Government of the
District of Columbia

Natwar M. Gandhi
Chief Financial Officer

Tax Rates and Tax Burdens
Washington Metropolitan Area

Including: Washington, DC	**Maryland**	**Virginia**
	Charles Co.	Alexandria
	Montgomery Co.	Arlington Co.
	Prince George's Co.	Fairfax City
		Fairfax Co.
		Falls Church
		Loudoun Co.
		Prince William Co.

2006

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Executive Summary

This study is organized in two parts: Part I presents detailed calculations on the household initial "tax burden" for Washington, DC and five inner suburban neighboring taxing jurisdictions. Part II provides the Washington, D.C. Metropolitan Area comparison of statutory tax rates for Washington and the entire metro-area (DC/MD/VA) county and city tax jurisdictions. While both Part I and II provide important information of "how the District of Columbia (DC) compares," there is great danger in drawing policy conclusions from nominal tax rates, which fail to take into account a wide array of adjustments to the tax base that are made in the form of exclusions, exemptions, deductions, targeted tax credits, and, of special relevance to the District of Columbia, federal preemptions.

Part I: Tax Burden Comparisons

Because of the misleading nature of statutory tax rate comparisons, this *Executive Summary* focuses largely on the question of "how DC compares" among five neighboring suburban jurisdictions when one calculates taxes paid by hypothetical family (household) of three in six Washington area jurisdictions: Washington, D.C., the Maryland counties of Montgomery and Prince Georges, the Virginia counties of Arlington and Fairfax, and the city of Alexandria, Virginia. The task has been to determine the tax payments that the same household of three would pay in each of the six jurisdictions. These taxes are computed at five different gross household levels for a family of three: $25,000, $50,000, $75,000, $100,000 and $150,000. When one then divides the calculated taxes paid for each household income level, the ratio of [taxes/income] becomes a reliable comparison of household "tax burden" across the metro-area.

Note that the methodology for computing tax burdens explicitly takes into account state *and* local taxes so that one can reliably compare DC, which carries the combined tax and expenditure responsibilities of a of state, municipal, county, and special district government, to its neighboring state/local governments. Further note that the fact that, unlike its neighbors, DC does carry the multiple roles of state plus local government is yet another reason why intergovernmental comparisons of statutory tax rates can be quite misleading

<u>Total Household Tax Burdens</u>

Tax burdens are calculated for four taxes that account for 76 percent of total non-earmarked tax revenue: individual income, real property, sales, and automotive taxes. The data is for calendar year 2006, which is the latest year for which audited data is available for all six jurisdictions. To summarize:

- The highest overall tax burden at the <u>$25,000 income level</u> is found in Washington, D.C. The District's tax burden of $3,088 per household is $567 greater than the lowest tax burden of $2,521 in Prince George's County, and $319 above the $2,769 average burden for the metropolitan area.

- At <u>$50,000,</u> the District of Columbia household pays $4,052 in taxes, which, for this income level, gives it the lowest tax burden among the jurisdictions studies.

For the next three household income levels ($75,000, $100,000, and $150,000), DC is just below the middle with a rank of 3rd among its five neighbors.

By Type of Tax

The difference between the District and the Maryland suburbs is primarily driven by property taxes, which are lower in the District across all income groups. The difference between the District and the Virginia suburbs is primarily driven by the income tax, which is higher in the District across all income groups.

Individual Income Tax. The District's individual income tax burden exceeds the metropolitan average at every income level, and the burden ranges from 2.0 percent ($510) at the $25,000 income level to 6.1 percent ($9,224) at the $150,000 income level (see Table 2). Note that the District's top rate decreased to 8.7 percent as of January 1, 2006 and 8.5 percent, effective January 1, 2007.

Real Property Tax. The real property tax burdens for District of Columbia residents fall below the area-wide averages for homeowners at all income levels. For homeowners the tax burden ranges from 3.4 percent ($1,704) at the $50,000 income level to 2.5 percent ($3,751) at the $150,000 income level. For the District, in 2006 the effective rate of $0.92 is applied to the assessed market value of a home less a $60,000 homestead deduction. Note that, as of tax year 2007, the tax rate decreased to $0.88; and for tax year 2008, to $0.85.

Sales and Use Tax. The District's burden is higher than the metropolitan area average at all income levels. The general sales tax rate in the District of Columbia is 5.75 percent; however, because of the multiple rate system, the total tax burden is more than 6 percent of total taxable sales. The District's sales tax rates on restaurant meals, alcohol and commercial parking services are higher than the general rate.

Residential usage of utilities is not in the general sales and use tax base in the District and the state of Maryland. However, Montgomery and Prince Geroge's Counties do include use of utilities in the sales tax base. While Montgomery County's energy tax is levied upon the distributor, its cost is effectively borne by the customer. Prince George's County's rate is structured to approximate a 5 percent sales and use tax on energy consumption by the customer.

Maryland's and Virginia's (combined state and local) 5 percent general rate is the lowest in the area.

Automotive Taxes. The District of Columbia automotive tax burden is lower than the metropolitan area average at all income levels. Unlike Virginia localities, the District and Maryland jurisdictions do not levy a personal property tax on automobiles. The combined state and local registration fees in Virginia are comparable to the sole state rate in Maryland. The highest registration fee in the metropolitan area is imposed in the District of Columbia, ranging from $72 for a vehicle weight under 3,500 pounds to $155 for vehicles of 5,000 pounds or more.

The District's gasoline tax rate of 20 cents per gallon at the end of 2006 was the area's second highest. The highest area gasoline tax rate was in Maryland – 23.5 cents. The rate in the Northern Virginia localities is higher than the state gasoline tax rate of 17.5 cents per gallon because a special 2 percent sales tax on transportation is levied by all the Northern Virginia jurisdictions.

Final Comments

Bear in mind that the tax burdens are for a hypothetical family of three and that the calculations reflect one specific set of assumptions. The income levels and housing values used do not represent an "average" family within each locale. This study defines a specified set of conditions and computes corresponding tax burdens in the various jurisdictions. In evaluating or interpreting these comparisons, consideration should be given to circumstances specific to each county or city in the metropolitan area, which may affect tax burdens.

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

Part II. Statutory Tax Rates

Part II presents a comparison of tax rates for the District of Columbia and selected area jurisdictions effective as of January 1, 2007. Tax rates are the tax levied per unit of value. Examples include the amount of tax levied against each $100 of real property value or the percent of tax levied on each $1 of sales. The tax rates in the District of Columbia, as shown in Part II, rank higher than those in the states of Maryland and Virginia in seven tax categories (individual income, cigarette, corporate income, sales and use, motor vehicle excise, motor vehicle registration fees, and deed recordation and transfer taxes). However, some Maryland and Virginia area jurisdictions levy a county or city tax in addition to the state rate shown in the table.

Acknowledgments

Each year the Government of the District of Columbia, Office of the Chief Financial Officer, Office of Revenue Analysis (ORA/OCFO publishes *Tax Rates and Tax Burdens: Washington Metropolitan Area* as required by D.C. Code 47-817. Taxpayers and government officials in the District of Columbia have a significant interest in the relative tax position of the District compared to the surrounding jurisdictions. The author of this study is *Edward W. Wyatt*, Senior Economist and Tax Research Specialist, Office of Revenue Analysis.

The Office of Revenue Analysis acknowledges and sincerely appreciates the time, effort and courtesy of officials in the Washington metropolitan area who cooperated in providing information for this report. In order to properly compare tax rates and tax burdens, uniform and reliable data must be utilized. Officials from the area jurisdictions provide the data included in this report. Part I of this volume compares tax burdens for the 2006 tax year and Part II compares tax rates effective as of January 1, 2007. Additional detail on the District of Columbia's tax system can be found in a companion ORA/OCFO publication, *DC Tax Facts, 2007*.

Questions and/or comments relating to this publication should be addressed to Edward W. Wyatt, Office of Revenue Analysis, 441 4th Street, NW, Suite 410 South, Washington, D.C. 20001, or call (202) 727-7775.

Robert D. Ebel
Deputy Chief Financial Officer
Office of the Chief Financial Officer
Office of Revenue Analysis

Part I

A Comparison of Household Tax Burdens in Selected Washington Metropolitan Area Jurisdictions

2006

OVERVIEW

This study compares the state and local tax burdens on a hypothetical family of three in six major metropolitan Washington area jurisdictions: the District of Columbia; the Maryland counties of Montgomery and Prince George's; the Virginia counties of Arlington and Fairfax; and the City of Alexandria in Virginia. Each jurisdiction provides its own level of services and imposes various taxes to raise funds to pay for those services. The study does not attempt to compare the level of services provided by each jurisdiction.

The hypothetical family in this study consists of two wage-earning spouses and one school-age child. Families with annual gross income levels of $25,000, $50,000, $75,000, $100,000, and $150,000 for each jurisdiction are analyzed. The wage and salary split is assumed to be 70-30 between the two spouses. All other income is assumed to be split evenly. The family at each income level over $25,000 is assumed to own a single family home and to reside within the confines of the city or county. However, at the $25,000 income level, the study assumes that the household renter-occupies and not owner-occupies its housing unit, and owns one automobile. Families with annual income of $50,000 are presumed to own their home and one automobile; and families with annual incomes of $75,000, $100,000 and $150,000 are assumed to own their own home and two automobiles. This study compares the tax burden in each jurisdiction for the hypothetical family for four major tax categories: individual income tax, sales tax, real estate tax and the automobile-related taxes.

This study is not intended to measure the overall level of taxation in a jurisdiction; rather, it attempts to measure a hypothetical tax burden for a family given the assumptions noted. There is no single "best" way of measuring tax burdens. To estimate tax payments, the study makes critical assumptions about typical households, their sources of income and consumption patterns. Property tax liabilities are particularly difficult to measure accurately because of varying assessment practices, property characteristics and relief mechanisms. The methodology used to derive the estimated tax burden for each tax is presented in the section pertaining to that tax.

The individual income tax rates, exemptions and deductions in effect for calendar year 2006 in the District of Columbia, Maryland and Virginia are shown in Table 1 on page 5. Table 2, page 11, presents detailed data on state and local tax burdens for each type of tax by income level for each selected metropolitan area jurisdiction. The District's tax burden is compared with the average for the metropolitan area at each income level for the four tax categories, separately and combined in Table 3, page 12.

Factors used in the housing value assumptions and the assumed housing values by income level for each jurisdiction are shown in Table 4, page 13.

The assumptions used to derive the automobile tax burdens are contained in Table 5, page 14. Finally, selected state and local tax rates in the Washington metropolitan area for fiscal year 2006 - 2007 are outlined in Table 6, page 15.

The assumptions used in the calculation of each major tax type are indicated below.

- **Housing Values.** Housing values across income levels in the 2006 study are based on data from the U.S. Census Bureau's American Community Survey (ACS) and are adjusted by linear regression for the different income levels. In previous studies, housing values were derived from the Decennial Census and adjusted by a ratio for different income levels. The use of the ACS and regression is intended to provide an improved estimate of the housing values by income levels across the metropolitan area.

- **Mortgage Interest.** The mortgage interest amount (for use as an itemized deduction) in the 2006 study is derived by calculating an amortization schedule for the estimated home value for each income level in the metropolitan area. In previous studies, the mortgage interest amount did not vary by jurisdiction.

- **Renters versus Owners.** Unlike previous studies, the hypothetical family at the $25,000 income level in this year's study is assumed to rent, rather than own a home. Given the recent increase in real estate values in most area of the country, the assumption that families earning $25,000 per year rent is likely more realistic than the assumption that they own a home.

Individual Income Tax Burdens

The income tax burden of a hypothetical family is estimated using the actual income tax system in each jurisdiction and assumptions about the sources of income for families at different income levels. The features of the individual income tax systems used in the Washington, D.C. Metropolitan Area are presented in Table 1 (page 5).

The assumed components of income for the five different income levels in this study are as follows:

GROSS INCOME	SPOUSE	LONG-TERM WAGES AND SALARIES	INTEREST	CAPITAL GAINS 1/	2005 FEDERAL AGI
$25,000	Spouse 1	$17,220	$200	0	$25,000
	Spouse 2	7,380	200	0	
$50,000	Spouse 1	$33,194	$235	$1,055	$50,000
	Spouse 2	14,226	235	1,055	
$75,000	Spouse 1	$50,218	$330	$1,300	$75,000
	Spouse 2	21,522	330	1,300	
$100,000	Spouse 1	$67,060	$450	$1,650	$100,000
	Spouse 2	28,740	450	1,650	
$150,000	Spouse 1	$102,060	$400	$1,700	$150,000
	Spouse 2	43,740	400	1,700	

1/ Assumes a three-year holding period.

Because the Federal Earned Income Tax Credit (EITC) at the $25,000 income level in the District and Maryland will determine the state's EITC, it is necessary to compute the 2006 federal individual income tax. The District's EITC is 35 percent of the federal credit; Maryland's is 50 percent of the federal credit; and Virginia's credit is 20 percent of the federal credit. Interest and long-term capital gains were fully or partially taxable at the federal level at the time period used for this report.

Total itemized deductions, which were used in the federal tax computation, were assumed to be equal to the following, where the deductions for the $50,000 and above income levels have been adjusted from previous years to reflect Washington, D.C. Statistics of Income (SOI) income levels for tax year 2005.

The itemized deductions shown below are used in the calculation of the 2006 tax burdens. The deductible real and personal property taxes computed in the current year's metropolitan burden study is used for the 2006 property tax deduction. For the 2006 state and local individual income tax deduction, 2005 data were used as a proxy. These figures were used in computing the 2006 federal income tax burden.

