*	*2.7%*	*2.7%*	*2.7%*
Total Sales	**-7.0%**	**-2.0%**	**7.4%**	**4.7%**	**3.3%**	**4.6%**
Individual Income	6.5%	0.6%	-1.1%	6.4%	5.0%	5.1%
Corporation Franchise	18.7%	-0.1%	2.9%	2.6%	7.9%	4.4%
U. B. Franchise	17.1%	-9.4%	12.6%	10.1%	9.3%	9.6%
Total Income	**9.1%**	**-0.4%**	**0.7%**	**6.2%**	**5.9%**	**5.4%**

Table 4-36 *(continued)*
Percentage Changes in General Fund Local Revenue by Source
(percentage changes from prior fiscal year)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Proj.	FY 2011 Proj.	FY 2012 Proj.
Public Utility (gross)	5.6%	-6.3%	0.1%	0.1%	0.1%	0.1%
Transfer to Ballpark Fund	*1.4%*	*-10.3%*	*1.3%*	*0.0%*	*0.0%*	*0.0%*
Public Utility (net)	5.9%	-6.0%	0.0%	0.1%	0.1%	0.1%
Toll Telecommunication (gross)	4.3%	-4.1%	0.0%	0.0%	0.0%	0.0%
Transfer to Ballpark Fund	*11.2%*	*38.5%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Toll Telecommunication (net)	4.1%	-5.8%	0.1%	0.0%	0.0%	0.0%
Insurance Premiums (gross)	6.8%	-1.0%	0.8%	0.1%	0.1%	0.1%
Transfer to Healthy DC Fund	*NA*	*-26.4%*	*7.4%*	*1.0%*	*1.0%*	*1.0%*
Insurance Premiums (net)	-8.9%	3.4%	0.0%	0.0%	0.0%	0.0%
Healthcare Provider Tax	36.1%	-11.2%	0.0%	0.0%	0.0%	0.0%
Transfer to Nursing Facility Quality of Care Fund	*36.1%*	*-11.2%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Baseball Gross Receipts Tax	56.0%	-43.7%	0.0%	0.0%	0.0%	0.0%
Transfer to Ballpark Fund	*56.0%*	*-43.7%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Total Gross Receipts	**2.4%**	**-4.3%**	**0.0%**	**0.1%**	**0.1%**	**0.0%**
Estate	80.1%	24.9%	8.0%	-11.2%	0.0%	0.0%
Deed Recordation (gross)	14.8%	-21.9%	-16.4%	1.2%	4.8%	5.2%
Transfer to HPTF	*21.9%*	*-23.5%*	*-16.4%*	*1.2%*	*4.8%*	*5.2%*
Transfer to Comp. Housing Strategy Fund	*NA*	*-9.9%*	*-16.4%*	*1.1%*	*4.8%*	*5.2%*
Deed Recordation (net)	2.9%	-22.8%	-16.4%	1.2%	4.8%	5.2%
Deed Transfer (gross)	14.9%	-16.9%	-12.8%	-0.3%	3.9%	4.1%
Transfer to HPTF	*25.6%*	*-20.8%*	*-12.8%*	*-0.3%*	*3.9%*	*4.1%*
Transfer to Comp. Housing Strategy Fund	*NA*	*-5.9%*	*-12.8%*	*-0.2%*	*3.9%*	*4.1%*
Deed Transfer (net)	2.5%	-17.2%	-12.8%	-0.3%	3.9%	4.1%
Economic Interests	114.0%	8.0%	-64.3%	-36.0%	-50.0%	0.0%
Total Other Taxes	**19.4%**	**-10.0%**	**-20.1%**	**-5.5%**	**0.3%**	**3.5%**
TOTAL TAXES	**10.7%**	**3.6%**	**2.8%**	**5.4%**	**5.0%**	**5.4%**
Licenses & Permits	8.4%	-3.1%	0.4%	-3.4%	4.1%	-3.9%
Fines & Forfeits	-9.8%	-1.8%	-2.1%	-1.5%	-1.4%	-1.3%
Charges for Services	10.0%	4.9%	2.1%	-4.0%	4.4%	-4.2%
Miscellaneous Revenue	47.9%	-49.3%	-19.0%	2.7%	2.1%	2.1%
TOTAL NON-TAX	**17.1%**	**-22.7%**	**-5.8%**	**-1.4%**	**1.9%**	**-1.6%**
Lottery	-11.4%	7.1%	1.4%	0.0%	0.0%	0.0%
TOTAL LOCAL FUND REVENUE	**10.8%**	**1.5%**	**2.3%**	**4.9%**	**4.7%**	**4.9%**

Table 4-37

Changes in General Fund Local Revenue by Source

($ thousands change from prior FY)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Real Property (gross)	294,902	266,351	141,562	135,540	132,316	136,699
Transfer to TIF	*(3,444)*	*(13,745)*	*(1,694)*	*951*	*(10,846)*	-
Real Property (net)	291,458	252,606	139,868	136,491	121,470	136,699
Personal Property (gross)	1,881	(10,575)	1,818	1,877	1,936	1,999
Transfer to Neighborhood Investment Fund	*(34)*	*125*	*(125)*	-	-	-
Personal Property (net)	1,847	(10,450)	1,693	1,877	1,936	1,999
Public Space (gross)	10,033	(6,650)	691	2,132	(694)	749
Transfer to DDOT	*(10,033)*	*6,650*	*(691)*	*(2,132)*	*694*	*(749)*
Total Property	**293,305**	**242,156**	**141,561**	**138,368**	**123,406**	**138,698**
General Sales (gross)	51,084	4,800	67,139	51,215	53,021	56,282
Convention Center Transfer	*(3,606)*	*(3,416)*	*(3,469)*	*(3,788)*	*(4,042)*	*(4,215)*
Transfer to TIF	*(2,643)*	*(9,987)*	*(2,155)*	*(3,246)*	*(14,052)*	-
Transfer to DDOT Unified Fund (parking tax)	*(3,501)*	*(927)*	*(798)*	*(777)*	*(989)*	*(1,015)*
Transfer to Ballpark Fund	*389*	*(7,802)*	*925*	*235*	*(194)*	*(409)*
Transfer to School Modernization Fund	*(100,000)*	-	*(6,000)*	*(6,360)*	*(6,742)*	*(11,177)*
General Sales (net)	(58,277)	(17,332)	55,642	37,279	27,001	39,466
Alcohol	80	(63)	(58)	(57)	(54)	(53)
Cigarette	(1,788)	(202)	(529)	(515)	(503)	(490)
Motor Vehicle	1,118	1,890	1,977	2,063	2,153	2,246
Motor Fuel Tax	1,816	162	727	747	767	788
Transfer to Highway Trust Fund	*(1,816)*	*(162)*	*(727)*	*(747)*	*(767)*	*(788)*
Total Sales	**(58,867)**	**(15,707)**	**57,032**	**38,770**	**28,597**	**41,169**
Individual Income	80,224	8,411	(14,372)	84,008	70,270	74,240
Corporation Franchise	40,228	(301)	7,432	6,738	21,298	12,734
U. B. Franchise	24,426	(15,665)	19,081	17,137	17,416	19,619
Total Income	**144,878**	**(7,556)**	**12,141**	**107,882**	**108,984**	**106,593**

Table 4-37 *(continued)*
Changes in General Fund Local Revenue by Source
($ thousands change from prior FY)

Revenue Source	FY 2007 Actual	FY 2008 Revised	FY 2009 Original	FY 2010 Proected	FY 2011 Projected	FY 2012 Projected
Public Utility (gross)	8,635	(10,291)	178	149	126	106
Transfer to Ballpark Fund	*(147)*	*1,079*	*(122)*	-	-	-
Public Utility (net)	8,488	(9,212)	56	149	126	106
Toll Telecommunication (gross)	2,460	(2,434)	28	20	12	10
Transfer to Ballpark Fund	*(230)*	*(880)*	-	-	-	-
Toll Telecommunication (net)	2,230	(3,314)	28	20	12	10
Insurance Premiums (gross)	3,521	(556)	440	64	65	65
Transfer to Healthy DC Fund	*8,100*	*(2,140)*	*440*	*64*	*65*	*65*
Insurance Premiums (net)	(4,579)	1,584	-	-	-	-
Healthcare Provider Tax	3,286	(1,393)	-	-	-	-
Transfer to Nursing Facility Quality of Care Fund	*(3,286)*	*1,393*	-	-	-	-
Baseball Gross Receipts Tax	8,936	(10,888)	-	-	-	-
Transfer to Ballpark Fund	*(8,936)*	*10,888*	-	-	-	-
Total Gross Receipts	**6,139**	**(10,942)**	**84**	**169**	**138**	**116**
Estate	24,125	13,492	5,446	(8,188)	-	-
Deed Recordation (gross)	29,215	(49,634)	(29,063)	1,731	7,220	8,149
Transfer to HPTF	*(6,230)*	*8,168*	*4,359*	*(260)*	*(1,083)*	*(1,222)*
Transfer to Comp. Housing Strategy Fund	*(18,075)*	*1,793*	*2,672*	*(156)*	*(667)*	*(749)*
Deed Recordation (net)	4,910	(39,673)	(22,032)	1,315	5,470	6,178
Deed Transfer (gross)	19,796	(25,772)	(16,184)	(277)	4,319	4,706
Transfer to HPTF	*(4,892)*	*5,002*	*2,428*	*42*	*(648)*	*(706)*
Transfer to Comp. Housing Strategy Fund	*(12,071)*	*717*	*1,451*	*25*	*(387)*	*(422)*
Deed Transfer (net)	2,833	(20,053)	(12,305)	(211)	3,284	3,578
Economic Interests	34,520	5,206	(45,000)	(9,000)	(8,000)	-
Total Other Taxes	**66,389**	**(41,029)**	**(73,891)**	**(16,083)**	**754**	**9,756**
TOTAL TAXES	**451,844**	**166,922**	**136,928**	**269,106**	**261,880**	**300,362**
Licenses & Permits	6,099	(2,393)	324	(2,572)	3,000	(3,000)
Fines & Forfeits	(11,020)	(1,827)	(2,095)	(1,493)	(1,345)	(1,211)
Charges for Services	4,775	2,562	1,139	(2,225)	2,377	(2,375)
Miscellaneous Revenue	62,070	(94,593)	(18,424)	2,116	1,721	1,694
TOTAL NON-TAX	**61,924**	**(96,251)**	**(19,056)**	**(4,174)**	**5,753**	**(4,892)**
Lottery	(8,424)	4,624	1,000	-	-	-
TOTAL LOCAL FUND REVENUE	**505,344**	**75,295**	**118,872**	**264,932**	**267,633**	**291,440**

Table 4-38

Summary of Major Taxes in the District of Columbia, Fiscal Year 2008

PART A—GENERAL FUND TAXES

TAX	DESCRIPTION OF WHAT IS TAXED	RATE	FY 2007 ACTUAL REVENUE ($ in thousands)
REAL PROPERTY TAX	All real property, unless expressly exempted, is subject to the real property tax and is assessed at 100% of market value. With the property tax year beginning October 1, 2002, the District of Columbia increased the number of property classes from two to the following three classifications of property: Class I—improved residential real property that is occupied and is used exclusively for nontransient residential dwelling purposes; Class II—commercial property; Class III—unimproved or abandoned property. The District's Real Property Tax Year is October 1 through September 30. *D.C. Code Citation: Title 47, Chapter 7 - 14.*	Property Class — Tax Per $100 of Value Class I — $0.88/1 Class II — $1.85 Class III — $5.00 For owner occupied residential real property, the first $60,000 of Assessed Value is exempt from the tax.	$1,443,601(a)
PERSONAL PROPERTY TAX	All tangible property, except inventories, used or available for use in a trade or business. *D.C. Code Citation: Title 47, Chapter 15-17.* .	$3.40 per $100 of assessed value *Note: As of July 31, 2000, both an accelerated depreciation schedule for computer equipment; and a $50,000 taxable value threshold on personal property are adopted.*	$57,395(b)
PUBLIC SPACE RENTAL	Commercial use of publicly owned property between the property line and the street. *D.C. Code Citation: Title 7, Chapter 10.*	Various rates for the following: Vault, Sidewalk (Enclosed and Unenclosed cafes). Surface, and Fuel Oil Tank *Note: All revenue dedicated to DDOT as Special Purpose Revenue*	$0
SALES AND USE TAX	All tangible personal property and certain selected services, sold or rented to businesses or individuals at retail in the District. Groceries, prescription and non-prescription drugs, and residential utility services are among those items exempt from the sales tax. The use tax is imposed at the same rate as the sales tax rate on purchases made outside the District and then brought into the District to be used, stored or consumed, providing that the purchaser has not paid the sales tax on the purchases to another jurisdiction. *D.C. Code Citation: Title 47, Chapters 20 and 22.*	A five-tier rate structure is presently in effect: 5.75% General rate for tangible personal property and selected services, 9% Liquor sold for off the premises consumption 10% Restaurant meals, liquor for consumption on the premises,rental vehicles 12% Parking motor vehicles in commercial lots 14.5% Transient accommodations *Note: The following portions of the sales tax go to the Convention Center Fund: 1% of sales tax from restaurant meals, etc., and 4.45% of transient accommodations. Sales tax on internet access is eliminated. In addition, the 12% tax on parking in commercial lots will be dedicated to DDOT.* *Note: Tobacco products used for smoking, chewing, or as snuff, made in whole or in part with tobacco, except for cigarettes, premium cigars, and pipe leaf tobacco products, are now taxed at the 12% rate rather than the 5.75% rate.*	$717,089 (c)