ITEMIZED DEDUCTION ASSUMPTIONS

DEDUCTION	GROSS INCOME LEVEL				
	$25,000	**$50,000**	**$75,000**	**$100,000**	**$150,000**
Medical (Gross)	$4,801	$5,684	$7,236	$8,807	$11,887
Nondeductible Medical 1/	-1,875	-3,750	-5,625	-7,500	-11,250
Net Medical Deduction	2,926	1,934	1,611	1,307	637
Deductible Taxes	2/	2/	2/	2/	2/
Mortgage Interest	3/	3/	3/	3/	3/
Contribution Deduction	2,434	3,221	4,137	4,397	4,314
Gross Miscellaneous	1,658	3,192	3,388	3,587	4,345
Nondeductible 4/	-500	-1,000	-1,500	-2,000	-3,000
Net Miscellaneous Deduction	1,158	2,192	1,888	1,587	1,345
Other Miscellaneous Deduction	204	326	271	208	153
TOTAL DEDUCTIONS- WITHOUT TAXES AND MORTGAGE INTEREST	**$6,722**	**$ 7,673**	**$7,907**	**$7,499**	**$6,449**

1/ Nondeductible medical equals 7.5 percent of federal A.G.I. All or part of medical deductions may be allowed in some states.
2/ The tax deduction varies from city to city and is based on real and personal property taxes computed in the 2006 study and individual income taxes computed in the 2005 study.
3/ Mortgage interest is based on 5th year interest paid on a home purchased in 2000 at an interest rate of 6.0%.
4/ Nondeductible miscellaneous equals 2 percent of A.G.I.

TABLE 1
INDIVIDUAL INCOME TAX RATES
EXEMPTIONS AND DEDUCTIONS
CALENDAR YEAR 2006

PERSONAL EXEMPTIONS	(CREDITS)	TAXABLE INCOME	RATES
DISTRICT OF COLUMBIA			
Single	$1,500	$0 - $10,000	4.5%
Married Filing Separately	$1,500	$10,001 - $40,000	$ 450 + 7.0% of excess > $10,000
Married Filing Jointly	$3,000	Over $40,000	$2,550 + 8.7% of excess > $40,000
Head of Household	$3,000		
Dependent (additional)	$1,500		
Blind (additional)	$1,500		
Age 65 and over (additional)	$1,500		
Standard Deduction	1/		
MARYLAND 2/			
Single	$2,400	$0 - $1,000	2.0%
Married Filing Separately	$2,400	$1,001 - $2,000	$20 + 3.00% of excess > $1,000
Married Filing Jointly	$4,800	$2,001 - $3,000	$50 + 4.00% of excess > $2,000
Head of Household	$2,400	Over $3,000	$90 + 4.75% of excess > $3,000
Dependent (additional)	$2,400		
Blind (additional)	$1,000		
Age 65 and over (additional)	$1,000		
Standard Deduction	3/		
VIRGINIA			
Single	$ 900	$0 - $3,000	2.0%
Married Filing Separately	$ 900	$3,001 - $5,000	$ 60 + 3.00% of excess > $ 3,000
Married Filing Jointly	$1,800	$5,001 - $17,000	$120 + 5.00% of excess > $ 5,000
Head of Household	$ 900	Over $17,000	$720 + 5.75% of excess > $17,000
Dependent (additional)	$ 900		
Blind (additional)	$ 800		
Age 65 and over (additional)	$ 800		
Standard Deduction	4/		

1/ Married persons filing separately - $1,250; all others - $2,500.
2/ The Washington Metropolitan Area counties levy an income tax as a rate applied to taxable income. Charles County will use an income tax rate of 2.9%, Montgomery County at 3.2% and Prince George's County at 3.2%.
3/ 15% of AGI not to exceed $2,000 ($4,000 for joint and head of household returns and those filing as qualifying widow(er) with dependent child). The minimum is $1,500 for single, married filing combined separate returns, married filing separately and dependent taxpayers. All others are allowed a minimum of $3,000.
4/ Single - $3,000; married persons filing separately - $3,000; and married persons filing jointly or combined separate - $6,000.

Based upon these assumptions, the individual income tax is the major component of the overall area average tax burden. At the $25,000 income level, the metropolitan area average individual income tax burden represents 0.9 percent of family income; the percentage burden is 3.1 percent at $50,000; and increases to 4.1 percent at $75,000; 4.8 percent at $100,000; and 5.5 percent at $150,000. The District individual income tax burden exceeds the metropolitan average at every income level. The Maryland individual income tax burden exceeds the metropolitan average at every income level except at $25,000. The District's individual income tax burden ranges from 2.0 percent at the $25,000 income level to 6.1 percent at $150,000. For the Virginia area jurisdictions, the individual income tax burden is 1.1 percent at the $25,000 level, and 4.6 percent at the $150,000 income level. In Maryland, the burden is 0 percent at the $25,000 income level, and 6.4 percent at the $150,000 income level.

Except for the $25,000 income level, the Maryland individual income tax tends to be less progressive because the local tax rates are added to the state tax liability. Local tax rates range from 2.9 percent in Charles County, to 3.2 percent in Montgomery and Prince George's Counties. At the $25,000 income level, one-half of the federal earned income credit is deducted from state tax liability. In contrast, Virginia's maximum 5.75 percent tax rate is not reached until taxable income exceeds $17,000 and 20 percent of the federal earned income credit is deducted from Virginia's tax liability; and the District's maximum rate of 8.7 percent is not reached until the $40,000 taxable income level is exceeded. At the $25,000 income level, 35 percent of the federal earned income credit is deducted from the District's tax liability.

Real Property Tax Burdens

Real property tax burdens in the metropolitan area are a function of residential real estate values, the ratio of assessed value to market value and the tax rate. The District allows a homestead deduction from the value of residential property before the tax is calculated on owner-occupied properties, while the Maryland and Virginia jurisdictions do not allow any deductions.

The property tax values for each of the metropolitan jurisdictions, presented in Table 6, page 15, indicate a variety of ranges in these rates. This information is based upon data received from the various local government research agencies and/or local assessors. In addition to tax rate differences, data presented in Table 4, page 12, show assumed market value differences of a residence for purposes of this study at the different income levels. The $25,000 income level families are assumed to reside in a rental unit and the $50,000, $75,000, $100,000 and $150,000 income family is assumed to live in an owner-occupied house. Home values were based on 2004 American Community Survey (ACS) estimated data. The 2005 ACS data was not complete for use in this study.

As stated previously, the $25,000 income level family does not own a home or pay property tax, but only pays rent. The methodology used to figure the rent was computed in the same manner as the property values at the other income levels through the ACS. Because renters pay property tax indirectly through their rent, it was necessary to compute a percentage of said rent constituting property taxes. States with property tax circuit breaker programs estimate a "property tax rent equivalent" in order to calculate the amount that renters are paying in property taxes. While there is some variation in the assumption of rent constituting property taxes within different states, the median, mean and the mode are 20 percent. Thus, on average, states assume that about 20 percent of rent goes toward paying property taxes.

Real property tax burdens for District of Columbia residents fall below the area wide averages at all income levels. The real property tax burdens reflect differences among the metropolitan area jurisdictions in both real property tax rates and property tax relief provisions. The metropolitan area average burden for the real property tax is 3.8 percent of income at the $50,000 income level; 3.5 percent at the $75,000 level; 3.1 percent at the $100,000 level; and 2.6 percent at the $150,000 level (Table 3, page 12).

Multiplying the nominal real estate tax rate for each jurisdiction by its announced or statutorily prescribed assessment level derived the effective property tax rates. The effective property tax rate is then multiplied by the housing values to determine the real property tax due at each income level for each jurisdiction.

For the District of Columbia, the effective tax rate of $0.92 (will decrease to $0.88 in tax year 2007) is applied to the assessed market value of the home less $60,000. The $60,000 is the District's homestead deduction for owner-occupied housing. Beginning in tax year 2007, the homestead deduction will increase to $64,000. Therefore, the owner/occupant, with $50,000 in income would pay tax on $155,550 of value; $230,917 at the $75,000 income level; on $277,570 of value at the $100,000 income level; and on $368,775 at the $150,000 income level.

Because Virginia's property tax relief program is targeted toward the elderly (age 65 or older), and to persons permanently and totally disabled whose incomes do not exceed $72,000, no adjustments are made in the property tax burdens for the hypothetical family of three in the Virginia jurisdictions.

In calculating the real property tax burdens in the Maryland jurisdictions, the tax rate used is $1.138 per $100 of value in Charles County, $1.088 per $100 of value in Montgomery County and $1.072 per $100 of value in Prince George's County. These rates include the countywide rate, plus the state rate ($0.112 per $100 of value), and include special taxing district rates presented in Table 6 (page 15).

Sales Tax Burdens

The sales tax burdens differ among the jurisdictions because different items are included under the general sales tax. Sales tax rates for the metropolitan area for calendar year 2006 are presented below.

JURISDICTION	GENERAL RATE	GROCERIES	RESTAURANT MEALS	ALCOHOLIC BEVERAGES
DISTRICT OF COLUMBIA	5.75%	Exempt	10.0%	9%/10% 1/
MARYLAND	5.0%	Exempt	5.0%	5.0%
VIRGINIA	5.0%	2.5%	4.5%-8.5%	5.0%-7.5%

1/ 9 percent – liquor sold for off the premises consumption and 10 percent – liquor sold for consumption on the premises.

The estimated sales tax burdens for hypothetical households at each of the five income levels are reported in Table 2, page 11. These burdens are derived from data supplied by the District of Columbia, Maryland and Virginia. Tax officials in each area completed a survey detailing the taxable status and the applicable sales tax rate of a listing of expenditure items. These items represent average consumption expenditures as determined by the U.S. Department of Labor.

The general sales tax rate in the District of Columbia is 5.75 percent; however, because of the multiple rate system, the total tax burden is more than 6 percent of total taxable sales – the District's sales tax rates on restaurant meals, alcohol and commercial parking services are higher than the general rate. Also the sales tax rate for transient accommodations in the District is 14.5 percent.

Residential usage of utilities is not in the general sales and use tax base in the District and the State of Maryland. However, Montgomery and Prince George's Counties do tax the use of utilities. While Montgomery County's energy tax is levied upon the distributor, its cost is effectively borne by the customer. Prince George's County's rate is structured to approximate a 5 percent sales and use tax on energy consumption by the customer.

The District has the highest combination of sales tax rates in the area, with its 5.75 percent general rate and higher rates for alcoholic beverages, restaurant meals, parking and hotel rooms. The District, like Maryland, exempts all non-snack food purchased in grocery stores from the general sales tax. Maryland's and Virginia's (combined state and local rates) 5 percent general rate is the lowest in the area. Virginia does levy a 2.5 percent sales tax on all food purchased in grocery stores.

AUTOMOBILE TAX BURDENS

The taxes related to ownership of automobiles include the gasoline tax, motor vehicle registration fees, and, where applicable, personal property taxes. The assumptions used to calculate the automobile tax burdens are shown in Table 5, page 14.

Virginia area jurisdictions impose the highest tax burden on owners of automobiles at all income levels, except the $25,000 income level. This is due to the imposition of a personal property tax on automobiles. Virginia localities are the only area jurisdictions that levy a personal property tax on automobiles. The personal property tax rates for the six Virginia jurisdictions included in this study vary from $3.70 to $5.00 per $100 of value. Since 1999, the Commonwealth of Virginia has reimbursed all localities in Virginia for the vehicle portion of the Personal Property Tax as part of the Personal Property Tax Relief Act (PPTRA). From 2002 to 2005, the reimbursement amount was 70% of the first $20,000 of a vehicle's assessed tax bill. Beginning in 2006, Virginia began to reimburse localities a fixed amount based on the 2004 level of state reimbursement. For example, for Alexandria, this totals $23,600,000. Unless the General Assembly provides additional funding, that reimbursement is not expected to increase, and with no increases, it will cover a gradually decreasing portion of the tax on vehicles. For 2006, the reimbursement to Alexandria covered 69 percent of the tax bill. For Arlington County, it comprised 60 percent and for Fairfax County, the resident's tax bill is reduced by a percentage of 66.7 percent in calendar year 2006.

The basis for assessing the tax also differs among the Virginia area jurisdictions. Alexandria, Fairfax County and Prince William County use the trade-in value; the average loan value is used in Arlington and Loudoun Counties. For both methods, however, values are obtained from the January 2006 National Automobile Dealers Association Used Car Pricing Guide, Eastern Division.

At all of the income levels, except for the$150,000 income level, the lowest automobile tax burdens are found in the Maryland jurisdictions. As in the District, Maryland jurisdictions do not levy a personal property tax on automobiles, and unlike the Virginia localities, automobiles are not subject to annual local registration fees.

The combined state and local registration fees in Virginia are comparable to the sole state rate in Maryland. The highest registration fee in the metropolitan area is imposed in the District of Columbia. For tax year 2006, a vehicle weight of 3,500 pounds or less (Class I) the fee is $72; for vehicles weighing 3,501 pounds to 4,999 pounds (Class II), the District of Columbia imposes a fee of $115.00; for vehicles 5,000 pounds and over (Class III), the fee is $155.00; and for Class IV, clean fuel or electric vehicle, the fee is $36 (See Table 6, page 15).

The District of Columbia gasoline tax rate of 20 cents per gallon at the end of 2006 was the area's second highest. The highest area gasoline tax rate for 2006 was in Maryland, which was 23.5 cents per gallon. The rate in the Northern Virginia localities is higher than the state gasoline tax rate of 17.5 cents per gallon because a special 2 percent sales tax used for transportation is levied by all the Northern Virginia jurisdictions.

TABLE 2
MAJOR STATE AND LOCAL TAX BURDENS FOR A FAMILY OF THREE RESIDING IN SELECTED WASHINGTON METROPOLITAN AREA JURISDICTIONS
CALENDAR YEAR 2006

TAX	DISTRICT OF COLUMBIA	MONTGOMERY COUNTY	PRINCE GEORGE'S COUNTY	ALEXANDRIA	ARLINGTON COUNTY	FAIRFAX COUNTY
$25,000 INCOME LEVEL						
Income	510	0	0	268	268	268
Real Estate	1,805	1,805	1,805	1,805	1,805	1,805
Sales and Use	547	525	521	478	491	432
Automobile	226	195	195	279	302	277
TOTAL	**3,088**	**2,525**	**2,521**	**2,829**	**2,867**	**2,782**
RANK	**1**	**5**	**6**	**3**	**2**	**4**
$50,000 INCOME LEVEL						
Income	1,579	1,929	1,926	1,296	1,294	1,309
Real Estate	1,431	2,345	2,311	1,757	1,763	1,918
Sales and Use	823	772	767	704	726	632
Automobile	218	186	186	316	349	316
TOTAL	**4,052**	**5,232**	**5,189**	**4,073**	**4,132**	**4,176**
RANK	**6**	**1**	**2**	**5**	**4**	**3**
$75,000 INCOME LEVEL						
Income	3,228	3,792	3,789	2,610	2,605	2,626
Real Estate	2,124	3,165	3,119	2,371	2,380	2,589
Sales and Use	1,252	1,154	1,143	1,059	1,091	949
Automobile	382	358	358	729	810	739
TOTAL	**6,986**	**8,469**	**8,408**	**6,769**	**6,886**	**6,903**
RANK	**3**	**1**	**2**	**6**	**5**	**4**
$100,000 INCOME LEVEL						
Income	5,139	5,749	5,745	4,028	4,022	4,047
Real Estate	2,554	3,673	3,619	2,751	2,761	3,004
Sales and Use	1,404	1,286	1,271	1,169	1,206	1,043
Automobile	386	412	412	861	954	876
TOTAL	**9,482**	**11,120**	**11,046**	**8,810**	**8,943**	**8,971**
RANK	**3**	**1**	**2**	**6**	**5**	**4**
$150,000 INCOME LEVEL						
Income	9,224	9,671	9,666	6,864	6,855	6,888
Real Estate	3,393	4,665	4,596	3,495	3,507	3,816
Sales and Use	2,025	1,818	1,795	1,665	1,712	1,497
Automobile	386	397	397	1,094	1,227	1,116
TOTAL	**15,027**	**16,551**	**16,455**	**13,117**	**13,302**	**13,317**
RANK	**3**	**1**	**2**	**6**	**5**	**4**

Note: Numbers may not add to totals due to rounding.

TABLE 3
SUMMARY OF AVERAGE MAJOR TAX BURDENS FOR SELECTED WASHINGTON METROPOLITAN AREA JURISDICTIONS AND THE DISTRICT OF COLUMBIA
CALENDAR YEAR 2006

	TAX BURDENS		PERCENT OF INCOME	
INCOME	AREA AVERAGE	DISTRICT OF COLUMBIA	AREA AVERAGE	DISTRICT OF COLUMBIA
OVERALL BURDEN				
$ 25,000	2,769	3,088	11.1%	12.4%
$ 50,000	4,476	4,052	9.0%	8.1%
$ 75,000	7,404	6,986	9.9%	9.3%
$100,000	9,729	9,482	9.7%	9.5%
$150,000	14,628	15,027	9.8%	10.0%
INDIVIDUAL INCOME				
$ 25,000	219	510	0.9%	2.0%
$ 50,000	1,556	1,579	3.1%	3.2%
$ 75,000	3,108	3,228	4.1%	4.3%
$100,000	4,788	5,139	4.8%	5.1%
$150,000	8,195	9,224	5.5%	6.1%
REAL ESTATE				
$ 25,000	1,805	1,805	7.2%	7.2%
$ 50,000	1,921	1,431	3.8%	2.9%
$ 75,000	2,625	2,124	3.5%	2.8%
$100,000	3,060	2,554	3.1%	2.6%
$150,000	3,912	3,393	2.6%	2.3%
SALES AND USE				
$ 25,000	499	547	2.0%	2.2%
$ 50,000	737	823	1.5%	1.6%
$ 75,000	1,108	1,252	1.5%	1.7%
$100,000	1,230	1,404	1.2%	1.4%
$150,000	1,752	2,025	1.2%	1.3%
AUTOMOBILE				
$ 25,000	246	226	1.0%	0.9%
$ 50,000	262	218	0.5%	0.4%
$ 75,000	563	382	0.8%	0.5%
$100,000	650	386	0.7%	0.4%
$150,000	770	386	0.5%	0.3%

TABLE 4

HOUSING VALUE ASSUMPTIONS FOR MAJOR WASHINGTON METROPOLITAN AREA JURISDICTIONS
CALENDAR YEAR 2006

FAMILY INCOME	DISTRICT OF COLUMBIA	MONTGOMERY COUNTY	PRINCE GEORGE'S COUNTY	ALEXANDRIA	ARLINGTON COUNTY	FAIRFAX COUNTY
$ 25,000	$ 1,805	$ 1,805	$ 1,805	$ 1,805	$ 1,805	$ 1,805
$ 50,000	$215,550	$215,550	$215,550	$215,550	$215,550	$215,550
$ 75,000	$290,917	$290,917	$290,917	$290,917	$290,917	$290,917
$100,000	$337,570	$337,570	$337,570	$337,570	$337,570	$337,570
$150,000	$428,775	$428,775	$428,775	$428,775	$428,775	$428,775

Note: Median rent for the $25,000 family and median home values for the $50,000 through $150,000 income levels were estimated using data from the 2004 American Community Survey, produced by the U.S. Census Bureau. The 2004 data reflects the fact that for the District of Columbia, there is a two year lag in assessed values. That is, the 2006 taxable property tax base reflects the 2004 assessment. The same house rent/value for each Family Income is required to allow one to compute the inter- jurisdictional (net) personal income and property tax burdens rather than non-tax attributes such as housing size or distance from the workplace.

TABLE 5

AUTOMOBILE TAX ASSUMPTIONS
CALENDAR YEAR 2006

INCOME LEVEL	DESCRIPTION OF AUTO	ENGINE SIZE LITERS 1/	WEIGHT 1/	YEAR	MARKET VALUE			ESTIMATED MILEAGE PER GALLON 2/	ESTIMATED ANNUAL GASOLINE USAGE 3/
					RETAIL PRICE 1/	TRADE-IN VALUE 1/	LOAN VALUE 1/		
$ 25,000	Sedan, 4 Door 4 Cylinder, Automatic	2.0	2,564 lbs.	2003	$ 9,425	$ 7,725	$ 6,945	27	556 Gallons
$ 50,000	Sedan, 4 Door 4 Cylinder, Automatic	1.8	2,590 lbs.	2003	$12,925	$10,800	$ 9,634	29	517 Gallons
$ 75,000	Sedan, 4 Door 6 Cylinder, Automatic	3.0	3,428 lbs.	2005	$22,450	$19,450	$17,330	20	750 Gallons
	Coupe, 2 Door 4 Cylinder Automatic	1.8	2,465 lbs.	2002	$11,350	$ 9,475	$ 8,584	33	227 Gallons
$100,000	Sedan, 4 Door 8 Cylinder, Automatic	4.6	4,345 lbs.	2005	$24,800	$21,175	$18,803	18	833 Gallons
	Sedan, 4 Door 6 Cylinder, Automatic	3.8	3,567 lbs.	2005	$16,200	$13,650	$12,217	20	375 Gallons
$150,000	Sedan, 4 Door 8 Cylinder, Automatic	4.3	3,900 lbs.	2004	$44,025	$38,575	$33,792	18	833 Gallons
	Sedan, 4 Door 6 Cylinder, Automatic	2.0	2,837 lbs.	2006	$15,175	$12,850	$11,475	24	313 Gallons

1/ National Automobile Dealers Association Used Car Guide.
2/ Gas Mileage Guide, EPA fuel economy estimates for city driving, U.S. Department of Energy.
3/ Assumes 15,000 miles driven for all vehicles, except second cars, which are assumed to be driven 7,500 miles.

TABLE 6
SELECTED STATE AND LOCAL TAX RATES IN THE WASHINGTON METROPOLITAN AREA
Fiscal Year 2006 - 2007

TAX	DISTRICT OF COLUMBIA	CHARLES COUNTY 1/	MONTGOMERY COUNTY 1/	PRINCE GEORGE'S COUNTY 1/	ALEXANDRIA	ARLINGTON COUNTY	FAIRFAX COUNTY	FALLS CHURCH	LOUDOUN COUNTY	PRINCE WILLIAM COUNTY
REAL ESTATE										
Nominal Rate	$0.920	$1.138	$1.088	$1.072	$0.815	$0.818	$0.890	$1.010	$0.860	$0.838
Assessment Level 2/	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Effective Rate	$0.920 3/	$1.138	$1.088	$1.072	$0.815	$0.818	$0.890	$1.010	$0.860	$0.838
SALES AND USE										
General Rate	5.75%	5.0%	5.0%	5.0%	5..0%	5.0%	5.0%	5.0%	5.0%	5.0%
INDIVIDUAL INCOME	4.5% - 9.0%	4.9% - 7.65%	5.2% - 7.85%	5.2% - 7.85%	2% - 5.75%	2% - 5.75%	2% - 5.75%	2% - 5.75%	2% - 5.75%	2% - 5.75%
PERSONAL PROPERTY 4/	$3.40	$2.405	$2.40	$2.40	$4.75 5/	$5.00 6/	$4.57 5/	$4.71 5/	$4.20 6/	$3.70 5/
AUTO REGISTRATION										
3,499 lbs. Or less	$72.00 7/	$64.00	$64.00	$64.00	$56.50 8/	55.50 8/	$31.50 8/	$56.50 8/	$56.50 8/	$55.50 8/
3,500 lbs. – 3,700 lbs.	$115.00	$64.00	$64.00	$64.00	$56.50 8/	55.50 8/	$31.50 8/	$56.50 8/	$56.50 8/	$55.50 8/
3,701 lbs. – 4,999 lbs.	$115.00	$90.00	$90.00	$90.00	$61.50 8/	60.50 8/	$31.50 8/	$61.50 8/	$61.50 8/	$60.50 8/
Over 4,999 lbs.	$155.00	$90.00	$90.00	$90.00	$61.50 8/	60.50 8/	$36.50 8/	$61.50 8/	$61.50 8/	$60.50 8/
GASOLINE TAX										
(Cents Per Gallon)	20.0	23.5	23.5	23.5	17.5 9/	17.5 9/	17.5 9/	17.5 9/	17.5 9/	17.5 9/

1/ Rates shown include the 11.2 cents per $100 of assessed value Maryland state real property tax rate and special service area taxes.
2/ Statutorily Prescribed.
3/ There is a $60,000 homestead exemption for property that is owner-occupied .
4/ Effective rate per $100. Applicable to private autos in Northern Virginia jurisdictions. Also, boats, trailers and motorcycles. For 2006, Virginia began to reimburse localities a fixed amount based on the 2004 level of state reimbursement.
5/ Based on NADA Used Car Guide trade-in value.
6/ Based on NADA Used Car Guide average loan value.
7/ Class IV, clean fuel or electric vehicle, the fee is $36.
8/ Includes $31.50 state registration fee for vehicles 4,000 pounds or less; $36.50 for vehicles over 4,000 pounds; and $27.50 for cycles.
9/ Plus a 2 percent sales tax on the total sales price.

Part II

A Comparison of Tax Rates in the Washington Metropolitan Area as of January 1, 2007

ALCOHOLIC BEVERAGE TAX

District of Columbia

The tax is imposed on all alcoholic beverages manufactured by a holder of a manufacturer's license and on all alcoholic beverages brought into the District by the holder of a wholesaler's or retailer's license.

Maryland

The tax is imposed on all alcoholic beverages sold by manufacturers and wholesalers to retail dealers and sold by out-of-state dealers to wholesalers. The tax also applies to seized liquors.

Virginia

The tax is imposed on the sale of all alcoholic beverages in Virginia. Persons who have a mixed beverage carrier license are subject to tax on mixed drinks sold.

ITEMS	DISTRICT OF COLUMBIA	MARYLAND	VIRGINIA 1/
Beer (per barrel)	$2.79	$2.79	$7.95
Spirits (per gallon)	1.50	1.50	20% of retail price
Wine (per gallon)			
14% or less alcohol	.30	.40	.40 2/
More than 14% alcohol	.40	.40	.40 2/
Champagne and Sparkling Wine (per gallon)	.45	.40	1.51 2/

1/ Sales at ABC Stores are subject to the 5.0% sales tax rate in addition to the rate below.
2/ Additionally, a state tax of 4 percent of the price charged is imposed on wine sold to persons other than licensees.

CIGARETTE TAX

District of Columbia

The District's cigarette tax is imposed on the sale or possession of all cigarettes in the District. Exemptions from the tax are as follows: (1) cigarette sales to or by the federal or District governments; (2) possession of cigarettes by licensed wholesalers for sale outside the District or to licensed wholesalers; (3) possession of cigarettes bearing stamps of other jurisdictions by vending machine operators who are licensed in the other jurisdictions; (4) possession by a consumer of up to 200 cigarettes which were transported into or manufactured in the District by the consumer; and (5) possession of cigarettes being transported under conditions such that the cigarettes are not deemed to be contraband.

Maryland

The Maryland tax is imposed on all cigarettes possessed or held in the state by any person. Cigarettes for sale to Army, Air Force, Navy or Coast Guard exchanges or commissaries are exempt.

Virginia

The Virginia tax is imposed upon the sale, storage or receipt of cigarettes for purposes of distribution within the state. In addition to the state tax, certain Virginia localities impose a cigarette tax. An exemption from taxation is provided for the free distribution of sample cigarettes in packages containing five or fewer cigarettes and for cigarettes customarily donated by manufacturers to cigarette factory employees (where such cigarettes are not subject to federal taxation).