ALCOHOLIC BEVERAGE TAX	Alcoholic beverages manufactured by a holder of a manufacturer's license and beverages brought into D.C. by the holder of a wholesaler's or a retailer's license. *D.C. Code Citation: Title 25, Chapter* 1. .	Beer --$2.79 per 31 gallon barrel Light wine <14% alcohol – 30¢ per gal Heavy wine >14% alcohol – 40¢ per gal Champagne/sparkling wine- 45¢ per gal Spirits -- $1.50 per gallon	$5,150
CIGARETTE TAX	The sale or possession of cigarettes in the District. Cigarettes sold to the military and to Federal Government are exempt. *D.C. Code Citation: Title 47, Chapter 24..*	$1.00 per package of twenty cigarettes	$21,205
MOTOR VEHICLE EXCISE TAX	Issuance of every original and subsequent certificate of title on motor vehicles and trailers. *D.C. Code Citation: Title 50, Chapter 22.*	Based on manufacturer's shipping weight 6% of fair market value-3, 499 lbs or less 7% of fair market value-3, 500 lbs to 4,999 lbs 8% of fair market value-over 5,000 lbs	$43,681
INDIVIDUAL INCOME TAX	The taxable income of an individual who is domiciled in the District at any time during the tax year, or who maintains an abode in the District for 183 or more days during the year. *D.C. Code Citation: Title 47, Chapter 18*	For Calendar Year 2008: Taxable Income — Tax Rate First $10,000 — 4.0% Over $10,000, but Not over $40,000 — $400 + 6.0% of excess over $10,000 Over $40,000 — $2,200 + 8.5% of Excess over $40,000	$1,313,826
CORPORATE FRANCHISE TAX	Net income of corporations having nexus in the District. All corporations engaging in a trade, business or profession in the District of Columbia must register. *D.C. Code Citation: Title 47, chapter 1*8.	The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surtax equal to 5 percent of the base rate.	$255,511
U. B. FRANCHISE TAX	Net income of unincorporated businesses with gross receipts over $12,000. A 30% salary allowance for owners and a $5,000 exemption are deductible from net income to arrive at taxable income. A business is exempt if more than 80% of gross income is derived from personal services rendered by the members of the entity and capital is not a material income-producing factor. A trade, business or professional organization which by law, customs or ethics cannot be incorporated is exempt. *D.C. Code Citation: Title 47, chapter 18.*	The franchise tax rate is 9.975 percent of taxable income, a 9.5 percent rate plus a surtax equal to 5 percent of the base rate.	$ 167,024
PUBLIC UTILITY TAX	Gross receipts of gas, electric, heating oil and local television, radio, and telephone companies. *D.C. Code Citation: Title 47, Chapter 25*	Television, radio and telephone companies: Gross receipts taxed at 10% (residential) and 11% (non-residential). Heating oil utilities: Tax rate is $0.17 per gallon (residential) and $0.187 per gallon (non-residential). Natural gas utilities: Tax rate is $0.0707 per therm (residential) and $0.07777 per therm (non-residential). Electric distribution utilities: Tax rate is $0.0070 per kilowatt hour (residential) and $0.0077 per kilowatt hour (non-residential). *Note: The additional surcharge on non-residential customers is dedicated to funding the baseball stadium.*	$153,289(d)
TOLL TELECOMMUNICATIONS TAX	Gross receipts of companies providing toll telecommunication service in the District., including wireless telecommunication providers. *D.C. Code Citation: Title 47, Chapter 38..*	10% of gross charges - residential 11% of gross charges – non-residential *Note: 1% of non-residential is dedicated to financing construction of new baseball stadium.*	$56,786 (d)

INSURANCE PREMIUMS TAX	Gross insurance premiums received on risks in the District, less premiums received for reinsurance assumed, returned premiums and dividends paid to policyholders. The tax is in lieu of all other taxes except real estate taxes and fees provided for by the District's insurance law. *D.C. Code Citation: Title 35; Title 47, Chapter 26.* .	1.7% on policy and membership fees and net premium receipts	$55,016
ESTATE TAX	The estate of every decedent dying while a resident of the District, and on the estate of every nonresident decedent owning property and having a taxable situs in the District at the time of his or her death. *D.C. Code Citation: Title 47, Chapter 19.*	Tax due is determined by using the DC Estate Tax Computation Worksheet after computing the exempted amounts..	$54,250
DEED RECORDATION TAX	The recording of all deeds to real estate in the District. The basis of the tax is the value of consideration given for the property. Where there is no consideration or where the consideration is nominal, the tax is imposed on the basis of the fair market value of the property. *D.C. Code Citation: Title 42, Chapter 11.* .	1.45% of consideration or fair market value *Note: For residental properties under $400,000 the rate is 1.1%* *Note: 15% of deed recordation tax is deposited into the Housing Production Trust Fund.* *Note: 39.93% of the revenue resulting from the increase in the deed recordation tax from 1.1% to 1.45% is deposited into the Comprehensive Housing Strategy Fund.*	$173,934 (e)
DEED TRANSFER TAX	Each transfer of real property at the time the deed is submitted for recordation. The tax is based upon the consideration paid for the transfer. Where there is no consideration or where the amount is nominal, the basis of the transfer tax is the fair market value of the property conveyed. *D.C. Code Citation: Title 47, Chapter 9.*	1.45% of consideration or fair market value *Note: For residental properties under $400,000 the rate is 1.1%* *Note: 15% of real estate transfer tax is deposited into the Housing Production Trust Fund.* *Note: 39.93% of the revenue resulting from the increase in the deed transfer tax from 1.1% to 1.45% is deposited into the Comprehensive Housing Strategy Fund.*	$116,342 (e)
ECONOMIC INTEREST TAX	The economic interest transfer tax is triggered by either one of the following two (2) elements: 1) 80% or more of the assets of the entity consist of real property located in the District of Columbia; or 2) more than 50% of the controlling interest of the corporation is being transferred. The consideration is what is paid for the interest being transferred. If there is no tangible consideration, then the tax basis will be the assessed value of the property owned by the corporation. *D.C. Code Citation: Title 42, Chapter 11.*	2.2% of consideration or fair market value	$64,794
TOTAL GENERAL FUND TAXES:			$4,698.894 (a) (b) (c) (d) (e)

PART B—OTHER SELECTED TAXES

TAX	DESCRIPTION OF WHAT IS TAXED	RATE	FY 2007 REVENUE
MOTOR VEHICLE FUEL TAX	Every importer of motor fuels including gasoline, diesel fuel, benzol, benzene, naphtha, kerosene, heating oils, all liquefied petroleum gases and all combustible gases and liquids suitable for the generation of power for the propulsion of motor vehicles. *D.C. Code Citation: Title 47, Chapter 23*	20 cents per gallon (entire tax dedicated to Highway Trust Fund)	$26,776

Source of General Fund Revenue amounts: Government of the District of Columbia Comprehensive Annual Financial Report, Year Ended September 30, 2006.

Notes: (a) Amount is net of transfers to TIF.

(b) Amount is net of transfers to Neighborhood Investment Fund.

(c) Amount is net of transfers to the Convention Center Fund, Ballpark Fund, DDOT Unified Fund, TIF, and School Modernization Fund.

(d) Amount is net of transfers to the Ballpark Fund.

(e) Amount is net of transfers to the Housing Production Trust Fund and the Comprehensive Housing Strategy Fund.

Table 4-39
Local General Fund Revenues, FY1997-FY2007
($ thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Real Property	617,694	616,935	597,566	610,896	633,172	726,014	822,845	947,690	1,058,100 (a)	1,152,143 (a)	1,443,601 (a)
Personal Property	60,392	68,475	73,928	70,133	64,144	65,208	67,294	63,558	62,068 (b)	55,548 (b)	57,395 (b)
Public Space	9,513	10,030	8,056	11,752	10,107	12,167	11,749	16,728	15,628	0 (c)	0 (c)
Total Property	**687,599**	**695,440**	**679,550**	**692,781**	**707,423**	**803,389**	**901,888**	**1,027,976**	**1,135,796**	**1,207,691**	**1,500,996**
General Sales and Use	**482,354**	**557,081**	**541,573 (d)**	**585,688 (d)**	**617,217 (d)**	**612,354 (d)**	**631,465 (d)**	**671,017 (d)**	**768,308 (e)**	**775,366 (f)**	**717,089 (g)**
Alcohol	5,460	4,702	4,821	4,779	4,743	4,721	4,619	5,090	5,051	5,070	5,150
Cigarette	18,946	17,592	17,107	17,177	16,329	17,189	21,344	20,765	22,336	22,993	21,205
Motor Vehicle Excise	30,271	29,838	31,329	36,693	38,825	34,573	37,066	40,437	42,380	42,563	43,681
Hotel Occupancy	3,806	9,287	(26)	0	25	0	0	0	0	0	0
Total Selective Sales	**58,483**	**57,501**	**53,231**	**58,649**	**59,922**	**56,483**	**63,029**	**66,292**	**69,767**	**70,626**	**70,036**
Individual Income	753,475	861,505	952,156	1,077,346	1,098,188	949,175	928,968	1,042,309	1,160,074	1,233,602	1,313,826
Corporate Franchise	144,563	174,729	163,699	190,594	233,237	142,647	156,777	168,353	195,492	215,283	255,511
Unincorporated Business Franchise	38,942	46,868	53,896	70,624	68,812	68,602	81,707	88,347	116,866	142,598	167,024
Total Income	**936,980**	**1,083,102**	**1,169,751**	**1,338,564**	**1,400,237**	**1,160,424**	**1,167,452**	**1,299,009**	**1,472,432**	**1,591,483**	**1,736,361**
Insurance Premiums	42,625	37,096	26,944	30,882	33,356	35,502	41,281	47,452	48,888	51,495	55,016
Public Utility	141,901	141,069	128,472	132,849	149,125	140,931	166,743	169,494	166,039 (h)	144,801 (h)	153,289 (h)
Toll Telecommunication	52,994	56,732	51,874	48,280	51,259	55,353	53,324	54,951	54,576 (h)	54,556 (h)	56,786 (h)
Health Care Provider Fee	(8,278)	1,740	0	0	0	0	0	0	0	0	0
Total Gross Receipts	**229,242**	**236,637**	**207,290**	**212,011**	**233,740**	**231,786**	**261,348**	**271,897**	**269,503**	**250,852**	**265,091**

Table 4-39 *(continued)*

Local General Fund Revenues, FY1997-FY2007

($ thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Estate	27,314	32,256	26,247	35,992	51,072	125,889	29,944	26,466	29,257	30,125	54,250
Deed Recordation	30,821	53,863	70,398	60,418	75,936	89,951	134,262	164,522 (i)	161,541 (i)	169,024 (i)	173,934 (j)
Deed Transfer	27,162	42,597	47,001	44,660	62,086	62,228	99,052	121,747 (i)	124,890 (i)	113,509 (i)	116,342 (j)
Economic Interests	10,081	11,166	3,687	540	1,640	5,078	4,934	16,269	10,593	30,274	64,794
Total Other Taxes	**95,378**	**139,882**	**147,333**	**141,610**	**190,734**	**283,146**	**268,192**	**329,004**	**326,281**	**342,932**	**409,321**
TOTAL TAX REVENUES	**2,490,036**	**2,773,561**	**2,798,728**	**3,029,303**	**3,209,273**	**3,147,582**	**3,293,374**	**3,665,195**	**4,042,087**	**4,238,950**	**4,698,894**
Business Licenses & Permits	28,268	31,050	28,607	24,969	21,767	29,875	35,195	35,471	47,936	42,443	49,848
Non-Business Licenses & Permits	17,221	17,073	17,927	18,785	19,627	20,320	24,566	26,034	26,074	29,741	28,435
Total Licenses & Permits	**45,489**	**48,123**	**46,534**	**43,754**	**41,394**	**50,195**	**59,761**	**61,505**	**74,010**	**72,184**	**78,283**
Total Fines and Forfeitures	**51,664**	**53,177**	**47,688**	**53,216**	**57,052**	**86,539**	**88,455**	**99,478**	**108,012**	**112,456**	**101,436**
Total Charges for Services	**43,810**	**34,752**	**31,055**	**37,257**	**63,938**	**55,472**	**65,736**	**53,705**	**51,344**	**47,646**	**52,421**
Interest Income	18,599	32,478	27,542	12,779	33,317	9,645	9,906	7,890	26,052	52,628	82,954
Other	52,320	66,658	59,198	89,379	106,983	70,908	79,999	101,121	93,009	77,037	108,781
Tobacco Settlement	0	0	0	16,049	13,289	0	0	0	0	0	0
Total Miscellaneous	**70,919**	**99,136**	**86,740**	**118,207**	**153,589**	**80,553**	**89,905**	**109,011**	**119,061**	**129,665**	**191,735**
Lottery Transfer	69,200	81,300	64,225	69,450	84,000	63,000	72,050	73,500	71,450	73,800	65,376
TOTAL NON-TAX REVENUES	**281,082**	**316,488**	**276,242**	**321,884**	**399,973**	**335,759**	**375,907**	**397,199**	**423,877**	**435,751**	**489,251**
TOTAL TAX & NON-TAX REVENUES	**2,771,118**	**3,090,049**	**3,074,970**	**3,351,187**	**3,609,246**	**3,483,341**	**3,669,281**	**4,062,394**	**4,465,964**	**4,674,701**	**5,188,145**

Notes: (a) Amount excludes transfer to Tax Increment Financing.
(b) Amount excludes transfer to Neighborhood Investment Fund.
(c) Beginning in FY 2006, all public space rental revenue is transferred to DDOT Operating Fund.
(d) Amount excludes transfer to the Convention Center Fund.
(e) Amount excludes transfers to the Convention Center Fund, the Ballpark Fund, and Tax Increment Financing.
(f) Amount excludes transfers to the Convention Center Fund, the Ballpark Fund, Tax Increment Financing, and DDOT Operating Fund.
(g) Amount excludes transfers to the Convention Center Fund, the Ballpark Fund, Tax Increment Financing, DDOT Operating Fund, and School Modernization Fund.
(h) Amount excludes transfer to the Ballpark Fund.
(i) Amount excludes transfer to the Housing Production Trust Fund.
(j) Amount excludes transfer to the Housing Production Trust Fund and Comprehensive Housing Strategy Fund.