RATE PER 20 CIGARETTES

JURISDICTION	STATE	LOCAL	COMBINED RATE
District of Columbia	$1.00	----	$1.00
Maryland	$1.00	----	$1.00
Virginia	$0.30	----	----
Alexandria		$0.50	$0.80
Arlington County		$0.30	$0.60
Fairfax		$0.30	$0.60
Fairfax County		$0.30	$0.60
Falls Church		$0.25	$0.55
Prince William County		----	$0.30

FINANCIAL INSTITUTION TAXES

District of Columbia

Financial institutions are subject to the corporate franchise tax. The tax is imposed at a rate of 9.5 percent of taxable income. In addition, there is a total surtax of 5 percent, for a total effective rate of 9.975 percent. Financial institutions also are subject to both the personal and real property taxes.

Maryland

Maryland imposes a franchise tax on the net earnings of financial institutions in lieu of the Maryland Corporate Income Tax. The rate is 7 percent of allowable net earnings. Financial institutions are not subject to personal property taxes except on property leased to others. Financial institutions are taxed under the corporate franchise tax rate of 7 percent.

In addition, all savings banks and savings and loan associations pay an additional franchise tax of .013 percent of the total withdrawal value of the deposits held in Maryland on December 31st of each year.

The rate on commercial banks, safe deposit and trust companies, and finance companies is 7 percent of allocable net earnings. A franchise tax is imposed on federal, domestic and foreign savings and loan; building and loan; and homestead associations at the rate of 130/10,000 of 1 percent.

Virginia

The Commonwealth of Virginia imposes a tax on the net taxable capital of banks and trust companies at the rate of $1 per $100 of net capital. Net capital is determined in two steps. First, capital, surplus and undivided profits of the institution are added. Next, the following are subtracted from this amount: the assessed value of real estate; the book value of tangible personal property; the pro rata share of government obligations; the capital accounts of any bank subsidiaries; the amount of any reserve for loan losses allowed by the Internal Revenue Service for income tax purposes (which amount is included in the definition of capital, surplus and undivided profits); and the amount of any reserve for marketable securities valuation that is included in capital, surplus and undivided profits to the extent that such reserve reflects the difference between the book value and the market value of such marketable securities.

Virginia has authorized its cities and counties to levy a tax not to exceed 80 percent of the state rate. The counties of Arlington, Fairfax, Loudoun and Prince William, and the cities of Alexandria, Fairfax and Falls Church levy the maximum of 80 cents per $100 of net capital. The local tax is not in addition to the state tax, but rather creates a redistribution of 80 percent of the state tax to the localities.

INCOME TAXES

CORPORATE FRANCHISE

District of Columbia

Foreign and domestic corporations and financial institutions engaging in a trade or business within the District or receiving income from District sources are subject to tax at a rate of 9.5 percent on their taxable income. In addition, a total surtax of 5.0 percent is charged, for a total effective rate of 9.975 percent. The minimum franchise tax is $100.

Businesses that do not operate entirely within the District and/or receive income from sources not entirely within the District must allocate or apportion their income in accordance with general allocation or apportionment rules and regulations. Apportionment is based upon an equally weighted three-factor formula (sales, payroll and property). Special formulas are applied to businesses where the three-factor formula does not fairly represent the corporation's business within the District.

Federal conformity is maintained pursuant to Public Law 105-100. It continues the District’s limited conformity with the Internal Revenue Code (IRC) of 1986 as amended through August 20, 1996. Legislation currently pending would automatically adopt all federal changes in income and deductions that affect District franchise taxes.

Maryland

In Maryland a tax is imposed upon the net income of corporations and financial institutions at the rate of 7 percent.

The net income of a corporation is allocated as detailed in state rules and regulations, and that portion of the business income of the corporation allocable to Maryland is determined in accordance with a three-factor formula based on property, payroll and double-weighted sales.

Virginia

A tax of 6 percent is imposed on the Virginia taxable income of corporations. Professional corporations are also subject to the tax. Corporations having income from business activity taxable both within and outside of Virginia must allocate and apportion their Virginia taxable income as detailed by state rules and regulations. Multi-state corporate income is apportioned to Virginia by an equally weighted formula based on property, payroll, and sales.

INCOME TAXES

INDIVIDUAL INCOME

District of Columbia

Individuals who maintain a permanent home in the District at any time during the taxable year, or who maintain a place of residence for an accumulative total of 183 days or more, are subject to the individual income tax. Nonresidents who are employed in the District are not liable for the tax.

Because the District of Columbia selectively conforms to federal provisions, legislative action is required whenever federal law changes with respect to federal individual income taxation. The latest conformity legislation is Public Law 105-100. It maintains the District's limited conformity with the Internal Revenue Code (IRC) of 1986 as amended through August 20, 1996. Legislation currently pending would automatically adopt IRC changes that affect District income and deductions.

A credit to relieve property tax burdens is provided under the D.C. income tax law. This credit authorizes qualified homeowners and renters to claim a credit against their income tax liability, or a refund if no tax is due, for a portion of property taxes or rent paid when these payments exceed a certain percentage of household income. Renters use 15 percent of rent paid as a property tax equivalency figure. To qualify for the credit or refund, the homeowner or renter must have lived in the District during the entire taxable year, and the household income cannot exceed $20,000. The maximum real property tax credit is $750.

Other personal income tax credits are those for: individual income taxes required to be paid to another state on income derived from sources outside the District and child and dependent care (32 percent of federal credit for full-year residents, or qualified expenses divided by number of months on returns filed for less than calendar year or fiscal year).

In addition, the District instituted an earned income tax credit. For tax year 2006, this credit is 35 percent of the federal credit.

The District exempts all income of U.S. Senators, Representatives, Presidential Appointees, and Supreme Court Justices, provided such officials primary residence is not in the District. Also exempted is the income of personal staff and employees of members of Congress who remain bona fide residents of the congressperson's home state. Presidential appointees, to be exempt, must be subject to approval by the Senate and serve at the pleasure of the President. However, appointees are not exempt if they live in the District on the last day of the taxable year, even though they meet the other conditions. Congressional staff members are not exempt if their salaries are paid from committee funds.

Maryland

Persons who are Maryland residents on the last day of the tax year, or who have lived in the state for at least six months, are subject to the individual income tax. In addition, nonresidents are taxed on income earned in Maryland. Maryland's income tax law with regard to income and deductions conforms closely to that of the federal government.

Individuals carrying on business in a partnership are responsible for the tax only on their individual positions, that is, no tax is assessed on the partnership entity.

In addition to the state individual income tax, Charles, Montgomery, Prince George's and other Maryland counties impose a local income tax. Until tax year 1998, this local tax (piggyback) was a share of the state tax. However, effective for tax year 1999, counties levy a tax using an income tax rate and state taxable income. The local rate generally ranges between 2.9 percent in Charles County to 3.2 percent in Montgomery and Prince George’s Counties.

In addition, Montgomery County passed legislation making it the first local jurisdiction in the country with a local refundable earned income credit. This credit went into effect for tax year 1998.

Virginia

Virginia residents are subject to the individual income tax. In addition, nonresidents are taxed on income earned in Virginia, but a credit is allowed for taxes paid to their home states. Members of the armed forces are not subject to the tax on their active duty military income when stationed in Virginia, if they had no place of domicile in the state. However, the incomes of partners are taxable on their share of the partnership income. Virginia's local jurisdictions do not levy an income tax.

Virginia's income tax law conforms very closely to that of the federal government. The tax is based on an individual's federal adjusted gross income with modifications, if applicable, personal exemptions and standard or itemized deductions. In Virginia, as in the District of Columbia, if taxpayers use itemized deductions on their federal return, they must itemize on their state return. If they use the standard deduction for federal purposes, then they must use it for state purposes.

Virginia generally allows the same itemized deductions as the federal government. However, no deduction is allowed for income taxes imposed by the state or any other taxing jurisdiction in determining the amount of the taxpayer's income subject to tax. Instead of allowing a credit for child and dependent care expenses (necessary for gainful employment), Virginia provides for a deduction equal to the amount allowed under federal law in computing the child and dependent care credit.

Individuals receive the same income tax credit that corporations do for renewable energy source expenditures. The Urban Enterprise Zone and the Neighborhood Assistance Act credits also are applicable to individuals.

Table 7, page 23, compares tax rates, personal exemption amounts and deduction amounts for the District, Maryland and Virginia in calendar year 2007.

TABLE 7

INDIVIDUAL INCOME TAX RATES
EXEMPTIONS AND DEDUCTIONS
CALENDAR YEAR 2007

PERSONAL EXEMPTIONS	EXEMPTIONS	TAXABLE INCOME	RATES
DISTRICT OF COLUMBIA			
Single	$1,500	$0 - $10,000	4.0%
Married Filing Separately	$1,500	$10,000-$40,000	$ 400 + 6.0% of excess > $10,000
Married Filing Jointly	$3,000	Over $40,000	$2,200 + 8.5% of excess > $40,000
Head of Household	$3,000		
Dependent (additional)	$1,500		
Blind (additional)	$1,500		
Age 65 and over (additional)	$1,500		
Standard Deduction	1/		
MARYLAND			
Single	$2,400	$0 - $1,000	2.0%
Married Filing Separately	$2,400	$1,001-$2,000	$20 + 3.00% of excess > $1,000
Married Filing Jointly	$4,800	$2,001-$3,000	$50 + 4.00% of excess > $2,000
Head of Household	$2,400	Over $3,000	$90 + 4.75% of excess > $3,000
Dependent (additional)	$2,400		
Blind (additional)	$1,000		
Age 65 and over (additional)	$1,000		
Standard Deduction	2/		
VIRGINIA			
Single	$ 900	$0 - $3,000	2.0%
Married Filing Separately	$ 900	$3,001-$5,000	$ 60 + 3.00% of excess > $ 3,000
Married Filing Jointly	$1,800	$5,001-$17,000	$ 120 + 5.00% of excess > $ 5,000
Head of Household	$ 900	Over $17,000	$ 720 + 5.75% of excess > $17,000
Dependent (additional)	$ 900		
Blind (additional)	$ 800		
Age 65 and over (additional) 3/	$ 800		
Standard Deduction	4/		

1/ Married persons filing separately - $1,250; all others - $2,500.
2/ 15% of Maryland AGI not to exceed $2,000 ($4,000 for joint and head of household returns and those filing as qualifying widow(er) with dependent child). The minimum is $1,500 for single, married filing separately and dependent taxpayers. All others are allowed a minimum of $3,000.
3/ There is an additional age related deduction for: age 62-64 - $6,000; age 64 and over - $12,000.
4/ Single - $3,000; married persons filing separately - $3,000; and married persons filing jointly or combined separate - $6,000.

INCOME TAXES

UNINCORPORATED BUSINESS FRANCHISE

District of Columbia

The District's franchise tax on unincorporated businesses is imposed on enterprises with gross income over $12,000. The rate is 9.5 percent on the taxable income derived from sources within the District. In addition, a total surtax of 5.0 percent of the base rate is charged, for a total rate of 9.975 percent. The minimum tax is $100. The tax is payable by the person or persons jointly or severally conducting the unincorporated business.

Unincorporated businesses pay the franchise tax on 70 percent of net profits, less a $5,000 exemption. Owners who participate in the operation of the business are allowed 30 percent of the net profit as a salary deduction. When 80 percent or more of income is derived from services, the unincorporated business income is taxed under the individual income tax.

Maryland

Unincorporated business income is taxed under the individual income tax.

Virginia

Unincorporated business income is taxed under the individual income tax.

Several Virginia jurisdictions also levy a license tax on the gross receipts derived from various businesses. Table 8, page 25 details the business license tax rates for metropolitan area jurisdictions imposed per $100 on several occupations.

TABLE 8
UNINCORPORATED BUSINESS FRANCHISE
AND BUSINESS LICENSE TAXES

OCCUPATION 1/	DISTRICT OF COLUMBIA	ALEXANDRIA 2/	ARLINGTON COUNTY 3/	FAIRFAX 4/	FAIRFAX COUNTY 4/	FALLS CHURCH 5/	LOUDOUN COUNTY 6/	PRINCE WILLIAM COUNTY
AMUSEMENTS/RECREATIONAL SERVICES	7/	$.36/$100	$.25/$100	$.27/$100	$.26/$100	$.36/$100	$30 or $.21/$100	$.21/$100
BUSINESS SERVICES	7/	$.35/$100	$.35/$100	$.27/$100	$.19/$100	$.36/$100	$30 or $.17/$100	$.21/$100
PERSONAL SERVICES	7/	$.35/$100	$.35/$100	$.27/$100	$.19/$100	$.36/$100	$30 or $.23/$100	$.21/$100
PROFESSIONALS	---	$.58/$100	$.36/$100	$.40/$100	$.31/$100	$.52/$100	$30 or $.33/$100	$.33/$100
REPAIR SERVICES	7/	$.35/$100	$.35/$100	$.27/$100	$.19/$100	$.36/$100	$30 or $.16/$100	$.21/$100
RETAIL SERVICES	7/	$.20/$100	$.20/$100	$.20/$100	$.17/$100	$.19/$100	$30 or $.17/$100	$.17/$100
WHOLESALE MERCHANTS	7/	$.05/$100 on gross purchases	$.08/$100	$.05/$100 on gross purchases	$.04/$100 on gross purchases	$.08/$100	$30 or $.05/$100 on gross purchases	$.05/$100 on gross purchases
FILLING STATIONS	7/	$.20/$100	$.10/$100	$.20/$100	$.17/$100	$.19/$100	$30 or $.17/$100	$.17/$100
CONTRACTORS	7/	$.16/$100	$.16/$100	$.16/$100	$.11/$100	$.16/$100	$30 or $.13/$100	$.13/$100
VENDING MACHINE SALES	7/	$.20/$100	$.20/$100	$.20/$100	$.17/$100	$.19/$100	$30 or $.17/$100	$.17/$100
FEDERAL CONTRACTORS	7/	---	8/	$.03/$100	$.03/$100	$.03/$100	$.03/$100	---
FINANCIAL AND REAL ESTATE SERVICES	7/	$.35/$100 9/	$.36/$100	$.40/$100	$.31/$100	$.50/$100	$.33/$100	$.33/$100
RENTAL BY OWNER – RESIDENTIAL	7/	$.50/$100	$.28/$100	$.50/$100	$.26/$100	$.38/$100	$30 or $.16/$100	---
RENTAL BY OWNER – COMMERCIAL	7/	$.35/$100	$.43/$100	$.23/$100	$.26/$100	$.53/$100	$30 or $.16/$100	---

1/ Categories shown are not a comprehensive listing.
2/ Less than $10,000 gross receipts-no tax; greater than $10,000, but less than $100,000-$50.00 minimum.
3/ Rates apply to businesses having gross receipts exceeding $100,000. Businesses having gross receipts less than $10,000 owe no tax; businesses grossing between $10,000-$50,000 pay $30.00; businesses grossing between $50,001 and $100,000 pay $50.00.
4/ If the license tax computes to less than $10 and/or gross receipts are less than $10,000, the license will be issued without payments.
5/ Less than $10,000 gross receipts-no tax; $10,000-$50,000 pays $30.00.
6/ $30 fee when gross receipts are under $200,000. The rate applies to total of gross receipts.
7/ A 9.975% rate is imposed on the taxable income of businesses, if not incorporated, 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.
8/ No separate category for federal contractors, they are taxed according to service provided.
9/ Financial only.