Table 4-40

General Purpose Non-Tax Revenue, by Source, Fiscal Years 2007-2009

($ thousands)

Comp. Obj. Code	Agency	Object Title	FY 2007 Actual	FY 2008 Revised	FY 2009 Projected
BUSINESS LICENSES AND PERMITS					
3001	SR0	INSURANCE LICENSE	13,581	9,600	12,700
3002	DH0	ELECTRICAL PERMIT	2	2	2
3006	TC0	HACKERS LICENSE	364	370	434
3007	SR0	SECURITY BROKER DEALER LICENSE	4,236	4,300	1,887
3007	SR0	SECURITIES REGISTRATION FEES	8,223	9,042	9,000
3010	SR0	INVESTMENT ADVISORS LICENSE	465	448	450
3010	TC0	OTHER BUSINESS LICENSE	89	80	80
3011	KA0	OTHER BUSINESS LICENSE & PERMIT	-	10	10
3012	CR0	BUILDING STRUCTURES & EQUIPMENT	12,982	11,500	11,500
3013	CR0	CERTIFICATE OF OCCUPANCY	336	350	350
3014	CR0	REFRIGERATION & PLUMBING PERMIT	2,871	2,800	2,800
3015	CR0	ELECTRICAL PERMIT	5,959	5,000	5,000
3016	CR0	PUBLIC SPACE EXCAVATION PERMIT	-	10	10
3021	AT0	VENDOR BONDS (NET OF REFUNDS)	733	733	733
3021	JF0	DCMAP MILLAGE FEES (GENERAL)	-	80	-
3023	RM0	OTHER LICENSE FEES	7	10	10
3041	KV0	CHARTER BUS TRIP PERMIT	-	973	973
TOTAL BUSINESS LICENSES AND PERMITS			**49,848**	**45,308**	**45,939**
NONBUSINESS LICENSES & PERMITS					
3100	TC0	HACK & LIMO LICENSES TEST	-	-	5
3101	KV0	DRIVERS LICENSE	4,373	4,000	4,000
3105	KV0	CANCEL ROAD TEST FEE	55	50	50
3106	KV0	CHANGE OF ADDRESS FEE	2	3	3
3110	FA0	BIKE REGISTRATION	8	-	-
3120	FA0	BOAT REGISTRATION	216	185	185
3140	KV0	RECIPROCITY PERMIT	472	500	500
3144	KV0	DIGIT CERTIFICATE FEE	17	17	19
3145	KV0	PERSONALIZED TAGS	87	85	85
3147	KV0	DCTC ISSUANCES	289	280	280
3148	KV0	TEMPORARY TAGS	19	25	25
3149	KV0	TRANSFER OF TAGS	41	48	48
3150	KV0	VEHICLE REGISTRATION	22,782	25,315	25,000
3152	KV0	OUT OF STATE REGISTRATION FEE	49	49	50
3160	KV0	ASSOCIATED FEE FOR ONE YEAR	25	25	25
TOTAL NONBUSINESS LICENSES & PERMITS			**28,435**	**30,582**	**30,275**
TOTAL LICENSES & PERMITS			**78,283**	**75,890**	**76,214**
FINES & FORFEITURES					
5000	TC0	HACKERS FINES	11	11	11
5010	FA0	TRAFFIC FINES-RED LIGHT CAMERAS	3,879	2,200	1,980
5010	KV0	TRAFFIC FINES RSC 1501	81,058	80,000	80,000
5011	FA0	PHOTO RADAR ENFORCEMENT	13,328	14,405	12,965
5020	KT0	SALE OF ABANDONED PROPERTY	1,708	1,591	1,500
5030	KT0	BOOTING FEES	265	540	400
5040	KT0	TOWING FEES-RSC 1505	180	250	200
5050	KT0	IMPOUNDMENT FEES-RSC 1506	296	400	350
5060	FA0	FINES AND FORFEITURES-OTHER	-	108	-
5060	LQ0	FINES AND FORFEITURES-OTHER	368	104	108
5060	SR0	FINES AND FORFEITURES-OTHER	343	-	-
TOTAL FINES & FORFEITURES			**101,436**	**99,609**	**97,514**

Table 4-40 (continued)

General Purpose Non-Tax Revenue, by Source, Fiscal Years 2007-2009

($ thousands)

Comp. Obj. Code	Agency	Object Title	FY 2007 Actual	FY 2008 Revised	FY 2009 Projected
MISCELLANEOUS					
5300	LA0	WASA - P.I.L.O.T.	12,414	13,097	14,210
5600	AT0	INTEREST INCOME	82,954	46,750	25,000
5600	BK0	INTEREST INCOME	6	5	5
5700	AT0	UNCLAIMED PROPERTY	37,953	26,939	29,273
6100	AM0	SALE OF SURPLUS PROP	436	436	436
6103	AA0	REIMBURSEMENTS	4	-	-
6103	AS0	REIMBURSEMENTS	153	150	150
6103	RM0	REIMBURSEMENTS	2	1	1
6106	AA0	OTHER REVENUES	5	-	-
6106	AT0	OTHER REVENUES	439	-	-
6106	BD0	OTHER REVENUES	49	50	-
6106	FA0	OTHER REVENUES	333	300	300
6106	FB0	OTHER REVENUES	168	150	150
6106	FL0	OTHER REVENUES	194	99	99
6106	KT0	OTHER REVENUES	215	215	215
6106	BD0	OTHER REVENUES	49	50	45
6106	BJ0	OTHER REVENUE (OFF OF ZONING APPL FEES)	1,356	500	500
6106	BN0	OTHER REVENUES	130	100	100
6106	CB0	OTHER REVENUES	348	300	300
6106	CJ0	OTHER REVENUES	4	-	-
6106	CR0	OTHER REVENUES	168	150	150
6106	FL0	OTHER REVENUES	2	2	2
6106	SR0	OTHER REVENUES	200	200	200
6106	PO0	OTHER REVENUES	6	6	-
6106	RM0	OTHER REVENUES	7	7	6
6107	CR0	CIVIL INFRACTIONS	714	400	400
6107	KT0	OTHER REVENUE-FLEET AUTO AUCTION	37	25	25
6108	DH0	COCOT REGISTRATION	17	15	15
6109	KT0	OTHER REVENUE-CONTRACT BIDS	38	30	30
6111	9AT	OTHER REVENUE	38,366	1,950	1,921
6111	AT0	OTHER REVENUE-ROD COPY & SUBSCRIPS	7,286	45	45
6111	AT0	OTHER REVENUE-MISCELLANEOUS	35	30	-
6111	AM0	OTHER REVENUE	3,438	1,100	1,100
6111	AS0	OTHER REVENUE	215	-	-
6111	CE0	OTHER REVENUE	215	-	-
6111	CF0	OTHER REVENUE	1	-	-
6111	DB0	APP CHARGES-OTHER SERVICES	488	-	-
6111	FA0	OTHER REVENUE	37	25	25
6111	FB0	OTHER REVENUE	13	6	6
6111	GA0	OTHER REVENUE	74	-	-
6111	GD0	OTHER REVENUE	207	-	-
6111	KG0	OTHER REVENUE	2	-	-
6112	KG0	FREEDOM OF INFORMATION	2	-	-
6118	HC0	PRIOR YEAR COST RECOVERY	2,945	4,000	4,000
9200	RM0	MISCELLANEOUS OTHER REVENUE	6	5	5
9205	RM0	SODA COMMISSIONS	4	4	4
TOTAL MISCELLANEOUS			**191,735**	**97,142**	**78,718**

Table 4-40 (continued)

General Purpose Non-Tax Revenue, by Source, Fiscal Years 2007-2009

($ thousands)

Comp. Obj. Code	Agency	Object Title	FY 2007 Actual	FY 2008 Revised	FY 2009 Projected
CHARGES FOR SERVICES					
3200	DH0	TELECO REGISTRATION	4	10	10
3201	CR0	HOME OCCUPATION LICENSE	27	30	30
3202	CR0	BOILER INSPECTION PERMITS	99	100	100
3204	CR0	ELEVATOR INSPECTION	11	15	15
3206	FA0	FINGERPRINTS, PHOTOS	371	375	375
3207	CR0	OTHER SERVICE CHARGES	13	-	-
3207	DH0	OTHER SERVICE CHARGES	185	100	100
3207	FL0	OTHER SERVICE CHARGES - OTHER	41	80	80
3207	CR0	REINSTATEMENT FEE/INSURANCE LAPSE FEES	9	-	-
3255	KV0	REINSTATEMENT FEE/INSURANCE LAPSE FEES	4,027	4,500	4,750
3208	CR0	REPRODUCTION OF REPORTS	10	20	20
3208	FA0	REPRODUCTION OF REPORTS	20	-	-
3208	KV0	REPRODUCTION OF REPORTS	1,970	2,000	2,000
3208	TC0	REPRODUCTION OF REPORTS	2	-	-
3208	RM0	MEDICAL RECORDS FEES	6	-	-
3209	FB0	EMERGENCY AMBULANCE FEES	13,665	18,922	17,418
3210	FA0	TRANSCRIPT OF RECORDS	497	260	439
3210	AT0	TAX CERTIFICATES	159	158	158
3211	AT0	FIREARM USER FEE	19	19	19
3211	FA0	FIREARM USER FEE	363	342	342
3214	KV0	MOTOR VEHICLE INSPECTION	3,484	4,000	4,000
3215	KV0	VEHICLE TITLES RSC 1259	2,011	2,000	2,500
3216	KT0	SOLID WASTE DISPOSAL FEES	1,500	1,500	1,500
3217	KV0	RE-INSPECTION FEE	172	175	175
3219	CR0	WHARVES AND MARKETS	484	300	300
3220	CR0	SURVEYOR FEES	482	425	425
3221	AT0	DEED RECORDATION FEES	7,823	8,156	8,156
3221	KV0	RECORDATION FEE (RSC 1275)	648	550	550
3222	CR0	CORP RECORDATION	9,039	7,286	9,000
3223	KV0	PARKING FEES/PERMITS RSC 1314	1,592	1,550	1,550
3227	CR0	CONDO/COOP CERTIFICATE	14	30	30
3228	CR0	CONDO REGISTRATION	118	100	100
3234	KA0	OTHER SERVICE CHARGES-OTHER	2	2	2
3238	CR0	NUISANCE ABATEMENT RECOVERIES	57	-	-
3320	AT0	OTHER REVENUE-RENTALS	50	983	983
3320	RM0	TOWER FEES	34	34	34
3310	SR0	INVESTMENT ADVISORS ACT	16	215	215
4601	IC0	IDCR	3,397	746	746
TOTAL CHARGES FOR SERVICES			**52,421**	**54,983**	**56,122**
TOTAL NON TAX REVENUE			**423,875**	**327,624**	**308,568**
OTHER FINANCING SOURCES					
6104	DC0	LOTTERY TRANSFER	65,376	70,000	71,000
TOTAL OTHER FINANCING SOURCES			**65,376**	**70,000**	**71,000**

Table 4-41 Special Purpose (O-type) Revenue Funds, by Source: May 2008 Certifications