INHERITANCE AND ESTATE TAXES

INHERITANCE TAX

District of Columbia

Effective for deaths occurring after April 1, 1987, the District of Columbia's inheritance tax was abolished.

Maryland

Maryland uses two rates that are applied to each of the two classes of beneficiaries. The rate of 1 percent applies to parents, spouse, children and lineal descendants. The rate of 10 percent applies to all others. There are no exemptions unless the share received is less than $150, in which case the entire share is tax-free. Also, when the property of a decedent is $20,000 or less, no inheritance taxes are payable on any distribution from that estate.

Effective July 1, 1989, the tax on commissions of executors and administrators of the estates of those dying on or after July 1, 1989 was repealed.

Virginia

Virginia does not levy an inheritance tax. However, Virginia does levy a tax on the probate of wills and grants of administration equal to 10 cents per $100 of the value of the estate in excess of $15,000.

ESTATE TAX

District of Columbia

The District Estate Tax is no longer in conformity with the Federal Estate Tax. Except for raising the filing threshold from $600,000 to $675,000 (effective January 1, 2002), and increasing it to $1,000,000 (effective January 1, 2003), the District's Inheritance and Estate Tax Act of 2002 retains all aspects of the District Estate Act, as it existed on January 1, 1986. Hence, the District Estate Tax is decoupled from recent and forthcoming Federal Estate Tax law changes as stipulated in the Federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001. For example, while the federal threshold was $1.5 million in FY 2005, The Estate and Inheritance Tax Clarification Temporary Act of 2004 raised the estate tax filing threshold from $675,000 to $1,000,000 to decedents whose death occurs on or after January 1, 2003. Hence, some District estate tax payers may have been and others may be required in the future to file and pay District estate taxes even when no federal filing or tax is due. The federal threshold became $2,000,000 in January 1, 2006.

Maryland and Virginia

An estate tax is imposed in Maryland and Virginia to absorb the maximum credit allowed under the federal estate tax law for taxes paid to states. For Maryland, the estate tax is payable when the total inheritance tax liability does not exceed the federal credit. The estate tax is equal to the difference between the inheritance tax paid and the amount of the federal credit. No estate tax is due when inheritance taxes exceed the federal tax credit.

INSURANCE PREMIUMS TAX

District of Columbia

All domestic and foreign insurance companies, except those specified below, pay tax on the premiums received in lieu of all other taxes, except taxes upon real property. The basis of this tax is gross premiums received less the following items: dividends paid to policyholders; premiums received for reinsurance assumed; and returned premiums.

Nonprofit relief associations composed solely of members of the armed services or employees of the United States, District of Columbia, or of any individual company, as well as fraternal organizations that issue contracts of insurance exclusively to their own members, are exempt from the tax.

Maryland

All insurance companies except nonprofit hospital service plan corporations, fraternal beneficiary associations, and domestic mutual fire insurance companies pay an annual tax on gross direct premiums. The tax is based on all new and renewal gross premiums allocable to Maryland. Deductions are allowed for returned premiums, dividends paid to policyholders and refunds made to policyholders.

Virginia

A tax is imposed on all insurance companies transacting insurance business in Virginia, except local mutual fire insurance and fraternal beneficiary companies. The tax replaces all other taxes, except the tax on real estate and tangible personal property. No tax is imposed on premiums received by an insurer to provide group insurance for its employees. The basis of the tax is gross premiums from business in Virginia, except premiums received for reinsurance assumed from licensed insurance companies. The basis is reduced for premiums returned upon canceled or reduced policies; however, deduction for dividends paid or deduction for any other account is not allowed.

TABLE 9

INSURANCE PREMIUMS TAX RATES

TAX	DISTRICT OF COLUMBIA 1/	MARYLAND	VIRGINIA 2/
Life Insurance Companies	1.70%	2.00%	2.25% 3/
Life Insurance Special Benefits	1.70%	2.00%	2.75%
Domestic Mutual Companies	1.70%	2.00%	1.00%
Industrial Sick Benefit Companies	1.70%	2.00%	1.00%
Workman's Compensation	1.70%	2.00%	2.50%
Legal Service Insurance Companies	---	---	2.25%
Other	1.70% 4/	2.00% 5/	2.25%

1/ The District levies an additional fee of 0.30 percent to offset the administrative costs of regulation.
2/ To offset the administrative cost of regulating each line of insurance, an additional fee up to .375 percent for providers of workmen's compensation insurance and 0.1 percent for other insurers may be levied.
3/ 2.75 percent on premiums paid for special or additional benefits.
4/ 2 percent on surplus line brokers.
5/ 3 percent on unauthorized insurers, and surplus line brokers.

MOTOR VEHICLE TAXES

MOTOR VEHICLE EXCISE

All three jurisdictions impose fees on cars, trucks, buses and trailers based on weight.

District of Columbia

The District imposes a titling tax based on the manufacturer's shipping weight at the time the title is issued at the following rates: up to 3,499 pounds - 6 percent of fair market value; 3,500 pounds to 4,999 pounds – 7 percent of fair market value; and 5,000 pounds and over – 8 percent. Since October 1, 1998, vehicles previously titled by individuals moving into the District are no longer subject to the motor vehicle excise tax.

Maryland

Maryland imposes an excise tax of 5 percent of fair market value on each motor vehicle at the time the title is issued.

Virginia

Virginia taxes motor vehicles at the time of sale at 3 percent.

MOTOR VEHICLE REGISTRATION

Annual registration fees for the District of Columbia, Maryland and Virginia are presented in Table 10, page 31.

TABLE 10

ANNUAL REGISTRATION FEES FOR PASSENGER CARS

JURISDICTION	WEIGHT	FEES
DISTRICT OF COLUMBIA 1/2/	0 to 3,499 pounds 3,500 to 4,999 pounds 5,000 pounds or more Motorcycles	$ 72.00 $115.00 $155.00 $ 52.00
MARYLAND	3,700 pounds or less Over 3,700 pounds	$ 64.00 $ 90.00
VIRGINIA (State)	4,000 pounds or less Over 4,000 pounds Motorcycles	$ 31.50 $ 36.50 $ 27.50
Alexandria	Vehicles 3/ Motorcycles	+$ 25.00 +$ 15.00
Arlington County	Vehicles 3/ Motorcycles	+$ 24.00 +$ 24.00
Fairfax	Vehicles 3/ Motorcycles	+$ 25.00 +$ 15.00
Fairfax County 4/	Vehicles Motorcycles	+$ 0 +$ 0
Falls Church	Vehicles 3/ Motorcycles	+$ 25.00 +$ 15.00
Loudoun County	Vehicles 3/ Motorcycles	+$ 25.00 +$ 16.00
Prince William County 5/	Vehicles 3/ Motorcycles	+$ 24.00 +$ 12.00

+ In addition to state rate.

1/ The fee for motorized bicycles is $25.00.
2/ An additional fee of $25.00 is charged for vehicle inspection every two years.
3/ Flat rate applied regardless of weight.
4/ Businesses and citizens residing in the towns of Vienna, Herndon and Clifton pay vehicle registration fees set by those jurisdictions in lieu of the Fairfax County fee.
5/ Taxpayers who satisfy certain household gross income and net worth limitations (these requirements are the same as those applicable to the county's real property tax relief program; see page 38) may exempt one vehicle from the annual registration fee.

MOTOR VEHICLE FUEL TAX

District of Columbia

This tax is imposed on every importer or user of motor vehicle 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 motor vehicles. Fuel exported from the District is exempt.

Maryland

Every dealer pays a tax on all motor vehicle fuels sold or used in Maryland. Motor carriers with commercial vehicles having seats for more than nine passengers or having more than two axles are subject to a tax on the amount of motor fuel used in their operations in Maryland. Credit is allowed for taxes paid on all motor fuel purchased in Maryland.

Virginia

A motor fuel tax is imposed on all dealers and other persons selling motor fuel in the Commonwealth.

A 2 percent sales tax is imposed on retail sales of fuels sold within a city or county that is a member of any transportation district in which a commuter mass transportation system is operated.

RATE PER GALLON

DISTRICT	MARYLAND	VIRGINIA
20 cents	23.5 cents 1/	17.5 cents 2/

1/ Tax on special fuels (diesel/kerosene) used as a motor fuel is 24.25 cents per gallon.
2/ Additional 2 percent local tax applied in the Northern Virginia jurisdictions of Alexandria, Arlington County, Fairfax, Fairfax County, Falls Church, Manassas, Loudoun County, Prince William County and Stafford County.

PROPERTY TAXES

REAL PROPERTY

District of Columbia

All real and personal property is subject to taxation unless expressly exempt by statute. The District of Columbia real property tax is based on three classifications:

(a) **Class One Property** - improved residential real property that contains five or fewer dwelling units (whether as a row, detached, or semi-detached structure), or a single dwelling unit owned as a condominium and used exclusively for non-transient owner-occupied residential dwelling purposes. Improved residential real property owned by a cooperative housing association also shall be classified as Class One Property, provided that at least 50 percent of the dwelling units are occupied by the shareholders or members of the cooperative housing association.

Unimproved (vacant) property that abuts and has identical ownership with a Class One Property also shall be considered Class One Property. A $60,000 homestead exemption for property that is owner-occupied. As of October 1, 2007, the homestead exemption increased to $64,000.

(b) **Class Two Property** - improved commercial property that houses transients. Hotels, motels, and inns are included in this class.

(c) **Class Three Property -** vacant or abandoned real property, that is next to and has common ownership with property classified as Class Two Property.

All property in the District is annually assessed at a statutory level of 100 percent of its estimated market value.

In an effort to limit the increase of real property taxes for homeowners, eligible homeowners are provided an Assessment Cap Credit. The Assessment Cap Credit provides that a real property tax bill will not increase by more than 10 percent above the prior year's real property tax bill. The credit only applies to the principal residence of the property owner (homestead property) and is based on the total assessment for the dwelling and land associated with the dwelling.

Maryland

The state property tax rate of 11.2 cents per $100 of assessed market value applies to real property only. It is imposed annually on all taxable land and improvements. The tax is applied to an assessed value.

The Maryland Department of Assessments and Taxation makes assessments. Real property for state and county tax purposes is assessed according to a three-year assessment schedule. A physical review of each property is made every three years. Reassessments are updated on the basis of an analysis of sales, cost and rental data in the area. The amount of the increase in the established market value of one-third of the properties reassessed each year is phased in over a three-year period. A decline in assessed value, however, becomes effective in the first year. Real property is assessed at 100 percent of its value.

Residential property owners are entitled to an assessment limitation tax credit. For state tax purposes, this is a credit against property taxes equal to the tax rate, times that part of the 2006 total assessment greater than 110 percent of the 2005 assessment. County and municipal governments may choose a percentage amount lower than 110 percent of assessment.

Virginia

The Commonwealth of Virginia does not levy a real property tax. However, local jurisdictions are required to tax real property at 100 percent of estimated market value.

Tax rates for the jurisdictions of the Washington Metropolitan Area are presented in Table 11, page 35.

TABLE 11
REAL PROPERTY TAX RATES
PROPERTY TAX YEAR 2006 – 2007 1/2/

JURISDICTION	ASSESSMENT LEVEL NOMINAL RATE	(% OF MARKET VALUE)	EFFECTIVE RATE
DISTRICT OF COLUMBIA	Class One $0.88 Class Two $1.85 Class Three $5.00	100% 100% 100%	$0.88 3/ $1.85 $5.00
MARYLAND 4/			
Charles County	$1.138 5/ ($0.320)	100%	$1.138
Montgomery County	$1.088 ($0.003-$0.679) 6/	100%	$1.088
Prince George's County	$1.072 ($0.881-$1.067) 7/	100%	$1.072
VIRGINIA			
Alexandria	$0.815	100%	$0.815
Arlington County	$0.818	100%	$0.818
Fairfax	$0.710	100%	$0.710
Fairfax County	$0.890 8/9/10/	100%	$0.890
Falls Church	$1.010	100%	$1.010
Loudoun County	$0.860 9/11/12/13/	100%	$0.860
Prince William County	$0.838 14/	100%	$0.838

1/ Real property tax year in the Virginia area jurisdictions is on a calendar year basis. In the District of Columbia the 2006-2007 real property tax year is October 1, 2006 - September 30, 2007. For the Maryland area jurisdictions, the 2006-2007 real property tax year is July 1, 2006 to June 30, 2007. The rates presented are those in effect for that time period.
2/ Rates are per $100 of value. Special area rates in effect are shown in parentheses.
3/ There is a $60,000 homestead deduction on owner-occupied property.
4/ Local rates shown <u>include</u> the state rate of $0.112 per $100 of assessed value.
5/ Rate shown excludes the municipal taxes; tax rates for these incorporated areas are $0.32 per $100.
6/ Rates shown exclude the municipal and special taxing district taxes. Tax rates for these incorporated areas range between $0.003-$0.679.
7/ County and state rates in incorporated areas range from $0.881 to $1.067.
8/ Relatively few residential properties in three areas pay an additional 2.0 cents, 2.8 cents and 4.7 cents per $100 of assessed value for community centers. Those in tax districts with a special assessment for leaf collection pay an additional 1-cent per $100 of assessed value.
9/ Loudoun County and Fairfax County have a Route 28 taxing district. Residents of this district are subject to an additional 20 cents per $100 of assessed value.
10/ There is a flat $315 refuse collection fee on some properties.
11/ Loudoun County has a Broad Run service district. Residents of this district are subject to an additional $0.14 per $100 of assessed value.
12/ Loudoun County also has an Aldie service district. Residents of this district are subject to an additional $0.27 per $100 of assessed value.
13/ Hamilton sewer district-$0.30.
14/ Rates ranging from 0.02 cents to 23 cents are applied in special tax districts for recreation, and roads improvements.