		FY 2007 End of Year Fund Balance	FY 2008 Certified Revenues 5/08 Cert.	FY 2008 Certified Fund Balance Use 5/08 Cert.	FY 2008 Certified Resources 5/08 Cert.	FY 2009 Certified Revenues 5/08 Cert.	FY 2009 Certified Fund Balance Use 5/08 Cert.	FY 2009 Certified Resources 5/08 Cert.	FY 2010 Certified Revenues 5/08 Cert.	FY 2011 Certified Revenues 5/08 Cert.	FY 2012 Certified Revenues 5/08 Cert.
A. Governmental Direction and Support											
Office of Property Management (AM0)		**3,736,523**	**6,156,016**	**3,471,995**	**9,628,011**	**8,437,461**	**91,505**	**8,528,966**	**9,225,775**	**10,148,353**	**10,760,038**
1150	Utility Payments for Non-DC Agencies	173,023	0	0	0	0	0	0	0	0	0
1450	Parking Fees	0	512,000	0	512,000	554,318	0	554,318	554,318	609,750	744,505
1459	Rent	3,471,995	5,644,016	3,471,995	9,116,011	7,883,143	0	7,883,143	8,671,457	9,538,603	10,015,533
1460	Eastern Market Enterprise Fund	91,505	0	0	0	0	91,505	91,505	0	0	0
Office of Finance and Resource Management (AS0)		**677,032**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1150	Utilities Payment for Non-DC Agencies	677,032	0	0	0	0	0	0	0	0	0
Office of the Chief Financial Officer (AT0)		**13,492,387**	**38,687,238**	**6,448,496**	**45,135,734**	**50,611,230**	**1,929,281**	**52,540,511**	**39,651,164**	**32,091,453**	**32,133,152**
0602	Payroll Service Fees	0	350,000	0	350,000	300,000	0	300,000	300,000	300,000	300,000
0603	Service Contracts	0	1,050,000	0	1,050,000	1,050,000	0	1,050,000	1,050,000	1,050,000	1,050,000
0605	Dishonored Check Fees	0	630,000	0	630,000	498,992	0	498,992	500,000	500,000	500,000
0606	Recorder of Deeds Surcharge	6,533,932	1,600,000	2,448,496	4,048,496	1,600,000	1,068,454	2,668,454	1,600,000	1,600,000	1,600,000
0607	Miscellaneous Revenue	0	80,000	0	80,000	85,000	0	85,000	85,000	85,000	85,000
0610	Bank Fees	203,053	6,180,000	0	6,180,000	6,180,000	0	6,180,000	6,180,000	6,180,000	6,180,000
0611	Tax Collection Fees	0	17,000,000	0	17,000,000	29,600,000	0	29,600,000	17,600,000	10,000,000	10,000,000
0613	Unclaimed Property Contingency Func	0	3,535,058	0	3,535,058	3,535,058	0	3,535,058	3,535,058	3,535,058	3,535,058
0614	Defined Contribution Plan Administration	0	150,000	0	150,000	150,000	0	150,000	150,000	150,000	150,000
0617	Baseball Financing Review Func	80,000	0	0	0	0	0	0	0	0	0
0618	Compliance and Real Property Tax Admin. Func	6,675,403	7,000,000	4,000,000	11,000,000	6,500,000	860,827	7,360,827	7,500,000	7,500,000	7,500,000
0619	DC Lottery Reimbursement	0	1,112,180	0	1,112,180	1,112,180	0	1,112,180	1,151,106	1,191,395	1,233,094
Office of the Secretary (BA0)		**0**	**415,901**	**0**	**415,901**	**561,727**	**0**	**561,727**	**600,000**	**600,000**	**600,000**
1243	Distribution Fees	0	415,901	0	415,901	561,727	0	561,727	600,000	600,000	600,000
D.C. Department of Human Resources (BE0)		**0**	**590,358**	**0**	**590,358**	**406,000**	**0**	**406,000**	**406,000**	**406,000**	**406,000**
0615	Defined Benefits Retirement Program	0	508,398	0	508,398	219,709	0	219,709	219,709	219,709	219,709
1555	Reimbursables from Other Governments	0	81,960	0	81,960	186,291	0	186,291	186,291	186,291	186,291
Office of the Attorney General (CB0)		**8,791,489**	**3,829,868**	**1,835,198**	**5,665,066**	**4,298,700**	**1,858,855**	**6,157,555**	**4,298,700**	**4,298,700**	**4,298,700**
0601	Driving Under the Influence (DUI) Fund	0	105,346	0	105,346	87,172	0	87,172	87,172	87,172	87,172
0602	Anti-Trust Fund	660,260	390,852	0	390,852	390,852	153,788	544,640	390,852	390,852	390,852
0603	Child Support - TANF/AFDC Collections	4,418,871	2,747,422	1,458,822	4,206,244	2,747,422	1,705,067	4,452,489	2,747,422	2,747,422	2,747,422
0604	Child Support - Reimbursements & Fees	141,186	0	0	0	0	0	0	0	0	0
0605	Child Support - Interest Income	343,854	0	0	0	0	0	0	0	0	0
0606	Child Support - Title IVD Incentive Fees	107,141	0	0	0	0	0	0	0	0	0
0611	Consumer Protection Fund	1,856,867	486,248	0	486,248	616,695	0	616,695	616,695	616,695	616,695
0612	Anti-Fraud Fund	1,263,310	100,000	376,376	476,376	456,559	0	456,559	456,559	456,559	456,559
Office of Contracting and Procurement (PO0)		**1,006,534**	**780,127**	**0**	**780,127**	**1,028,187**	**0**	**1,028,187**	**1,203,187**	**1,389,437**	**1,588,625**
4010	D.C. Surplus Personal Property Sales Oper.	369,452	292,797	0	292,797	500,000	0	500,000	575,000	661,250	760,438
6102	D.C. Supply Schedule Sales Discount/Operat	637,082	487,330	0	487,330	528,187	0	528,187	628,187	728,187	828,187
Office of the Chief Technology Officer (TO0)		**223,290**	**408,736**	**33,400**	**442,136**	**525,000**	**0**	**525,000**	**525,000**	**525,000**	**525,000**
0601	Tech City	223,290	0	0	0	0	0	0	0	0	0
1200	SERVUS Support	0	408,736	33,400	442,136	525,000	0	525,000	525,000	525,000	525,000
Sub-total: Governmental Direction and Support		**27,927,255**	**50,868,244**	**11,789,089**	**62,657,333**	**65,868,306**	**3,879,641**	**69,747,947**	**55,909,826**	**49,458,943**	**50,311,515**

Table 4-41 Special Purpose (O-type) Revenue Funds, by Source (continued)

		FY 2007 End of Year Fund Balance	FY 2008 Certified Revenues 5/08 Cert.	FY 2008 Certified Fund Balance Use 5/08 Cert.	FY 2008 Certified Resources 5/08 Cert.	FY 2009 Certified Revenues 5/08 Cert.	FY 2009 Certified Fund Balance Use 5/08 Cert.	FY 2009 Certified Resources 5/08 Cert.	FY 2010 Certified Revenues 5/08 Cert.	FY 2011 Certified Revenues 5/08 Cert.	FY 2012 Certified Revenues 5/08 Cert.
B. Economic Development and Regulation											
Office of Planning (BD0)		**47,123**	**15,000**	**0**	**15,000**	**15,000**	**0**	**15,000**	**15,000**	**15,000**	**15,000**
2001	Historic Landmark & Historic District Filing Fees	47,123	15,000	0	15,000	15,000	0	15,000	15,000	15,000	15,000
Commission on the Arts and Humanities (BX0)		**273,173**	**400,000**	**0**	**400,000**	**400,000**	**0**	**400,000**	**400,000**	**400,000**	**400,000**
0600	Special Purpose Revenue	132,242	400,000	0	400,000	400,000	0	400,000	400,000	400,000	400,000
0610	Arts & Humanities Ent Fund; Party Animals Rev	140,661	0	0	0	0	0	0	0	0	0
6010	Arts and Technology Fund	271	0	0	0	0	0	0	0	0	0
Department of Employment Services (CF0)		**32,734,114**	**32,151,166**	**0**	**32,151,166**	**35,124,132**	**0**	**35,124,132**	**30,799,366**	**29,419,366**	**29,419,366**
0600	Special Purpose Revenue Fund	1,433,379	0	0	0	0	0	0	0	0	0
0610	Workers' Compensation - Special Fund	8,246,678	7,000,000	0	7,000,000	7,000,000	0	7,000,000	7,000,000	7,000,000	7,000,000
0611	Workers' Compensation - Administration Fund	12,835,631	17,551,166	0	17,551,166	17,725,676	0	17,725,676	17,551,166	17,551,166	17,551,166
0612	UI Interest/Penalties	1,065,667	600,000	0	600,000	868,792	0	868,792	868,200	868,200	868,200
0623	DOES Relocation Fund	590,963	0	0	0	0	0	0	0	0	0
0624	UI Administrative Assessment Tax	8,561,795	7,000,000	0	7,000,000	9,529,664	0	9,529,664	5,380,000	4,000,000	4,000,000
Office of the Tenant Advocate (CQ0)		**2,601,446**	**800,000**	**350,000**	**1,150,000**	**750,000**	**977,096**	**1,727,096**	**750,000**	**750,000**	**750,000**
6005	Condo Conversion	2,601,446	800,000	350,000	1,150,000	750,000	977,096	1,727,096	750,000	750,000	750,000
Dept. of Consumer and Regulatory Affairs (CR0)		**13,520,763**	**15,616,019**	**629,959**	**16,245,978**	**14,101,338**	**3,737,024**	**17,838,362**	**15,490,000**	**13,960,264**	**15,490,000**
6006	Nuisance Abatement	5,708,883	5,500,000	0	5,500,000	4,000,000	1,976,077	5,976,077	5,500,000	4,000,000	5,500,000
6008	Real Estate Guarantee and Education Fund	3,252,618	612,637	0	612,637	1,900,000	0	1,900,000	600,000	1,900,000	600,000
6009	Real Estate Appraisal Fee	0	142,000	0	142,000	60,000	0	60,000	140,000	60,000	140,000
6010	OPLA Special Account	1,362,684	2,098,382	0	2,098,382	1,500,000	305,725	1,805,725	2,000,000	1,635,264	2,000,000
6011	Special Events Revolving	0	30,000	0	30,000	30,000	0	30,000	30,000	30,000	30,000
6012	Boxing Commission Revolving Account	0	70,000	0	70,000	75,000	0	75,000	70,000	60,000	70,000
6013	Basic Business License Fund	841,018	5,500,000	0	5,500,000	5,000,000	841,018	5,841,018	5,500,000	5,000,000	5,500,000
6014	Fire Protection Special Revolving	0	100,000	0	100,000	100,000	0	100,000	100,000	100,000	100,000
6020	Board of Engineers Fund	1,131,397	563,000	0	563,000	120,000	20,000	140,000	550,000	175,000	550,000
6025	Construction/Zoning Compliance Mgmt. Fund	1,224,163	1,000,000	629,959	1,629,959	1,316,338	594,204	1,910,542	1,000,000	1,000,000	1,000,000
Office of Cable TV and Telecommunications (CT0)		**6,075,702**	**5,400,000**	**1,641,367**	**7,041,367**	**5,800,000**	**1,289,429**	**7,089,429**	**6,750,000**	**7,000,000**	**7,010,000**
0600	Cable Franchise Fees	6,075,702	5,400,000	1,641,367	7,041,367	5,800,000	1,289,429	7,089,429	6,750,000	7,000,000	7,010,000
Dept. of Housing and Community Development (DB0)		**24,679,627**	**8,671,920**	**18,789,152**	**27,461,072**	**4,645,675**	**962,463**	**5,608,138**	**9,391,692**	**9,391,692**	**9,391,692**
0602	Home Purchase Assistance Program Repayment	17,508,515	6,309,707	14,603,438	20,913,145	1,832,308	0	1,832,308	6,817,871	6,817,871	6,817,871
0603	Land Acquisition for Housing Dev. Opportunities	3,043,096	416,000	2,278,823	2,694,823	200,000	422,585	622,585	274,312	274,312	274,312
0604	Senior Citizens Home Repair	77,258	0	0	0	0	0	0	0	0	0
0605	Multi-Family/ Rehabilitation Repayment	3,430,606	378,920	1,826,617	2,205,537	500,000	0	500,000	450,000	450,000	450,000
0607	Low Income Housing Tax Credit Program	80,274	849,509	80,274	929,783	849,509	0	849,509	849,509	849,509	849,509
0623	Home Again Revolving Fund	539,878	671,784	0	671,784	500,000	539,878	1,039,878	500,000	500,000	500,000
1980	Portal Site	0	46,000	0	46,000	500,000	0	500,000	500,000	500,000	500,000
C606	Intra-District Funding from CR0 6006	0	0	0	0	263,858	0	263,858	0	0	0
Public Service Commission (DH0)		**0**	**8,645,124**	**0**	**8,645,124**	**9,790,266**	**0**	**9,790,266**	**9,721,039**	**9,721,039**	**9,721,039**
0631	Operating - Utility Assessment	0	8,645,124	0	8,645,124	9,790,266	0	9,790,266	9,721,039	9,721,039	9,721,039
Office of the People's Counsel (DJ0)		**73,467**	**4,883,003**	**0**	**4,883,003**	**5,024,793**	**0**	**5,024,793**	**4,995,330**	**4,995,330**	**4,995,330**
0631	Advocate for Consumers	73,467	4,883,003	0	4,883,003	5,024,793	0	5,024,793	4,995,330	4,995,330	4,995,330

Table 4-41 Special Purpose (O-type) Revenue Funds, by Source (continued)