PROPERTY TAXES

PROPERTY TAX RELIEF PROGRAMS

District of Columbia

Class One (owner-occupied residential) property owners may obtain a homestead deduction. D.C. Law 4-129, effective July 24, 1982, requires the filing of the homestead deduction application once every five years. This deduction eliminates property taxes on the first $60,000 of assessed value for homeowners. In addition to the homestead deduction, senior citizens age 65 or older with total household adjusted gross income below $100,000 may have their real property tax payments reduced by half.

The District provides two "circuit-breaker" property tax relief programs for qualified homeowners and renters who live in the District during the entire taxable year. A credit can be claimed against their individual income tax liability (a refund if the credit exceeds any tax due) for a portion of the property taxes paid or rent paid constituting property taxes that exceeds a stated percentage of household income. The specific percentages are presented in Table 12, page 39.

In addition, the District has a tax deferral program. All owner-occupied residential property taxpayers may apply to defer real property taxes that exceed 110 percent of the previous year's liability. Deferred real property taxes may not exceed 10 percent of the current year's assessed value.

First-time homeowners whose income does not exceed 120 percent of the lower income guidelines (under section 8 of the United States Housing Act of 1937 for the Washington Metropolitan Statistical Area) may be eligible for abatement of real property taxes for a 5 year period beginning October 1 following the recordation of the homeowner's deed as well as abatement of deed recordation and transfer taxes. Application must be made at the time the deed conveying the real property involved is offered for recordation with the Recorder of Deeds.

The District also has a special tax relief program for qualified historic properties approved by the Joint Committee on Landmarks of the National Capital. Owners of the property must be willing to enter into an agreement with the D.C. government to preserve the building as historic property for at least 20 years.

Maryland

The Maryland homeowner's property tax credit program is designed to provide relief for property tax burdens in excess of a certain percentage of income. The maximum assessment that can be used to calculate the credit is $150,000. Applications must be filed by September 1 of each year.

The state of Maryland also makes available a refundable renter's tax credit of up to $600 a year for renters, who are age 60 or over, or who are permanently and totally disabled and will qualify on the basis of income. The applicant's entitlement to the credit is tied to a flexible scale that relates the annual rent paid to the applicant's annual gross income. In comparing the applicant's gross income to his annual rent paid, an allowance is made for utilities paid by the renter. For example, if the renter pays for gas only, it is assumed that 6 percent of his gross income is dedicated to that item. By way of contrast, if the renter must pay for heat, gas, and electricity, it is assumed that 18 percent of income is devoted to these items.

The Renter's Tax Credit Program is independent of the state individual income tax. Applications must be filed by September 1 of each year. The applicant must, however, submit a copy of his most recent Federal Tax Form 1040 and all the accompanying forms with the 2006 renter's tax credit application.

Montgomery County has two additional tax relief items in fiscal year 2006: 1) a county supplemental to the State Homeowner Tax Credit Program; and 2) a new business tax credit.

Virginia

In Arlington County each owner of property for which exemption or deferral or both are claimed must be age 65 or older during the current taxable year and occupy such property as their sole dwelling, or be permanently and totally disabled. A dwelling jointly held by a husband and wife shall qualify if either spouse is or becomes 65 years old or is or becomes permanently and totally disabled during the current taxable year.

The gross combined income of the owner(s) during the year immediately preceding the taxable year shall be not exceed 65 percent of the median income for households for the Washington, D.C. metropolitan statistical area (MSA) for a total exemption, shall be between 65 percent to 80 percent of the median income of the MSA for a 50 percent exemption, and shall be between 80 percent of median income of the MSA and the maximum established under the Code of Virginia for a 25 percent exemption. Any amount not exempted may be deferred by the owner. In no event shall the gross combined income of the owner(s) during the year immediately preceding the taxable year exceed the greater of $72,000 or the median adjusted gross income of married residents based on the most recent tax returns of the married residents of Arlington County for a taxable year as published by the Weldon Cooper Center for Public Service of the University of Virginia.

The total combined financial worth of the owner(s) as of December 31 of the year immediately preceding the taxable year shall be determined in an amount not to exceed $540,000. Total financial worth shall include the value of all assets, including equitable interest, of the owner(s) and the owner’s relatives living in the dwelling for which the exemption or deferral or both are claimed, and shall exclude the fair market value of the dwelling and the land upon which it is situated, not exceeding one acre, for which the exemption is claimed.

Fairfax and Prince William Counties, and Falls Church provide an exemption from, or deferral of, real property taxes on dwellings owned and occupied by persons who are age 65 or older, or who are permanently and totally disabled and whose income is not more than $72,000 (Fairfax County), $66,700 (Prince William County), and $40,000 (Falls Church). Income of $7,500 may be excluded by an applicant who is permanently and totally disabled. Household gross income includes the income of all relatives residing therein. From this amount, the homeowner excludes the first $10,000 of income for each relative residing in the household other than the spouse of the owner. The combined financial net worth of the owner and spouse cannot exceed $340,000 up to one acre of land in Fairfax County and $340,000 in Prince William County, up to 25 acres of land, excluding the value of the home.

Loudoun County provides a tax relief program that exempts real property taxes on the dwelling and up to three acres of land on which the dwelling is situated. The dwelling must be owned and occupied as the full-time residence of the applicant(s) seeking tax relief. Applicants must be 65 years or older or certified permanently and totally disabled by January 1st of the current tax year. Loudoun County's gross household income limitation is $72,000. The first $7,500 of disability income may be excluded by applicants who are permanently and totally disabled. Not including the spouse of the applicant, the first $10,000 of income of each relative residing in the dwelling may be excluded when computing gross household income. Loudoun County's net worth limitation is $440,000, which does not include the value of the dwelling, and up to ten acres of land on which the dwelling is situated. The value of land in excess of three acres is not eligible for tax relief.

The city of Alexandria has two programs for real estate tax relief. The first, in existence for a number years, is tax relief for the elderly and permanently and totally disabled. This program allows for both exemption from and deferral of real estate taxes. To qualify for an exemption, the total household income of the applicant cannot exceed $62,000 for the calendar year immediately preceding the year in which the application is made. For household incomes up to $40,000, taxes are exempted in full. For household incomes between $40,001 and $50,000, up to 50 percent of the applicant's real estate tax bill is exempted. For household incomes between $50,001 and $62,000, up to 25 percent of the applicant's real estate bill is exempt. Up to $10,000 in income of any relative (not a spouse) living in the property is excluded, as well as up to $10,000 in income of any owner residing in the property who is permanently disabled is also excluded.

To qualify for deferral, the total household income of Alexandria city applicants cannot exceed $62,000 for the calendar year immediately preceding the year in which the application is made. The date of deferral of taxes is the date the taxes would ordinarily be due.

The second city of Alexandria program, the Affordable Homeownership Preservation Grant (AHOP), was initiated in 2004. This program provides grants between $200 and $1,200 depending on household income to homeowners, whose household incomes were $100,000 or less per year, and whose residences were assessed no higher than $527,000. For household incomes up to $40,000, the grant amount provided is $1,200. For household incomes between $40,001 and $55,000, the grant amount provided is $875. For household incomes between $55,001 and $72,000, the grant amount provided is $375. For household incomes between $72,001 and $87,000, the grant amount provided is $200. For household incomes between $87,001 and $100,000, the grant amount provided is $200.

TABLE 12
PROPERTY TAX RELIEF PROGRAMS
PROPERTY TAX YEAR 2006

HOUSEHOLD GROSS INCOME	**TAX CREDIT EQUALS:** 1/
DISTRICT OF COLUMBIA	
$ 0-$ 2,999	95% of property tax exceeding 1.5% of household income – up to $750
$ 3,000-$ 4,999	95% of property tax exceeding 2.0% of household income – up to $750
$ 5,000-$ 6,999	95% of property tax exceeding 2.5% of household income – up to $750
$ 7,000-$ 9,999	95% of property tax exceeding 3.0% of household income – up to $750
$10,000-$14,999	95% of property tax exceeding 3.5% of household income – up to $750
$15,000-$19,999	95% of property tax exceeding 4.0% of household income – up to $750
	Age 62 and Over, Blind or Disabled Circuit-Breaker Relief
$ 0-$ 4,999	1.0% of household gross income – up to $750
$ 5,000-$ 9,999	1.5% of household gross income – up to $750
$10,000-$14,999	2.0% of household gross income – up to $750
$15,000-$19,999	2.5% of household gross income – up to $750

JURISDICTION	**HOUSEHOLD GROSS INCOME LESS THAN:**	**NET WORTH LESS THAN:**	**RELIEF AMOUNT:** 2/	**TAX LIMIT:**
MARYLAND				
		Rates		
Charles County 3/	$60,000	$200,000	$1,620	$1,740
Montgomery County 3/	$60,000	$200,000	$1,740	$2,616
Prince George's County	$60,000	$200,000	$1,500	$1,920

1/ Renters use 15 percent of rent paid as a property tax equivalency.
2/ The maximum tax credit for the first $50,000 of the assessed value of the property.
3/ In addition to the state circuit breaker, Montgomery County introduced a county supplement that allows for an additional credit for a taxpayer with no more than $40,000 of income (versus $30,000 at state level). In Charles County, effective in 2005, the supplement allows for an additional credit for a taxpayer with no more than $50,000 of income, and house value no more than $300,000.

TABLE 12- Continued
PROPERTY TAX RELIEF PROGRAMS
PROPERTY TAX YEAR 2006

JURISDICTION	HOUSEHOLD GROSS INCOME LESS THAN:	NET WORTH LESS THAN:	RELIEF AMOUNT:
VIRGINIA			
		Rates:	
Alexandria 5/8/9/	$62,000	$240,000	5/
Arlington County 6/	$72,000	$540,000	7/
Fairfax 8/9/	$72,000	$340,000	10/
Fairfax County 8/9/	$72,000	$340,000	11/
Falls Church 8/	$40,000	$150,000	12/
Loudoun County 9/	$72,000	$440,000	13/
Prince William County 8/	14/	$340,000	14/

5/ Household income less than $40,000 receives full exemption, income $40,001 to $62,000 receives partial exemption; income not more than $62,000 can receive deferral of tax.
6/ For deferrals, net worth cannot exceed $195,000; for deferrals with interest, income cannot exceed $52,000; for deferrals without interest, income cannot exceed $47,000; for exemptions, net worth cannot exceed $100,000 and income cannot exceed $20,000.
7/ Amounts are determined every year; based on income and amount of tax due.
8/ Excludes up to $10,000 of disability income and the first $10,000 of income of each relative other than a spouse residing in the household.
9/ Excludes home and two acres of land from net worth calculation.
10/ Maximum exemption for incomes of $30,000 and below is 100%; declines on a sliding scale to 25% at $72,000.
11/ Residents 65 years and older or 100 percent disabled with gross income up to $52,000 for 100 percent tax exemption; $52,001 to $62,000 for 50 percent exemption; and $62,001 to $72,000 for 25 percent exemption.
12/ Incomes as low as $0 up to $15,000, receive a 100% tax relief, subject to a $1,500 cap, with a 100% deferral; up to $30,000 and assets up to $150,000, receive a 15% tax relief, subject to a $900 cap, with a full deferral of the balance; $30,001 up to $40,000 receive no tax relief, with a full deferral.
13/ Total exemption is granted for home and up to three acres.
14/ Total exemption of the tax on a home and up to one acre of land it occupies is granted to applicants whose gross household income does not exceed $46,000 annually. Partial exemption of the tax on a home and up to twenty-five acres of land it occupies is granted to applicants whose gross household income is greater than $46,000, but does not exceed $66,700.

PROPERTY TAXES

TANGIBLE PERSONAL PROPERTY

District of Columbia

The tax is imposed on all tangible personal property, except inventories, used in a trade or business. Such property includes machinery, equipment, furniture, fixtures and supplies. Tangible personal property leased to another business or individual located in the District of Columbia is taxable to the owner. Tangible personal property must be assessed at full and true value. Renters under a "lease purchase" or a "security purchase" agreement who are obligated to become the owner must report the property on the personal property tax return. The first $50,000 of taxable value is exempt from tax.

Maryland

The county rates of tax on tangible personal property are 2.5 times those for real property. The state rate is not levied on personal property. A county rate may apply to commercial and manufacturing inventories. The state is responsible for the assessment, at full cash value, of corporate tangible personal property.

Virginia

The tax on tangible personal property is a local tax in Virginia. The rates shown in Table 13, page 43 are nominal. Counties and cities impose different rates on tangible personal property and classify certain items separately from other tangible personal properties. Virginia jurisdictions are the only ones in the Washington Metropolitan Area that tax automobiles (as well as motorcycles, recreational vehicles, boats, airplanes and trailers) under the tangible personal property tax. However, in Prince William County, the tax rate for recreational vehicles, boats, and airplanes is taxed at $0.00001 per $100 of assessed value, resulting in no tax liability. Mobile homes are taxed at the real property tax rate. Motor vehicles must be listed separately and are assessed at trade-in value according to the January 1 (of each year) National Automobile Dealers Association handbook in Alexandria, Falls Church, Fairfax City, Fairfax County, and Prince William County. The average loan value is the basis used in Arlington County and Loudoun County. All Northern Virginia jurisdictions included in the report prorate vehicle personal property taxes based on the length of time the vehicle is in their locality. Beginning in 1998, Virginia adopted a personal property tax relief program on the first $20,000 of a vehicle's assessed value. For calendar year 2006, personal property taxes paid by citizens were reduced by various percentages based on the 2005 level of state reimbursement in which the state reimbursed the locality for that reduced assessment amount. Owners of vehicles valued at less than $1,000 pay no tax (the state pays 100 percent).

Fairfax and Prince William Counties also allow an exemption of personal property taxes on one automobile per household for the low-income elderly and the permanently and totally disabled. County tax relief applicants who meet the income and net worth requirements may qualify for a reduced tax rate and relief from the vehicle license decal fee on one vehicle per qualifying applicant. The 2006 tax rate for tax relief applicants was $0.00001 per $100 per assessed value. Qualifications for personal property tax relief for the low-income elderly and disabled are as follows:

- Gross income of the applicant may not exceed $66,700.
- The combined net assets of the applicant and spouse may not exceed $340,000 (excluding the value of the residence and up to 25 acres of land).
- Personal property relief for this program is limited to one vehicle. A free county decal is issued for these vehicles.

Loudoun County provides an alternative personal property tax rate on one vehicle per qualified applicant who is age 65 or over or declared permanently and totally disabled by January 1st of the current year. The vehicle must be used primarily by or for the applicant, and if co-owned, the gross income limitation includes income from all sources of the owners of the vehicle and the spouse of the applicant. The gross income limit for the alternative tax rate is $52,000. The applicant's net worth cannot exceed $195,000, which may exclude the value of the applicant's Loudoun County residence and up to one acre of land on which it is situated. The alternative tax rate is established annually by the Board of Supervisors. The 2006 rate is $2.10 per $100 of assessed value for qualified applicant's vehicles.

Falls Church allows an exemption of up to the first $25.00 of personal property taxes on one automobile per household for the low-income elderly and the permanently and totally disabled.

The City of Alexandria provides personal property tax relief for persons that meet the following requirements:

Eligibility Requirements:

- The vehicle for which the relief is requested must be owned, or partially owned and used by or for the applicant. Lease vehicles do not qualify for tax relief.
- The vehicle for which the tax relief is requested must be currently assessed by the City at less than $30,000. (Only one vehicle per household shall be granted tax relief.)
- The applicant must be at least 65 years of age, or permanently and totally disabled on or before April 10, 2006. The applicant must provide proof of age or certification of disability if under 65.

Income requirements:

- Total combined income of the applicant and his/her spouse shall not exceed $20,000 for calendar year 2006.
- The net combined financial worth (all assets, including vehicles) of the applicant and his/her spouse, excluding the value of the principal residence and lot up to one acre in the City, shall not exceed $75,000 as of December 31, 2006.

TABLE 13
TANGIBLE PERSONAL PROPERTY
TAX YEAR 2006 – 2007 1/

RATE PER $100 OF VALUE	
DISTRICT OF COLUMBIA	$3.40 2/
MARYLAND	
Charles County	$2.405
Montgomery County	$2.40
Prince George's County	$2.40 3/
VIRGINIA	
Alexandria	$4.75 5/ ($4.50) 8/ ($3.55) 4/
Arlington County	$5.00 5/
Fairfax	$3.79 5/ ($1.00) 6/ ($0.01) 7/
Fairfax County	$4.57 5/ ($0.89) 6/ ($0.01) 7/
Falls Church	$4.71 5/
Loudoun County	$4.20 5/ ($0.01) 7/ ($2.75) 8/ ($4.00) 9/ ($1.04) 10/
Prince William County	$3.70 5/ ($2.00) 8/ ($0.91) 10/ ($1.25) 11/ ($1.00) 12/

1/ The personal property tax year in Virginia area jurisdictions is on a calendar year basis. The rates submitted by Virginia jurisdictions for this report are applicable to calendar year 2006. In the District of Columbia and the Maryland area jurisdictions, the 2006 personal property tax year is July 1, 2006 to June 30, 2007. The rates presented are those in effect for this periods.
2/ First $50,000 of value is exempt from tax.
3/ Rate applies to non-town businesses. The county rate for incorporated town businesses ranges from $1.943 to $2.388. Maryland property tax rate is not levied against personal property.
4/ Vehicles with special equipment designed to aid the handicapped are assessed at a rate of $3.55 per $100 of value.
5/ Rate applied to regular individual personal property and business tangible personal property.
6/ Rate applied to mobile homes and public service corporation non-vehicular personal property.
7/ Rate applied to special subclass of vehicles (Hybrid).
8/ Rate applied to machinery and tools.
9/ Rate applied to heavy equipment.
10/ Rate applied to mobile homes.
11/ Rate applied to computer equipment.
12/ Rate applied to property used for research and development.

PUBLIC UTILITIES TAX

District of Columbia

The District imposes a gross receipts tax on utilities operating in the District of Columbia. The rate is 10 percent of gross receipts from sales to residential customers and 11 percent of gross receipts from sales to nonresidential customers. In addition, similar taxes are assessed on heating oil companies, natural and artificial gas marketers, long distance telephone companies, and subscription television, video, and radio service providers. Under provisions of the Telecommunications Competition Act of 1996, the District assesses an 11 percent gross receipts tax on local telephone companies, including wireless telecommunications providers. The regulated utilities pay the bulk of the revenues associated with these taxes.

Maryland

The tax applies to any company engaged in a telegraph, telephone, oil pipeline, electric or gas business in the state. The tax is based on gross receipts for the preceding calendar year. The rate is 2 percent and receipts subject to this tax are not subject to state income tax except for long distance phone companies, which surcharge the tax to their customers.

In addition, retail sales of natural or artificial gas, oil, electricity, coal, nuclear fuel assemblies and steam for nonresidential use are also taxed by several local subdivisions.

Virginia

Electric and gas; water or heat; light and power companies; and telegraph and telephone companies are subject to the tax at different rates. Telephone and telegraph taxes are based on mileage of poles or conduits, including mileage of buried cable; an additional charge is applicable to gross receipts from intrastate business.

A special tax not to exceed ½ of 1 percent is imposed on gross receipts for business done in Virginia.

Virginia exempts consumers from tax for the use or consumption of gas, electricity and water delivered through mains, lines or pipes. However, some Virginia localities do tax consumers for these services at different rates.

TABLE 14
PUBLIC UTILITIES TAX TO RESIDENTIAL CONSUMERS
JANUARY 1, 2007

JURISDICTION	ELECTRICITY	MAXIMUM MONTHLY TAX	TELEPHONE	MAXIMUM MONTHLY TAX	GAS	MAXIMUM MONTHLY TAX	WATER	MAXIMUM MONTHLY TAX
DISTRICT OF COLUMBIA	---	---	---	---	$.0707/ therm	---	---	---
MARYLAND	5.0%	---	---	---	5.0%	---	---	---
Montgomery County	$.0047489/kwh 1/	---	$2.00 2/	---	$.0428443/ therm 1/	---	---	---
Prince George's County	$.005706/kwh 1/	---	8%	---	$.073040/ therm 1/	---	---	---
VIRGINIA 3/								
Alexandria	$ 1.12 plus $0.012075/kwh	$ 2.40	25.0% 4/	---	$ 1.28 plus $0.124444/ccf	$ 2.40	15.0%	---
Arlington County	---	---	---	---	---	---	---	---
Fairfax	$1.05 plus $0.01136/kwh	$2.25	15.0%	$15.00	$1.05 plus $0.05709/ccf	$2.25	15.0%	$15.00
Fairfax County 5/	$ 0.56 plus $0.00605/kwh	$ 4.00	22.2%	$11.10	$ 0.56 plus $0.05259/ccf	$ 4.00	---	---
Falls Church	$.70 plus $007575/kwh	$ 5.00 5/	10.0%	$ 5.00 5/	$.70 plus $.0039/ccf	$ 5.00 5/	10.0%	$ 5.00 5/
Loudoun County	$.63 plus $006804/kwh	$ 2.70	9.0% 6/	$ 2.70	$0.63 plus $0.008485/ccf	$ 2.70	---	---
Prince William County	$1.40 plus $0.01509/kwh	$ 3.00 7/	20.0%	$ 3.00 7/	$1.60 plus $0.06/ccf	$ 3.00 7/	---	---

1/ This energy tax is levied upon every person transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, etc., in Montgomery and Prince George's Counties. Although the tax is levied upon the distributor, it is effectively borne by the consumer.
2/ Telephone tax per line and per wireless telephone each month.
3/ As of January 1, 2007, all local telephone utility taxes in Virginia will be replaced with a 5% statewide communications sales and use tax.
4/ Rate applies to local service only.
5/ Per month maximum shown is for residential consumers only; separate rates are in effect for commercial consumers.
6/ First $30.00 billed per line per month.
7/ Maximum monthly tax for commercial consumers is $100.

TABLE 15
PUBLIC UTILITIES TAX TO SUPPLIERS
JANUARY 1, 2007

JURISDICTION	UTILITIES SUBJECT TO TAX	RATE	BASIS
DISTRICT OF COLUMBIA			
	Gas Residential Non-residential	 $.07070 $.07777	Per Therm
	Electric distribution Companies	$0.0077	Per Kilowatt Hour
	Telecommunications Residential Non-residential	 10.0% 11.0%	Gross Charges
MARYLAND			
	Telegraph, telephone, oil pipeline, electric, or gas companies	2.0%	Gross Receipts
VIRGINIA			
	Railway companies Income tax	6.0%	Net Income
	Electric, gas, heat, light, power and water Up to $100,000 Over $100,000	 1.125% 2.3%	Gross Receipts
	Pipeline transmission Up to $100,000 Over $100,000	 1.125% 2.3%	Gross Receipts
	Telecommunications	1.0%	Gross Receipts
	Telephone	1/	Net Income

1/ Telephone companies are subject to the corporate income tax, not the utility gross receipts tax.

RECORDATION AND TRANSFER TAXES

District of Columbia

A tax of 1.1 percent of the consideration is imposed on each deed when it is submitted for recording if the fair market value is under $400,000; otherwise, the rate is 1.45 percent on fair market value $400,000 and above. The minimum recordation tax is $1.00.

Another tax of 1.1 percent of the consideration paid is imposed on each transferor for each transfer if the fair market value is under $400,000 and is payable at the time the deed is submitted for recording; otherwise, the rate is 1.45 percent on fair market value $400,000 and above. The minimum transfer tax is $1.00.

Transfers of economic interests in the District of Columbia are subject to a 2.2 percent tax based on consideration paid.

Maryland

Instruments conveying title to real and personal property in Maryland are taxed at 0.11 percent of actual consideration paid. Instruments securing a debt are taxed at 0.11 percent of the principal amount of the debt secured.

The Maryland state realty transfer tax is 0.5 percent of the consideration (the first $30,000 of consideration paid for owner-occupied real properties is exempt).

Charles County

The recordation tax in Charles County is 1.00 percent.

Montgomery County

Montgomery County's recordation tax is imposed at the rate of 0.69 percent.

The county transfer tax rate depends upon the type of real property involved. The tax is 1.0 percent of consideration on transfers of all unimproved realty; 1.0 percent on improved residential and commercial realty of $70,000 or more; 0.5 percent on transfers of improved residential realty valued between $40,000 and $70,000 and 0.25 percent on residential property valued under $40,000; 0.5 percent on improved commercial realty between $20,000 and $70,000 in value; from 2.5 percent to 6 percent (depending upon how long owned) on transfers of farmland; and 6 percent on transfers of property divided for a more intensive use. There is an overall 6 percent limit on the total state agricultural and local transfer taxes.

Prince George's County

The recordation tax rate in Prince George's County is 0.44 percent. In addition, the county imposes a transfer tax of 1.4 percent of the selling price.

Virginia

The state recordation tax is $0.25 per $100, or fraction thereof, of the consideration of the deed or the actual value of the property conveyed, whichever is greater. In addition, the state allows cities and counties to impose a recordation tax of up to one-third of the state tax. The cities of Fairfax and Falls Church and the counties of Arlington, Fairfax, Loudoun and Prince William impose this tax at the rate of $0.0833 per $100. Alexandria levies an additional tax of 1/3 of the State's recordation tax.

The state realty conveyance tax is $0.50 for each $500, or fraction thereof, exclusive of any lien or encumbrance remaining thereon when the consideration or the value of the interest exceeds $100. One half of the conveyance tax collected is returned to the state treasury and one half goes into the treasury of the locality of the property. The land transfer fee is one dollar and is collected whenever improved or unimproved land of any amount of acreage is transferred between two parties.

SALES AND USE TAXES

District of Columbia

The sales tax is imposed on all tangible personal property sold or rented at retail in the District and on certain services. The services include: (a) any production, fabrication or printing of tangible personal property on special order for consideration; (b) the sale or charges for any room or rooms, lodging or accommodations furnished to transients by any hotel, inn, tourist camp, tourist cabin, or any place in which rooms, lodging or accommodations are regularly furnished to transients for a consideration; (c) the sale of data processing and information services; (d) the sale of, or charges for, certain services provided to real property; (e) the sale of, or charges to subscribers for, local telephone service and certain toll telecommunications services; no tax shall be imposed on any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus or equipment as is properly attributable to such installation; (f) the sale of, or charge for, services of repairing, altering, mending or fitting tangible personal property, or applying or installing tangible personal property; (g) the sale of, or charges for, copying, photocopying, reproducing, duplicating, addressing, and mailing services and for public stenographic services; (h) the sale of textiles to commercial users in the business of renting such textiles, if the essential part of such rental includes the recurring service of laundering or cleaning services; (i) the sale of, or charges for, services of parking, storing or keeping motor vehicles or trailers (there are some exceptions for D.C. residents, such as parking facilities that are used for residential parking); and (j) the sale of publications.