B. Economic Development and Regulation (continued)

		FY 2007 End of Year Fund Balance	FY 2008 Certified Revenues 5/08 Cert.	FY 2008 Certified Fund Balance Use 5/08 Cert.	FY 2008 Certified Resources 5/08 Cert.	FY 2009 Certified Revenues 5/08 Cert.	FY 2009 Certified Fund Balance Use 5/08 Cert.	FY 2009 Certified Resources 5/08 Cert.	FY 2010 Certified Revenues 5/08 Cert.	FY 2011 Certified Revenues 5/08 Cert.	FY 2012 Certified Revenues 5/08 Cert.
Office of the Deputy Mayor for Econ. Develop. (EB0)		**6,668,124**	**27,250,000**	**82,084**	**27,332,084**	**29,015,664**	**5,744,633**	**34,760,297**	**29,016,078**	**29,016,078**	**29,016,078**
0609	Industrial Revenue Bond Program	5,534,063	2,250,000	82,084	2,332,084	2,376,586	3,744,633	6,121,219	2,377,000	2,377,000	2,377,000
0626	AWC Integration	164,466	0	0	0	0	0	0	0	0	0
0632	AWC & NCRC Development (ED Special Account)	0	0	0	0	3,639,078	2,000,000	5,639,078	3,639,078	3,639,078	3,639,078
0635	Comprehensive Housing Task Force	914,535	0	0	0	0	0	0	0	0	0
2002	Revolving Loan Fund (2467)	53,000	0	0	0	0	0	0	0	0	0
2003	Capital City Part (2579)	2,060	25,000,000	0	25,000,000	23,000,000	0	23,000,000	23,000,000	23,000,000	23,000,000
Dept. of Small and Local Business Development (EN0)		**397,599**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0622	Commercial Trust Fund	397,599	0	0	0	0	0	0	0	0	0
Alcoholic Beverage Regulation Administration (LQ0)		**5,687,366**	**4,220,056**	**500,966**	**4,721,022**	**3,700,000**	**2,547,142**	**6,247,142**	**4,500,000**	**3,700,000**	**4,500,000**
6017	ABC Import and Class License Fees	5,565,372	4,220,056	500,966	4,721,022	3,700,000	2,547,142	6,247,142	4,500,000	3,700,000	4,500,000
6018	ABC Keg Registration Fees	121,994	0	0	0	0	0	0	0	0	0
Dept. of Insurance, Securities and Banking (SR0)		**982,209**	**28,120,000**	**0**	**28,120,000**	**28,324,440**	**0**	**28,324,440**	**29,169,600**	**29,169,599**	**30,044,688**
0615	Junior Supersavers Club	9,000	0	0	0	0	0	0	0	0	0
2100	HMO Assessment Fee	225,348	1,100,000	0	1,100,000	1,104,440	0	1,104,440	1,133,000	1,133,000	1,166,990
2200	Insurance Assessment Fee	608,384	9,000,000	0	9,000,000	9,000,000	0	9,000,000	9,270,000	9,270,000	9,548,100
2300	Securities/ Broker Dealer Licenses Fees	0	4,500,000	0	4,500,000	4,500,000	0	4,500,000	4,635,000	4,635,000	4,774,050
2492	State Filings	139,477	0	0	0	0	0	0	0	0	0
2500	Investment Advisors Licenses	0	340,000	0	340,000	340,000	0	340,000	350,200	350,200	360,706
2600	Securities Registration Fees	0	7,760,000	0	7,760,000	7,760,000	0	7,760,000	7,992,800	7,992,800	8,232,584
2800	Captive Insurance	0	2,620,000	0	2,620,000	2,620,000	0	2,620,000	2,698,600	2,698,599	2,779,558
2900	Banking Trust Fund	0	2,800,000	0	2,800,000	3,000,000	0	3,000,000	3,090,000	3,090,000	3,182,700
Sub-total: Economic Development and Regulation		**93,740,713**	**136,172,288**	**21,993,528**	**158,165,816**	**136,691,308**	**15,257,787**	**151,949,095**	**140,998,105**	**137,538,368**	**140,753,193**

Table 4-41 Special Purpose (O-type) Revenue Funds, by Source (continued)

		FY 2007 End of Year Fund Balance	FY 2008 Certified Revenues 5/08 Cert.	FY 2008 Certified Fund Balance Use 5/08 Cert.	FY 2008 Certified Resources 5/08 Cert.	FY 2009 Certified Revenues 5/08 Cert.	FY 2009 Certified Fund Balance Use 5/08 Cert.	FY 2009 Certified Resources 5/08 Cert.	FY 2010 Certified Revenues 5/08 Cert.	FY 2011 Certified Revenues 5/08 Cert.	FY 2012 Certified Revenues 5/08 Cert.
C. Public Safety and Justice											
Metropolitan Police Department (FA0)		**1,302,290**	**12,939,508**	**355,414**	**13,294,922**	**12,695,000**	**175,000**	**12,870,000**	**12,695,000**	**12,720,000**	**12,720,000**
1431	Data Processing	0	50,000	0	50,000	50,000	0	50,000	50,000	50,000	50,000
1555	Reimbursable from Other Governments	0	650,000	0	650,000	650,000	0	650,000	650,000	650,000	650,000
1607	Sale of Unclaimed Property	370,554	392,106	250,000	642,106	350,000	100,000	450,000	350,000	375,000	375,000
1614	Miscellaneous Reimbursements	0	2,700,000	0	2,700,000	2,700,000	0	2,700,000	2,700,000	2,700,000	2,700,000
1660	Automated Traffic Enforcement	0	7,597,125	0	7,597,125	7,600,000	0	7,600,000	7,600,000	7,600,000	7,600,000
1988	Drug Interdiction	416,801	0	0	0	0	0	0	0	0	0
2531	Narcotics Proceeds	(26,344)	650,000	0	650,000	475,000	0	475,000	475,000	475,000	475,000
2532	Gambling Proceeds	0	250,277	0	250,277	120,000	0	120,000	120,000	120,000	120,000
7278	Asset Forfeiture	541,280	650,000	105,414	755,414	750,000	75,000	825,000	750,000	750,000	750,000
Fire and Emergency Medical Services Dept. (FB0)		**0**	**800,000**	**0**	**800,000**	**824,000**	**0**	**824,000**	**848,720**	**874,182**	**900,407**
6100	Special Event Fees	0	800,000	0	800,000	824,000	0	824,000	848,720	874,182	900,407
Office of Victim Services (FE0)		**11,530,607**	**2,500,000**	**4,786,000**	**7,286,000**	**2,500,000**	**7,399,000**	**9,899,000**	**2,500,000**	**2,500,000**	**2,500,000**
0620	Crime Victims Assistance Func	11,530,607	2,500,000	4,786,000	7,286,000	2,500,000	3,699,000	6,199,000	2,500,000	2,500,000	2,500,000
0621	Dom. Violence Shelter & Transition Housing Func	0	0	0	0	0	3,700,000	3,700,000	0	0	0
Department of Corrections (FL0)		**0**	**36,100,000**	**0**	**36,100,000**	**33,687,510**	**0**	**33,687,510**	**33,677,510**	**33,682,510**	**33,687,510**
0600	Corrections Trustee Reimbursement	0	35,300,000	0	35,300,000	32,937,510	0	32,937,510	32,937,510	32,937,510	32,937,510
0601	Concession Income	0	700,000	0	700,000	700,000	0	700,000	700,000	700,000	700,000
0602	Welfare Account	0	100,000	0	100,000	50,000	0	50,000	40,000	45,000	50,000
Office of Administrative Hearings (FS0)		**0**	**49,999**	**0**	**49,999**	**32,478**	**0**	**32,478**	**32,478**	**32,478**	**32,478**
0614	Adjudication Fines and Fees	0	49,999	0	49,999	32,478	0	32,478	32,478	32,478	32,478
Office of the Chief Medical Examiner (FX0)		**159,563**	**185,000**	**50,000**	**235,000**	**195,000**	**109,000**	**304,000**	**210,000**	**221,000**	**235,000**
0601	Medical Examiner Fees	159,563	185,000	50,000	235,000	195,000	109,000	304,000	210,000	221,000	235,000
Office of Unified Communications (UC0)		**3,632,036**	**12,500,000**	**3,940,828**	**16,440,828**	**12,500,000**	**688,838**	**13,188,838**	**12,500,000**	**12,500,000**	**12,500,000**
0600	Other Funds	1,633,826	0	0	0	0	0	0	0	0	0
1630	911 & 311 Assessments	1,998,210	12,500,000	3,940,828	16,440,828	12,500,000	688,838	13,188,838	12,500,000	12,500,000	12,500,000
Sub-total: Public Safety and Justice		**16,624,496**	**65,074,507**	**9,132,242**	**74,206,749**	**62,433,988**	**8,371,838**	**70,805,826**	**62,463,708**	**62,530,170**	**62,575,395**

Table 4-41 Special Purpose (O-type) Revenue Funds, by Source (continued)

		FY 2007 End of Year Fund Balance	FY 2008 Certified Revenues 5/08 Cert.	FY 2008 Certified Fund Balance Use 5/08 Cert.	FY 2008 Certified Resources 5/08 Cert.	FY 2009 Certified Revenues 5/08 Cert.	FY 2009 Certified Fund Balance Use 5/08 Cert.	FY 2009 Certified Resources 5/08 Cert.	FY 2010 Certified Revenues 5/08 Cert.	FY 2011 Certified Revenues 5/08 Cert.	FY 2012 Certified Revenues 5/08 Cert.
D. Public Education System											
District of Columbia Public Library (CE0)		**815,881**	**253,000**	**383,901**	**636,901**	**254,000**	**245,140**	**499,140**	**244,000**	**244,000**	**244,000**
0101/6110	Miscellaneous	43,241	8,000	12,000	20,000	9,000	11,000	20,000	9,000	9,000	9,000
0102/6102	Bookstore	87,533	60,000	32,000	92,000	55,000	40,000	95,000	50,000	50,000	50,000
0103/6103	Restricted Fines	356,567	130,000	130,000	260,000	135,000	125,000	260,000	135,000	135,000	135,000
0104	Gifts-Donations	5,863	0	0	0	0	0	0	0	0	0
0108/6108	Copies and Printing	9,901	55,000	9,901	64,901	55,000	0	55,000	50,000	50,000	50,000
0109	Miscellaneous Customer Service	8,497	0	0	0	0	0	0	0	0	0
0140	Restricted Gifts & Donations	7,293	0	0	0	0	0	0	0	0	0
0150/6150	SLD E-Rate Reimbursement	269,140	0	200,000	200,000	0	69,140	69,140	0	0	0
0190	Franklin Restitution Payment	27,847	0	0	0	0	0	0	0	0	0
District of Columbia Public Schools (GA0)		**4,125,913**	**3,642,886**	**4,118,271**	**7,761,157**	**3,671,268**	**0**	**3,671,268**	**3,671,289**	**3,671,289**	**3,671,289**
0601	Lease Income - Security Deposits	7,643	0	0	0	0	0	0	0	0	0
0602	ROTC	1,009,213	946,081	1,009,213	1,955,294	974,463	0	974,463	974,463	974,463	974,463
0604	Pepco/Washington Gas	228,817	141,275	228,817	370,092	141,275	0	141,275	141,275	141,275	141,275
0607	Custodial	479,382	340,126	479,382	819,508	340,126	0	340,126	340,126	340,126	340,126
0608	Nonresident	1,465,944	529,370	1,465,944	1,995,314	529,370	0	529,370	529,370	529,370	529,370
0609	Security Deposits	612,747	312,549	612,747	925,296	312,549	0	312,549	312,549	312,549	312,549
0611	Cafeteria	135,799	959,657	135,799	1,095,456	959,657	0	959,657	959,657	959,657	959,657
0613	Vending Machine Sales	60,628	180,483	60,628	241,111	180,483	0	180,483	180,483	180,483	180,483
0621	Parking Fees	0	76,276	0	76,276	76,276	0	76,276	76,276	76,276	76,276
0623	Hoop Dreams Scholarship Fund	111,198	54,069	111,198	165,267	54,069	0	54,069	54,069	54,069	54,069
0626	TDL Career Cluster Project at Cardozo	14,543	0	14,543	14,543	0	0	0	0	0	0
0630	Teacher Certification Fees	0	103,000	0	103,000	103,000	0	103,000	103,021	103,021	103,021
Public Charter School Board (GB0)		**0**	**1,350,000**	**0**	**1,350,000**	**1,800,000**	**0**	**1,800,000**	**2,041,000**	**2,250,000**	**2,475,000**
6632	Administrative Fee	0	1,350,000	0	1,350,000	1,800,000	0	1,800,000	2,041,000	2,250,000	2,475,000
Office of the State Superintendent of Education (GD0)		**10,162,078**	**7,500**	**10,360,613**	**10,368,113**	**7,000**	**10,560,000**	**10,567,000**	**7,000**	**7,000**	**7,000**
0601	State Education Other Fund	0	500	0	500	0	0	0	0	0	0
0610	Charter School Credit Enhancement Fund	10,094,847	0	10,300,432	10,300,432	0	10,500,000	10,500,000	0	0	0
6007/6010	Site Evaluation Visits / OPLA - Special Account	67,231	7,000	60,181	67,181	7,000	60,000	67,000	7,000	7,000	7,000
Office of Public Educ. Facilities Modernization (GM0)		**12,489,907**	**3,285,646**	**484,436**	**3,770,082**	**3,285,646**	**12,652,061**	**15,937,707**	**3,285,646**	**3,285,646**	**3,285,646**
0603	Lease Income	(162,154)	3,285,646	0	3,285,646	3,285,646	0	3,285,646	3,285,646	3,285,646	3,285,646
0627	BOE - Real Property Improvement Fund	12,652,061	0	484,436	484,436	0	12,652,061	12,652,061	0	0	0
Sub-total: Public Education System		**27,593,778**	**8,539,032**	**15,347,221**	**23,886,253**	**9,017,914**	**23,457,201**	**32,475,115**	**9,248,935**	**9,457,935**	**9,682,935**

Table 4-41 Special Purpose (O-type) Revenue Funds, by Source (continued)

		FY 2007 End of Year Fund Balance	FY 2008 Certified Revenues 5/08 Cert.	FY 2008 Certified Fund Balance Use 5/08 Cert.	FY 2008 Certified Resources 5/08 Cert.	FY 2009 Certified Revenues 5/08 Cert.	FY 2009 Certified Fund Balance Use 5/08 Cert.	FY 2009 Certified Resources 5/08 Cert.	FY 2010 Certified Revenues 5/08 Cert.	FY 2011 Certified Revenues 5/08 Cert.	FY 2012 Certified Revenues 5/08 Cert.
E. Human Support Services											
Department of Parks and Recreation (HA0)		**1,545,660**	**2,000,000**	**492,324**	**2,492,324**	**2,100,000**	**392,324**	**2,492,324**	**2,100,000**	**2,150,000**	**2,200,000**
0602	Enterprise Fund Account	1,545,660	2,000,000	492,324	2,492,324	2,100,000	392,324	2,492,324	2,100,000	2,150,000	2,200,000
Department of Health (HC0)		**12,058,479**	**14,111,056**	**4,662,808**	**18,773,864**	**14,214,520**	**1,326,102**	**15,540,622**	**14,498,219**	**14,769,694**	**15,048,105**
0601	Medical Examiners Fees	33,022	0	0	0	0	0	0	0	0	0
0605	SHPDA Fees	844,012	450,455	216,555	667,010	407,659	0	407,659	415,813	424,129	432,612
0606	Vital Records Revenue	1,683,369	3,450,566	713,385	4,163,951	3,285,268	49,548	3,334,816	3,350,974	3,417,993	3,486,353
0608	Drug Interdiction Fund	817,833	356,549	0	356,549	356,549	293,451	650,000	363,680	370,954	378,373
0610	Methadone Fees	9,743	0	0	0	155	0	155	158	161	165
0611	Radioactive Waste Fees	130,432	0	0	0	13,750	0	13,750	14,025	14,306	14,735
0612	Food Handlers Certification	1,191,686	1,000,000	200,000	1,200,000	838,887	469,501	1,308,388	855,665	872,778	890,234
0614	Adjudication Fines	71,631	0	0	0	0	0	0	0	0	0
0617	Office of Professional Licensing	66,591	0	0	0	5,129	0	5,129	4,573	4,665	4,758
0621	UDC Health Clinic Reimbursement	79,050	924,363	0	924,363	924,363	0	924,363	924,363	924,363	924,363
0630	General Counsel - FICA	0	3,620	0	3,620	3,161	0	3,161	3,224	3,288	3,354
0632	Pharmacy Protection	645,724	526,719	0	526,719	581,850	0	581,850	593,487	605,356	617,463
0633	Radiation Protection	356,064	0	0	0	130,591	207,025	337,616	133,203	135,867	139,943
0638	Animal Control Dog License Fees and Fines	162,494	94,399	26,601	121,000	96,523	0	96,523	98,453	100,422	102,431
0641	Other Medical Licenses and Fees	22,174	0	0	0	0	0	0	0	0	0
0642	Medicaid Reimbursement - APRA	24,022	0	0	0	0	0	0	0	0	0
0643	Board of Medicine	1,515,390	3,499,591	1,276,708	4,776,299	5,772,840	0	5,772,840	5,888,297	6,006,063	6,126,184
0649	Health Facility Fee	253,781	16,648	8,352	25,000	14,311	119,232	133,543	33,150	33,813	34,490
0650	Human Services Facility Fee	435,134	141,557	0	141,557	158,807	8,941	167,748	161,983	165,223	168,527
0651	Health Benefits Plans - Bill of Rights Act	482,505	452,286	0	452,286	460,144	31,977	492,121	469,347	478,734	488,309
0652	DC Superior Courts PHSA Agreement	0	405,441	0	405,441	413,550	0	413,550	421,821	430,257	438,862
0655	SHPDA Admission Fee	477,207	339,977	442,273	782,250	339,332	34,934	374,266	346,118	353,041	360,101
0656	EMS Fees	43,215	45,543	5,512	51,055	45,228	8,095	53,323	46,133	47,055	47,997
0658	Public Health Laboratory Fees	244,375	119,101	50,899	170,000	84,163	55,837	140,000	85,846	87,563	89,314
0661	ICF/MR Fees and Fines	74,272	16,648	8,352	25,000	14,311	18,189	32,500	14,598	14,889	15,187
0662	Civil Monetary Penalties	270,068	127,821	0	127,821	130,005	19,995	150,000	132,605	135,257	137,962
0670	HCSN Revolving Fund	1,934,928	2,000,000	1,694,171	3,694,171	0	0	0	0	0	0
0673	DOH Regulatory Enforcement Fund	189,761	139,772	20,000	159,772	137,944	9,377	147,321	140,703	143,517	146,388
Note: Beginning in FY09 HC0 Fund 0651 will become HT0 Fund 0632 (Bill of Rights - Grievance & Appeals). Consequently, the FY09 - FY12 certified resources for HC0 Fund 0651 will transfer to HT0 Fund 063:											
Department of Health Care Finance (HT0)		**21,500,562**	**1,500,000**	**0**	**1,500,000**	**1,500,000**	**0**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**
0631	Medicaid Collections - Other	0	1,500,000	0	1,500,000	1,500,000	0	1,500,000	1,500,000	1,500,000	1,500,000
0672	MAA Nursing Facility Quality of Care Fund	21,500,562	0	0	0	0	0	0	0	0	0
Department of Human Services (JA0)		**2,672,437**	**2,825,000**	**0**	**2,825,000**	**2,856,280**	**0**	**2,856,280**	**2,884,843**	**2,913,691**	**2,942,828**
0600	Special Purpose Revenue Fund	2,740	0	0	0	0	0	0	0	0	0
0603	SSI Payback	2,669,697	2,525,000	0	2,525,000	2,550,250	0	2,550,250	2,575,753	2,601,510	2,627,525
0613	Food Stamps Collection - Fraud	0	300,000	0	300,000	306,030	0	306,030	309,090	312,181	315,303
Department on Disability Services (JM0)		**712,882**	**5,700,000**	**0**	**5,700,000**	**5,800,000**	**0**	**5,800,000**	**5,850,000**	**5,850,000**	**5,850,000**
0610	Vocational Rehab Service Reimbursement	370	200,000	0	200,000	200,000	0	200,000	250,000	250,000	250,000
0611	Cost of Care - Non-Medicaid Clients	0	2,000,000	0	2,000,000	2,100,000	0	2,100,000	2,100,000	2,100,000	2,100,000
0616	Randolph Shepherd Unassigned Facilities	712,512	3,500,000	0	3,500,000	3,500,000	0	3,500,000	3,500,000	3,500,000	3,500,000
Child and Family Services Agency (RL0)		**0**	**1,337,500**	**0**	**1,337,500**	**750,000**	**0**	**750,000**	**750,000**	**750,000**	**750,000**
0601	H.U.M.N. - Human Res. - ES	0	750,000	0	750,000	750,000	0	750,000	750,000	750,000	750,000
0602	DCHA New Communities - Human Capital Activities	0	587,500	0	587,500	0	0	0	0	0	0
Department of Mental Health (RM0)		**0**	**3,808,120**	**0**	**3,808,120**	**3,808,120**	**0**	**3,808,120**	**3,608,120**	**3,608,120**	**3,608,120**
0610	DMH Federal Beneficiary Reimbursement	0	2,268,000	0	2,268,000	2,268,000	0	2,268,000	2,268,000	2,268,000	2,268,000
0640	DMH Medicare and Third Party Reimbursement	0	1,540,120	0	1,540,120	1,540,120	0	1,540,120	1,340,120	1,340,120	1,340,120
Sub-total: Human Support Services		**38,490,021**	**31,281,676**	**5,155,132**	**36,436,808**	**31,028,920**	**1,718,426**	**32,747,346**	**31,191,182**	**31,541,505**	**31,899,053**

Table 4-41 Special Purpose (O-type) Revenue Funds, by Source (continued)

		FY 2007 End of Year Fund Balance	FY 2008 Certified Revenues 5/08 Cert.	FY 2008 Certified Fund Balance Use 5/08 Cert.	FY 2008 Certified Resources 5/08 Cert.	FY 2009 Certified Revenues 5/08 Cert.	FY 2009 Certified Fund Balance Use 5/08 Cert.	FY 2009 Certified Resources 5/08 Cert.	FY 2010 Certified Revenues 5/08 Cert.	FY 2011 Certified Revenues 5/08 Cert.	FY 2012 Certified Revenues 5/08 Cert.
F. Public Works											
District Department of Transportation (KA0)		**9,283,023**	**115,773,990**	**150,000**	**115,923,990**	**101,882,452**	**10,150,000**	**112,032,452**	**102,514,869**	**103,516,661**	**103,951,265**
6000	General "O" Type Revenue Sources	0	84,000	0	84,000	20,000	0	20,000	20,000	20,000	20,000
6030	DC Circulator Bus System	0	1,135,000	0	1,135,000	1,700,000	0	1,700,000	1,700,000	1,700,000	1,700,000
6140	Tree Fund (est. DC Act 14-614)	307,923	150,000	150,000	300,000	150,000	150,000	300,000	150,000	150,000	150,000
6261	Reimbursable Street Repairs	0	34,232	0	34,232	0	0	0	0	0	0
6425	Federal Transit Authority Grant Match	0	72,000	0	72,000	72,000	0	72,000	72,000	72,000	72,000
6452	Child Safety Seat Program	0	21,072	0	21,072	21,072	0	21,072	21,072	21,072	21,072
6462	Restoration of Public Space Projects	0	165,000	0	165,000	27,728	0	27,728	27,728	27,728	27,728
6551	Wilson Bridge	0	64,200	0	64,200	0	0	0	0	0	0
6555	Mall Tunnel Lighting	0	282,552	0	282,552	282,552	0	282,552	282,552	282,552	282,552
6634	Citizen Streetlight & Traffic Control Project	0	55,000	0	55,000	45,000	0	45,000	45,000	45,000	45,000
6900	DDOT Unified Fund	8,972,277	113,710,934	0	113,710,934	99,564,100	10,000,000	109,564,100	100,196,517	101,198,309	101,632,913
6967	Abandoned Vehicle Program	2,823	0	0	0	0	0	0	0	0	0
District Department of the Environment (KG0)		**24,938,313**	**23,651,300**	**4,389,321**	**28,040,621**	**23,706,354**	**11,285,905**	**34,992,259**	**24,124,914**	**24,740,659**	**25,374,876**
0600	General Enforcement Fines and Fees	10,500	15,000	0	15,000	25,000	0	25,000	25,750	26,523	27,319
0602	Air Quality Construction Permits	201,543	197,760	0	197,760	88,853	116,476	205,329	91,519	94,264	97,092
0603	Fishing License	208,091	70,857	0	70,857	70,857	0	70,857	72,983	75,172	77,427
0604	Oil Spill Fee	19,200	0	0	0	0	0	0	0	0	0
0607	Underground Storage Tank Fines and Fees	1,218,645	404,223	0	404,223	416,349	0	416,349	428,840	441,705	454,956
0609	LUST Trust Fund	109,321	0	14,321	14,321	0	40,000	40,000	0	0	0
0611	Radioactive Waste Fees	0	15,000	0	15,000	0	0	0	0	0	0
0633	Radiation Protection	0	46,078	0	46,078	0	0	0	0	0	0
0634	Soil Erosion/Sediment Control	2,761,457	845,000	0	845,000	850,000	0	850,000	875,500	901,765	928,818
0645	Pesticide Product Registration	2,520,498	830,000	0	830,000	866,927	0	886,927	885,612	912,180	939,545
0646	Storm Water Fees	67,434	25,000	0	25,000	25,750	0	25,750	26,523	27,318	28,135
0648	Asbestos Certification and Abatement Fee	72,905	180,000	0	180,000	203,450	0	203,450	209,554	215,840	222,315
0654	Storm Water Permit Review	7,673,080	3,600,000	3,900,000	7,500,000	3,600,000	7,673,080	11,273,080	3,600,000	3,600,000	3,600,000
0661	RETF - PEPCO	5,114,390	15,000,000	0	15,000,000	15,000,000	0	15,000,000	15,450,000	15,913,500	16,390,905
0662	Renewable Energy Development Fund	0	100,000	0	100,000	100,000	0	100,000	0	0	0
0663	Brownfield Revitalization	90,027	20,000	0	20,000	25,000	0	25,000	25,750	26,523	27,318
0664	Adjudication Hearings (Air Quality)	60,365	31,064	0	31,064	25,000	0	25,000	25,750	26,523	27,318
0665	Adjudication Hearings (Water Quality)	293,422	66,286	0	66,286	66,286	0	66,286	68,275	70,323	72,433
0666	Wells Fund	2,000	2,500	0	2,500	5,000	0	5,000	5,000	5,150	5,305
0669	Lead Based Certification Fees	240,140	181,121	0	181,121	162,000	19,000	181,000	166,860	171,866	177,022
0674	Hazardous Generator Fees	186,335	77,635	0	77,635	112,000	25,027	137,027	115,360	118,821	122,385
6101	Stripperwell	148,702	0	75,000	75,000	0	77,000	77,000	0	0	0
6201	Economy II	76,278	48,001	0	48,001	34,500	24,500	59,000	35,535	36,601	37,699
6202	Residential Aid Discount (RAD)	115,633	60,126	0	60,126	61,930	0	61,930	63,788	65,701	67,672
6203	Residential Essential Services (RES)	99,971	50,126	0	50,126	53,178	10,822	64,000	54,773	56,417	58,109
6204	WASA Utility Discount Program	119,638	70,523	0	70,523	76,274	0	76,274	78,562	80,919	83,346
6300	Natural Gas Trust Fund (NGTF)	3,413,841	1,600,000	400,000	2,000,000	1,700,000	3,300,000	5,000,000	1,697,440	1,748,363	1,800,814
6400	DC Municipal Aggregation Program	114,895	115,000	0	115,000	118,000	0	118,000	121,540	125,186	128,942

Table 4-41 Special Purpose (O-type) Revenue Funds, by Source (continued)

		FY 2007 End of Year Fund Balance	FY 2008 Certified Revenues 5/08 Cert.	FY 2008 Certified Fund Balance Use 5/08 Cert.	FY 2008 Certified Resources 5/08 Cert.	FY 2009 Certified Revenues 5/08 Cert.	FY 2009 Certified Fund Balance Use 5/08 Cert.	FY 2009 Certified Resources 5/08 Cert.	FY 2010 Certified Revenues 5/08 Cert.	FY 2011 Certified Revenues 5/08 Cert.	FY 2012 Certified Revenues 5/08 Cert.
F. Public Works (continued)											
Department of Public Works (KT0)		**2,684,954**	**10,441,000**	**80,000**	**10,521,000**	**13,394,650**	**220,000**	**13,614,650**	**13,394,650**	**13,394,650**	**13,394,650**
6000	General "O" Type Revenue Sources	0	778,000	0	778,000	3,409,224	0	3,409,224	3,409,224	3,409,224	3,409,224
6010	Super Can Program	0	24,000	0	24,000	24,000	0	24,000	24,000	24,000	24,000
6072	District Recycle Program	791,164	1,100,000	0	1,100,000	1,037,504	0	1,037,504	1,037,504	1,037,504	1,037,504
6082	Solid Waste Disposal Fee Fund	851,702	7,197,000	0	7,197,000	7,860,579	0	7,860,579	7,860,579	7,860,579	7,860,579
6564	Lorton Landfill	0	47,000	0	47,000	58,343	0	58,343	58,343	58,343	58,343
6591	Clean City Fund	404,153	1,295,000	80,000	1,375,000	1,005,000	220,000	1,225,000	1,005,000	1,005,000	1,005,000
6967	Abandoned Vehicle Program	637,934	0	0	0	0	0	0	0	0	0
Department of Motor Vehicles (KV0)		**8,792,405**	**8,628,710**	**2,849,573**	**11,478,283**	**9,101,800**	**4,870,427**	**13,972,227**	**9,101,800**	**9,101,800**	**9,101,800**
6000	General "O" Type Revenue Sources	6,285,010	2,786,500	2,724,573	5,511,073	3,473,000	3,275,427	6,748,427	3,473,000	3,473,000	3,473,000
6100	Fee for Out-of-State Vehicle Registration	0	378,800	0	378,800	378,800	0	378,800	378,800	378,800	378,800
6221	Drivers Education Program	991,564	475,000	125,000	600,000	475,000	125,000	600,000	475,000	475,000	475,000
6258	Motor Vehicle Inspection Station	1,515,830	4,723,410	0	4,723,410	4,500,000	1,470,000	5,970,000	4,500,000	4,500,000	4,500,000
6785	Commercial Drivers License Prograrr	0	265,000	0	265,000	275,000	0	275,000	275,000	275,000	275,000
D.C. Taxicab Commission (TC0)		**327,305**	**376,500**	**73,235**	**449,735**	**486,500**	**136,511**	**623,011**	**420,000**	**425,000**	**430,000**
2100	Justice Department Fingerprints	0	40,000	0	40,000	40,000	0	40,000	40,000	40,000	40,000
2200	Taxicab Assessment Act	327,305	336,500	73,235	409,735	446,500	136,511	583,011	380,000	385,000	390,000
Sub-total: Public Works		**46,026,000**	**158,871,500**	**7,542,129**	**166,413,629**	**148,571,756**	**26,662,843**	**175,234,599**	**149,556,233**	**151,178,770**	**152,252,591**
District-Wide Total		**250,402,263**	**450,807,247**	**70,959,341**	**521,766,589**	**453,612,192**	**79,347,736**	**532,959,928**	**449,367,989**	**441,705,691**	**447,474,681**

Tax Expenditure Budget FY 2008–2011

Introduction: Scope and Purpose

Scope as Mandated by the D.C. Code

D.C. Code §47-318.01(b) mandates the District of Columbia to routinely and regularly include in its Budget a listing and cost estimate of "tax expenditures" – erosions to the District of Columbia's revenue base that, in effect, function as spending programs channeled through the revenue system:[1]

> … the Chief Financial Officer (CFO) shall prepare, on a biennial basis, and the Mayor shall include in the budget submission to the Council, a tax expenditure budget that estimates the revenue loss to the District government from each tax expenditure for the current fiscal year and the next 2 fiscal years.

The Act further defines tax expenditures as "the revenue losses attributable to provisions of federal law and the laws of the District of Columbia (D.C.) that allow, in whole or in part, a special exclusion, exemption, or deduction from taxes authorized" in Title 47 of the District of Columbia Official Code, or "which provide a special credit, a preferential rate of tax, or a deferral of tax liability."

Tax expenditures may take any of the following forms:[2]

- exclusions, exemptions, and deductions, which reduce taxable income;
- preferential tax rate, which apply lower rates to all or part of a taxpayer's income;
- credits, which are subtracted from taxes as ordinarily computed;
- deferrals of tax, which result from delayed recognition of income or from allowing in the current year deductions that are properly attributable to a future year; and
- erosions to the D.C. income and franchise tax base that arise from federal income tax provisions that are incorporated into D.C. law by references to federal law.

Purpose of the Tax Expenditure Exercise

The tax expenditure exercise addresses three issues of importance to understanding the District of Columbia government's use of taxpayer money:

- **Comprehensiveness of the Citizens' Budget.** The listing of tax expenditures, taken in conjunction with the listing of direct spending programs, is intended to inform fiscal policymakers and practitioners to scrutinize all D.C. programs—tax and non-tax—of the District of Columbia Budget. Only when tax expenditures are examined along with the direct-spending side of the budget can one fully understand the structure of District of Columbia fiscal policy.
- **Fiscal transparency.** Transparency and political accountability require that each tax expenditure faces the same annual scrutiny that is accorded other types of expenditures; however, in practice, they receive little systematic review. As a result, tax expenditures function as open-ended spending entitlements. Moreover, in a manner similar to explicit tax and spending items that are listed in the main text of this budget, tax expenditures have implications for the distribution of benefits across income classes. This, in turn, raises the question of whether they provide a less (or more) efficient means of targeting

1 For a summary of purpose and scope of a tax expenditure budget, see Jane G. Gravelle, "Tax Expenditures," in Cordes, Joseph J, Robert D. Ebel and Jane G. Gravelle, eds., *The Encyclopedia of Taxation and Tax Policy* (Washington, D C: Urban Institute Press, 2005), pp. 406-408.

2 *Ibid.*

benefits than would a direct expenditure program.[3]

- **Options for Revenue Base Broadening.** And, finally, a tax expenditure budget as presented here also identifies provisions that may be considered options for revenue base broadening (which, for an equal yield to total revenues, could lead to lower statutory rates on the existing D.C. revenue base).

Measurement

The estimates in this report are based on federal and D.C. tax data for tax year 2006 as well as U.S. Treasury estimates of federal tax expenditures for the 2009 to 2012 period.[4] Each of the estimated items is detailed in the accompanying table (Table 4-42). It is the item-by-item view that is of particular interest in a reading of this Appendix, since the sum of tax expenditure estimates does not necessarily reflect the amount of actual revenue that would be gained through the repeal of specific provisions in the tax law. This is due to three assumptions made to ease the task of estimation, which are consistent with those made at the by the federal government as well as by other states.

- **Assumption 1: The elimination of a tax expenditure does not alter economic behavior.** Many tax provisions are designed to provide incentives for economic agents to behave in a certain manner. Eliminating these provisions will almost certainly alter their behavior as well.
- **Assumption 2: Each tax expenditure is independent.** Repealing one tax provision may, in fact, increase or decrease the revenue losses caused by other provisions that are not eliminated.
- **Assumption 3: The elimination of tax expenditures does not affect overall macroeconomic conditions.** Repeal of major tax expenditures would likely have some impact on the economy, as they would affect the spending power of economic agents. However, marginal changes in particular provisions are unlikely to have a significant impact on overall income levels and rates of economic growth.

In other words, the reported estimate for each tax expenditure is an isolated estimate. Each estimate assumes implicitly that all other tax expenditures exist remain in effect and that all other factors remain constant.

Findings

A "Total" View

Recognizing the caveat noted above that if one were to eliminate all tax expenditures that the sum of the individual items would not accurately reflect the amount of revenue that would be gained through the repeal of specific provisions in the tax law, summing up the specific provisions nevertheless gives one a good sense of just how important such tax entitlements are with respect to the current D.C. budget. And that number is significant. In FY 2008, estimated D.C. tax expenditures resulting from federal and District preferences totaled more than $4.4 billion.[5] By comparison, the FY 2008 local funds expenditure budget totaled $5.6 billion, and general fund expenditures and transfers totaled $6.3 billion.[6]

Specific Provisions

The provisions of D.C. tax law identified as tax expenditures for this budget are detailed below (Table 4-42). They are grouped into eight major functional categories (sectors) of the D.C. budget, and then, under each such major category, the tax-spending on these programs is detailed by type of tax—viz., the taxes on income and franchise, real property tax, deed recordation and transfer, and sales.[7] To illustrate for the income and real property taxes:

Income/Franchise Tax Expenditures. Many of the income/franchise tax expenditures arise from federal income tax exclusions, deductions that are

[3] The distributional aspects are not examined here.

[4] "2009 Analytical Perspectives," *Budget of the United States Government: Fiscal Year 2009* (Washington, DC: Office of Budget and Management, 2008).

[5] This represents an arithmetic sum of all estimated tax expenditures rather than an accurate estimate of the total amount of revenue that would be gained by simultaneously repealing all tax preferences in the District of Columbia. Such an estimate would require consideration of all possible interactions that would affect the total revenue gain. It is not known if the sum of tax expenditure revenue losses overstates or understates the actual effect. However, a recent Urban Institute study of U.S. tax expenditures estimated the interaction-adjusted sum was only five percent higher than the arithmetic sum of all U.S. tax expenditures.

[6] *FY 2009 Proposed Budget and Financial Plan: Executive Summary* (Washington, DC: Executive Office of the Mayor, March 20, 2008). Table 3-1.

[7] For a detailed description of the District of Columbia Revenue System, refer to *D.C. Tax Facts*, 2008 (Washington, DC: Office Revenue Analysis/Office of the Chief Financial Officer), June 2008

incorporated into D.C. law by references to Federal law (in technical jargon, there is "conformity" to the federal IRS code). These are identified by "US" between the item number and the description. The remaining tax expenditures are explicitly provided for in the D.C. Code.

An example of how the interplay of the "US" factor became an issue in the preparation of the FY 2009 D.C. budget is provided by how the District of Columbia Council addressed a US tax provision called the Qualified Production Activity Income Deduction (QPAI), which is shown as item number 44 in the tax expenditure budget. The QPAI was enacted in 2004 as Section 199 of the federal Internal Revenue Code. It allows business taxpayers who fill out their Federal 1120s, for example, to deduct 6 percent (rising to 9 percent in 2010 and thereafter) of their qualified production activities income as a deduction in computing Adjusted Gross Income (AGI) for individuals and taxable income for corporations. Qualified business activities include manufacturing, food production, filmmaking, mineral and oil extraction, publishing, wholesale trade and construction.

District of Columbia law conforms in many respects with federal law with regard to deductible business expenses. The result of this pass-through to D.C. is that of a revenue loss of $3.38 million in 2008, rising in 2011 to a loss to the District of Columbia treasury of $6.28 million

Accordingly, the issue before the District of Columbia Council in April 2008 was whether the District of Columbia should "decouple" from Section 199 of the IRS Code. Such "decoupling", or disallowing the federal deduction in the calculation of taxable income, has the effect of preserving District tax revenues with little impact on the creation of District production activities or jobs, as corporations that claim the deduction are at least as likely to be claiming the deduction for out-of-District activities as those that take place within the District. Only six percent of jobs in the District of Columbia are in qualifying sectors, in contrast to nearly 19 percent in the U.S. as a whole. The Council's decision (with formal approval pending the approval of this Budget) has been to decouple beginning in tax year 2009.

Residential Real Property Tax. The real property tax serves as a common vehicle for tax expenditure spending. Chief among these is a series of provisions that provide tax relief to District homeowners. The property tax homestead deduction for taxpayers living in owner-occupied homes (item 12), the property tax senior citizen exemption (item 13), the property tax limit on annual residential real property tax increases (item 14), and the property tax low-income exemption (item 88) are all examples of District-levied tax breaks given to promote homeownership and keep tax burdens on owner-occupied housing affordable. The estimated forgone revenue from these tax expenditures total $114.42 million in 2008, rising to $126.21 million in 2011.

Tax Expenditure Budget Numbers

The table that follows identifies 150 separate tax expenditure items. For some items, separate estimates of the revenue losses could not be made. Approximately half the listed tax expenditure items are reductions in D.C. income/franchise tax revenue that result from federal preferences that "flow through" to D.C. tax returns.

Table 4-42

District of Columbia Tax Expenditure Estimates for Fiscal Years 2008-2011 by Objective Category and Type of Tax

($ thousands)

	Tax Expenditure	FY 2008	FY 2009	FY 2010	FY 2011
	Housing				
	Income/Franchise Tax				
	exclusion of interest on state and local "private activity" bonds issued to support:				
1 US	rental housing	933	952	983	1,015
2 US	owner-occupied housing mortgage subsidy	226	234	241	249
3 US	veterans' housing	42	42	42	42
4 US	exclusion of capital gains income on sale of principal residence	22,709	23,850	25,038	26,289
5 US	accelerated depreciation on rental housing	10,206	11,138	12,050	13,813
6 US	deferral of income from post 1987 installment sales	866	880	963	1,052
7 US	itemized deduction for mortgage interest on owner-occupied dwellings	72,345	76,940	86,866	105,644
8 US	itemized deduction for state and local property tax on owner-occupied dwellings	13,534	13,766	14,153	24,421
9 DC	credit for rehabilitation of a dwelling in a Historic Preservation District	1,250	1,250	1,250	1,250
10 DC	credit for certain low income homeowners for increase in real property tax	1,400	1,400	1,400	1,400
11 DC	credits and deductions for employer-assisted home purchases	3,690	3,690	3,690	3,690
	Real Property Tax				
12 DC	homestead exemption	33,711	34,754	35,797	36,839
13 DC	senior citizen exemption	20,060	20,263	20,466	20,668
14 DC	assessment-increase cap	50,981	53,664	56,347	59,030
	Education				
	Income/Franchise Tax				
	exclusion of interest on state and local "private activity" bonds issued to support:				
16 US	student-loans	637	661	677	702
17 US	private nonprofit educational facilities	1,979	2,042	2,093	2,168
18 US	exclusion of:				
19 US	interest on savings bonds redeemed to finance educational expenses	24	24	24	24
20 US	scholarship and fellowship income	2,181	2,281	2,392	2,504
21 US	employer-provided educational assistance	461	482	510	28
22 US	deferral for contributions to:				
23 US	state prepaid tuition plans	1,726	2,141	2,656	3,353
24 US	education Individual Retirement Accounts	54	90	107	125
25 US	deduction for student-loan interest	1,185	1,185	1,185	1,185
26 US	parental personal exemption for students age 19 or over	3,067	2,872	2,790	4,552
27 US	itemized deduction for charitable contributions to educational entities	3,674	3,967	4,268	4,599
28 DC	529 college saving program	620	620	620	620
	Real Property Tax				
29 DC	exemptions for property of educational institutions	71,560	75,854	80,405	85,229
	Deed Recordation and Transfer Taxes				
31 DC	for property purchased by educational institutions	390	410	440	470
	Health and Healthcare				
	Income/Franchise Tax				
32 US	exclusion of interest on state and local "private activity" bonds issued to support hospital construction	4,063	4,185	4,300	4,422
33 US	exclusion of employer contributions for medical insurance premiums and medical care	168,918	187,444	206,127	233,788
34 US	deduction for medical insurance premiums of self-employed	1,767	1,952	2,382	3,354
35 US	deduction for contributions to medical Savings Accounts	3	4	4	4
36 US	itemized deduction for charitable contributions to health related entities	5,511	5,976	6,429	6,950
37 US	itemized deduction for medical expenses	16,777	19,628	22,546	30,338
	Insurance Premium Tax				
38 DC	exemption for health insurance companies that provide subsidized open enrollment coverage	6,160	7,580	9,310	11,450
	Real Property Tax				
39 DC	exemption for hospitals	9,466	14,010	14,830	15,690

Table 4-42

District of Columbia Tax Expenditure Estimates for Fiscal Years 2008-2011 by Objective Category and Type of Tax (continued)

($ thousands)

	Tax Expenditure	FY 2008	FY 2009	FY 2010	FY 2011
	Economic Development				
	Income/Franchise Tax				
	exclusion of interest on state and local "private activity" bonds issued to support:				
40 US	energy facilities	17	17	17	17
41 US	airport, dock, and similar facilities	811	838	864	891
42 US	accelerated depreciation of buildings other than rental housing	-3,985	-3,743	-3,490	-3,576
43 US	accelerated depreciation of machinery and equipment	29,323	36,448	40,722	43,333
44 US	deduction of qualified business activity income	3,382	3,698	5,092	6,279
45 US	deduction of loss from sale of small business corporation stock	25,228	25,825	26,668	27,723
46 US	exception from passive loss rules for $25,000 of rental real estate loss	8,087	8,480	8,787	9,190
47 US	excess bad debt reserves of financial institutions	8	8	8	0
48 US	incentives for businesses in empowerment zones, enterprise communities, and renewal communities	1,409	1,602	1,081	446
49 DC	D.C. economic development zone credits	260	240	240	240
	Real Property Tax				
50 DC	exemption for properties owned by D.C. Redevelopment Authority	7,860	7,880	7,890	7,900
52 DC	exemption for properties of the Washington Metropolitan Transportation Authority	9,410	9,540	9,680	9,820
	Sales Tax (included in Sales Tax under other purposes)				
53 DC	exclusion of energy products used in manufacturing				
54 DC	exclusion of materials used in war memorials				
55 DC	exclusion of materials used in supermarkets				
	Various Taxes				
56 DC	incentives for qualified high technology companies	900	900	900	900
	Income Security and Social Services				
	Income/Franchise Tax				
	exclusion of:				
57 US	interest on life insurance savings	15,108	16,255	17,428	19,079
58 US	certain foster care payments	352	352	352	352
59 US	workers' compensation benefits	6,487	6,587	6,687	6,799
60 US	special benefits for disabled coal miners	0	0	0	0
61 US	public assistance benefits	426	444	461	478
62 US	railroad retirement system benefits	734	734	715	715
63 US	Social Security benefits for retired workers	32,744	33,028	34,941	36,784
64 US	Social Security benefits for disabled	9,816	10,295	10,897	11,677
65 US	Social Security benefits for dependents and survivors	5,883	5,741	5,918	6,024
66 US	veterans' pensions	148	148	148	156
67 US	GI Bill education benefits	229	229	238	246
68 US	assistance for adopted foster children	756	804	845	886
69 US	military disability pensions	247	255	263	271
70 US	income of trusts to finance supplementary unemployment benefits	33	33	45	45
71 US	veterans' death benefits and disability compensation	3,172	3,237	3,393	3,672
72 US	employer contributions for premiums on group term life insurance	1,730	1,794	1,826	1,913
73 US	employer contributions for premiums on accident and disability insurance	247	255	263	271
74 US	employer provided child care	1,491	1,558	1,636	1,647
75 US	employer sponsored adoption assistance	24	24	24	24
76 US	employer contributions to Employer pension plans	51,317	50,817	49,370	47,200
77 US	contributions to Keogh plans	9,410	10,194	10,978	12,546
78 US	employee contributions to Individual Retirement Accounts	6,504	7,046	7,347	8,070

Table 4-42

District of Columbia Tax Expenditure Estimates for Fiscal Years 2008-2011 by Objective Category and Type of Tax (continued)

($ thousands)

	Tax Expenditure	FY 2008	FY 2009	FY 2010	FY 2011
	Income Security and Social Services (Continued)				
79 US	itemized deduction for casualty losses	112	118	125	136
80 DC	exclusion of up to $3000 of federal and D.C. pension income	8,710	8,710	8,710	8,710
81 DC	child and dependent care credit (32 percent of federal credit) *	3,556	3,556	3,556	3,556
82 DC	D.C. earned income credit (35 percent of federal credit) *	31,268	31,268	31,268	31,268
83 DC	exclusion of Social Security income included on Federal return	13,289	13,289	13,289	13,289
84 DC	additional exemption for blind	75	75	75	75
85 DC	additional exemption for elderly	3,989	3,989	3,989	3,989
86 DC	low-income credit	1,193	1,193	1,193	1,193
87 DC	credit for property tax	4,043	4,043	4,043	4,043
	Real Property Tax				
88 DC	low income exemption	9,670	9,670	9,670	9,670
91 DC	exemption for properties of charitable organizations	12,020	12,580	13,160	13,760
	Sales Tax (estimates included under other objectives)				
92 DC	groceries				
93 DC	medicines, drugs, medical devices				
94 DC	sales by 501(c)(4) organizations				
95 DC	sale of food at cost by non-profit organizations				
96 DC	sale of food and beverages by senior centers to residents				
97 DC	sale of food purchased with food stamps				
	Deed Recordation and Transfer Taxes				
98 DC	exemption of property purchased by qualifying lower income household	2,290	2,450	2,620	2,810
99 DC	exemption of property purchased by charitable entities	190	200	200	200
	Cultural Enrichment				
	Income/Franchise Tax				
100 DC	exclusion of parsonage allowances	428	451	475	498
101 DC	deduction for charitable contributions, other than education and health	57,103	61,924	66,690	72,110
	Real Property Tax				
102 DC	exemption for libraries	300	320	350	370
103 DC	exemption for churches, synagogues, and mosques	33,820	34,870	35,950	37,060
104 DC	exemption for cemeteries	3,590	3,710	3,820	3,940
	Deed Recordation and Transfer Taxes				
105 DC	exemption for property purchased by churches synagogues, and mosques	90	90	100	100
	Public Safety				
	Income/Franchise Tax				
106 DC	police officer first-time homebuyer income tax credit	50	50	50	50
	Real Property Tax				
107 DC	five-year police officer first-time homebuyer credit	90	90	90	90
	Environmental Protection				
	Income/Franchise Tax				
108 US	exclusion of interest on state and local "private activity" bonds issued to support water, sewage, and hazardous waste facilities	489	512	527	541
109 US	exclusion of conservation subsidies provided by public utilities	88	88	81	81
110 US	expensing of environmental remediation costs	102	-32	-15	-15
111 US	deduction for part of cost of clean-fuel burning vehicles	0	-11	-11	-15
	Real Property Tax				
112 DC	condominium trash credit	1,870	1,920	1,970	2,010

Table 4-42

District of Columbia Tax Expenditure Estimates for Fiscal Years 2008-2011 by Objective Category and Type of Tax (continued)

($ thousands)

	Tax Expenditure	FY 2008	FY 2009	FY 2010	FY 2011
	Other Objectives				
	Income/Franchise Tax				
	exclusion of :				
113 US	interest on public purpose State and local bonds	8,825	9,091	9,361	9,642
114 US	benefits, allowances, and certain pay to armed forces personnel	3,728	3,872	4,028	4,206
115 US	income earned abroad by U.S. citizens	2,497	2,612	2,754	2,906
116 US	certain allowances for Federal employees abroad	36,810	38,748	40,685	42,623
117 US	step-up basis of capital gains at death	49,727	50,904	52,566	54,644
118 US	employer paid meals and lodging (other than military)	3,067	2,872	2,790	4,552
119 US	cancellation of indebtedness	86	58	38	29
120 US	reimbursed employee parking expenses	3,282	3,416	3,561	3,683
121 US	employer-provided transit passes	490	523	556	579
122 US	inventory property sales source rules exception	1,266	1,387	1,538	1,681
123 US	credit union income	1,040	1,093	1,153	1,214
	expensing of:				
124 US	research and experimentation expenditures	3,483	3,686	3,302	3,181
125 US	exploration and development costs, fuels	332	302	256	204
126 US	multi-period timber growing costs	142	150	150	158
127 US	exploration and development costs, nonfuel minerals	8	8	8	8
128 US	certain agricultural capital outlays	6	6	6	6
	deferral of tax on				
129 US	interest on U.S. savings bonds	1,120	1,130	1,140	1,160
130 US	income from controlled foreign corporations	8,413	9,001	9,627	10,290
131 US	gain on sale of farm refiners	15	15	15	15
132 US	percentage depletion, fuels	490	500	480	470
133 US	depletion, nonfuel minerals	210	220	230	230
134 US	itemized deduction for state and local taxes paid, other than real estate and income taxes	800	710	730	740
135 US	exception from passive loss rules for working interest in oil and gas wells	20	20	20	20
136 US	D.C. exclusion of interest on U.S. obligations or securities	1,276	1,286	1,296	1,344
	Real Property Tax				
137 DC	exemption for embassies, chanceries, and associated properties of foreign governments	39,340	41,960	44,760	47,740
138 DC	properties exempt by act of Congress; or multi-purpose exemptions	86,220	97,510	110,290	124,730
139 DC	exemption for property of the Federal Government	508,820	516,210	523,720	531,330
140 DC	Low-income property tax deferral	2,000	2,300	2,100	1,900
	Sales Tax				
	exemption of sales:	2,351,694	2,351,694	2,351,694	2,351,694
141 DC	to the Federal Government				
142 DC	to state and local governments				
143 DC	to semi-public institutions				
144 DC	to public utility companies				
145 DC	other exemptions (listed in categories above)				
146 DC	exemption of sales of professional and personal services	309,750	334,470	357,090	377,620
	Deed Recordation and Transfer Taxes				
	exemption of transfers:				
147 DC	of properties purchased by foreign governments for embassies and related uses	170	180	190	200
148 DC	of properties purchased by entities established by acts of Congress	310	320	340	370
149 DC	of properties purchased by miscellaneous exempt entities	60	60	70	70
150 DC	Low-income property tax deferral	2,000	2,300	2,100	1,900

Notes:

"US" signifies an item that "flows through" to the DC income tax from the federal income tax rules.

"DC" signifies an item that arises directly from provisions of the DC Code.

* indicates items that are directly provided for in the DC Code as specified fractions of corresponding federal tax amounts.