Food sold in grocery stores, sale of snack foods in vending machines, prescription and nonprescription drugs, and residential utility services are exempt from sales tax.

The use tax is imposed at the same rate on property sold or purchased outside the District and then brought into the District to be used, stored or consumed. Vendors who are subject to the jurisdiction of the District are required to collect and pay the sales or use tax. When the vendor is not subject to the jurisdiction of the District, or when the purchaser brings the property into the District, the purchaser is required to pay the tax.

FIVE-TIER RATE STRUCTURE IS PRESENTLY IN EFFECT:

5.75 percent	Retail rate for tangible personal property and selected services, food sold in vending machines.
9 percent	Liquor sold for off-the-premises consumption.
10 percent	Restaurant meals, liquor sold for consumption on the premises, rental vehicles, prepaid telephone cards, tickets sold for baseball games, merchandise sold at baseball games, tickets sold for events at the Verizon Center and merchandise sold at the Verizon Center.
12 percent	Parking motor vehicles in commercial lots, rolled tobacco products usually used for smiling, chewing or as snuff, made in whole or in part with tobacco, except for cigarettes, premium cigars or pipe leaf tobacco products.
14.5 percent	Transient accommodations.

Maryland

A 5 percent tax is imposed on retail sales, including the rental, lease or royalty of tangible personal property, including: (a) sales of alcoholic beverages, and sales of food and drink on purchases over $1.00; (b) production, fabrication or printing of tangible personal property on special order; (c) sales of tangible personal property to contractors, builders or landowners for use or resale in the form of real estate; (d) lodgings or accommodations; and (e) sales of tangible personal property and/or services to persons who will use them as facilities, tools, machinery or equipment, even though the intention is to transfer title to the property.

Rental of passenger cars for 180 days or less is taxed at the rate of 8 percent.

Residential public utilities (natural or artificial gas, electricity, steam, and coal) are exempt from the sales tax. This exemption covers residential properties containing not more than four units, including cooperative housing, condominiums and other similar residential living arrangements.

In addition to the state rate of 5 percent, Maryland localities impose a tax ranging from 0.5 percent to 10 percent on admissions to movie theaters, concerts, amusement parks and various other events.

Virginia

A 4.0 percent state tax and 1.0 percent local tax is imposed on retail sales, proceeds from leases and rentals, and proceeds from transient accommodations. Among the exempt items are gas, electricity, home heating fuel, water, alcoholic beverages sold by the state, certain medical supplies and charitable purchases.

Virginia localities impose an additional 1 percent sales and use tax. These local taxes are administered by the state.

Vending machine dealers are taxed at 5.0 percent, and sales tax rate on groceries is 2.5 percent.

TABLE 16

SALES AND USE TAX RATES

AS OF JANUARY 1, 2007

JURISDICTION	GENERAL RATE		ADMISSIONS		TRANSIENT ACCOMMODATIONS		RESTAURANT MEALS	
	STATE	LOCAL	STATE	LOCAL	STATE	LOCAL	STATE	LOCAL
DISTRICT OF COLUMBIA	5.75%	---	---	---	14.5%	---	10.0%	---
MARYLAND	5.0%	---	---	---	5.0%	---	5.0%	---
Charles County	---	---	---	+5-10%	---	+5.0% 1/	---	---
Montgomery County	---	---	---	+5-7% 2/	---	+7.0% 3/4/	---	---
Prince George's County	---	---	---	+5-10%	---	+5.0%	---	---
VIRGINIA	4.0%	---	---	---	4.0%	---	4.0%	---
Alexandria	---	+1.0%	---	---	---	+5.5%	---	+3.0%
Arlington County	---	+1.0%	---	---	---	+5.25% 5/	---	+4.0%
Fairfax	---	+1.0%	---	---	---	+4.0%	---	+2.0%
Fairfax County	---	+1.0%	---	---	---	+4.0%	---	---
Falls Church	---	+1.0%	---	---	---	+5.0%	---	+4.0%
Loudoun County	---	+1.0%	---	---	---	+5.0%	---	---
Prince William County	---	+1.0%	---	---	---	+5.0%	---	---

1/ Permanent residents of 120 days or more are exempt from the tax.
2/ Rates are generally 7%, but are limited to 5% when the state sales tax is applied, since the combination of the two taxes may not exceed 10%.
3/ Rates range from 5 percent to 10 percent.
4/ 3.5% is allocated to the Montgomery County Conference and Visiting Bureau, and Convention Center.
5/ Tax not imposed on residents of more than 90 consecutive days.

WATER AND SEWERAGE USER CHARGES (RESIDENTIAL)

Charges for water and sanitary sewerage and basic rates for each jurisdiction are presented in Table 17, page 53. Average cost per 1,000 gallons is the common standard used. Special charges for service connections, availability, demand and account service and frontfoot (a foot measured along the front of a piece of property) assessments are not included in Table 17.

The rates for Loudoun and Prince William Counties are those that exist in the town of Leesburg. This is done to simplify the rates because rates differ throughout these counties according to the city or town of residency.

In Virginia and Maryland jurisdictions, billing is quarterly, while the District of Columbia bills monthly.

TABLE 17

WATER AND SEWERAGE USER CHARGES (RESIDENTIAL)

JURISDICTION	WATER	SEWERAGE	MINIMUM
DISTRICT OF COLUMBIA 1/	$2.03/1,000 gal.	$3.06/1,000 gal.	None
MARYLAND			
Charles County	$2.30/1,000 gal.	$4.01/1,000 gal.	$4.56
Montgomery County	Low $1.75/1,000 gal. Usage 49 gal. or less/day High $4.06/1,000 gal. Usage 9,000 gal./day or more	$2.03/1,000 gal. 49 gal. or less/day $5.18/1,000 gal. Usage 9,000 gal./day or more	None
Prince George's County	Low $1.67/1,000 gal. Usage 49 gal. or less/day High $3.84/1,000 gal. Usage 9,000 gal./day or more	$2.45/1,000 gal. 49 gal. or less/day $6.22/1,000 gal. 9,000 gal./day or more	None
VIRGINIA			
Alexandria 2/	$24.84 flat fee up to 6,000 gal./qtr. $1.3757/1,000 gal. Over 6,000 gal./qtr. + $0.888 per 1,000 gal.	$5.39/1,000 gal. plus $4.25/bill + sewer service charge	None
Arlington County	$2.10/1,000 gal.	$2.60/1,000 gal.	None
Fairfax 3/	$1.10/1,000 gal. over 5,000 gal.	162% of water charge	$5.85 water $9.48 sewer

TABLE 17-continued

WATER AND SEWERAGE USER CHARGES (RESIDENTIAL)

JURISDICTION	WATER	SEWERAGE	MINIMUM
Fairfax County 4/	Old Customers: $1.50/1,000 gal. plus $5.50 service charge New Customers: $1.65/1,000 gal. plus $5.50 service charge	$3.50/1,000 gal.	None
Falls Church 3/	$3.03/1,000 gal.	$5.91/1,000 gal.	None
Loudoun County 5/6/7/8/	Old Customers: $1.64/1,000 gal. New Customers: $1.76/1,000 gal.	$2.59/1,000 gal.	$18.93 water $16.62 sewer
Prince William County	$2.20/1,000 gal.	$4.25/1,000 gal.	None

1/ Additional $0.58 per month is charged for residential storm water fee.
2/ The water in Alexandria is supplied by "Virginia American Water Company", a private company.
3/ Water and sewerage services are primarily provided by the Fairfax County Water Authority and Fairfax County, respectively. A small number of County residents on an exception-only basis receive their water and sewerage services from one of the following: Fairfax City, Falls Church, Herndon and Vienna. These residents pay the rates set by the supplier, which may differ from the rates set forth above.
4/ Established customers are subject to a peak usage rate of $2.65/1,000 gallons during the summer quarters on water consumption that exceeds winter quarter usage by 6,000 gallons or 30 percent, whichever is higher.
5/ Rates shown exclude the Sterling area and the Town of Leesburg. The water and sewer rates for Leesburg are $2.67 per 1,000 gallons and $3.21 per 1,000 gallons, respectively, plus an $8.00 each billing charge. The water and sewer rates for Sterling are $1.64 per 1,000 gallons and $2.59 per $1,000 gallons respectively.
6/ Rates are the same for residential and commercial users.
7/ Peak use charges of $2.46/1,000 gallons.
8/ Town of Leesburg (out of town rates); $3.99/1000 gallons (water); $4.80/1000 gallons (sewer); and $8.00 service charge. (Residents who live outside of the town limits, but are on town water and sewer.)

MISCELLANEOUS TAXES

District of Columbia

Uniform Disposition of Unclaimed Property

The District of Columbia is authorized to act as conservator over property presumed abandoned and held by businesses and financial corporations by mandating the reporting and delivery of such property into the custody of the Mayor.

The Uniform Disposition of Unclaimed Property Act includes all tangible and/or intangible personal property and requires that reports be filed annually. Banks, businesses and other financial corporations must report on or before November 1, for property abandoned by the preceding June 30. Life insurance companies must report by May 1 for property abandoned by the preceding December 31.

Other Miscellaneous Taxes

911 Emergency	
Wireless/Wire line Subscribers	$0.76 per line per month
Centrex Lines	$0.62 per line per month
Federal Government Access Lines	$0.62 per line per month

Maryland

Uniform Disposition of Abandoned Property

Maryland's unclaimed property law is custodial in nature. The law covers tangible and intangible personal property and requires holders to file a report annually.

The reporting period for an insurance company is from January 1 through December 31, of each year and the report is due no later than April 30 of the following year. Reports for all other entities (banks, financial organizations, utilities and corporations) cover the period of July 1 through June 30 of each year and must be filed no later than October 31 of that year.

Montgomery County Room Rental Transient Tax

The tax is 7 percent of room rental collected on stays of not more than 30 consecutive days.

Other Miscellaneous Taxes

Montgomery County:

911 Emergency	$0.60 per line per month
Telephone Service	$0.50 to county
Charge	$0.10 to state trust fund

Other Miscellaneous Taxes-continued

Prince George's County:

911 Emergency Telephone Service Charge	\$1.00 per line per month \$0.75 to county \$0.25 to state trust fund

Charles County:

911 Emergency Telephone Service Charge	\$1.00 per line per month \$0.75 to county \$0.25 to state trust fund

Virginia

Business Litter Tax

Virginia imposes an annual \$10 litter tax on each business establishment that produces litter. An additional \$15 tax is levied on each business operating as a manufacturer, wholesaler, distributor, or retailer of groceries, soft drinks, carbonated water, beer or other malt beverages.

Uniform Disposition of Unclaimed Property

All unclaimed property is subject to the custody of the Commonwealth of Virginia, including funds or other property, tangible and intangible, including any income or increments thereon, less any lawful charges that are held, issued or owing in the ordinary course of the holder's business and have remained unclaimed by the owner.

Banking organizations, business associations and financial organizations must file an unclaimed property report before November 1 of each year as of June 30 preceding. Insurance corporations must file a report before May 1 of each year as of the preceding December 31.

Other Miscellaneous Taxes *

Alexandria:

Daily Rental Tax	1% on the gross proceeds of a short-term rental business
Public Rights-of-Way Use Fee	\$0.64 per line per month

Arlington County:

Short-term Rental Tax	1% on the gross proceeds of short term rental receipts
Solid Waste & Recycling Fee	\$228.00 per year

Other Miscellaneous Taxes-continued

Fairfax County:	
Short-term Daily Rental	1% on the gross proceeds of a Short-term rental business
Falls Church:	
Bowling Tax	5 cents per lane of bowling
Short-term Rental	1% on gross proceeds of a short-term rental business
Loudoun County:	
Rental Tax	1% of daily rate
Prince William County:	
Daily Rental Tax	1% daily rental tax

Note: Effective January 1, 2007, all local E-911 fees have been replaced with a statewide $0.75 per line fee. Also, effective January 1, 2007, all local mobile telecommunications taxes in Virginia have been replaced with a 5 percent statewide communications sales and use tax.

OFFICE LOCATIONS AND TELEPHONE NUMBERS

Office of the Chief Financial Officer
The John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 203
Washington, DC 20004

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

Office of the Chief Financial Officer
Natwar M. Gandhi, Chief Financial Officer
Lucille Dickinson, Chief of Staff
David Tseng, General Counsel
Angell Jacobs, Director of Operations
Mike Teller, Chief Information Officer
Cynthia Gross, Congressional Relations
Paul Lundquist, Executive Director for Management and Administration
Maryann Young, Public Affairs Officer
Mohammad Yusuff, Acting, Executive Director for Integrity and Oversight
Jeanette A. Michael, Executive Director DC Lottery Board
John P. Ross, Director of Economic Development Finance

Office of Revenue Analysis
Robert D. Ebel, Deputy Chief Financial Officer
441 4th Street, NW, Suite 410 South, Washington, DC 20001
(202) 727-7775

Office of Budget and Planning
Gordon McDonald, Interim Deputy Chief Financial Officer
1350 Pennsylvania Avenue, NW, Suite 229, Washington, DC 20004
(202) 727-6234

Office of Finance and Treasury
Lasana K. Mack, Deputy Chief Financial Officer
1275 K Street, NW, 6th Floor, Washington, DC 20005
(202) 727-6055

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

Office of Tax and Revenue
Sebastian Lorigo, Acting Deputy Chief Financial Officer
941 North Capitol Street, NE, Suite 800, Washington, DC 20002
(202) 442-6200

Economic Development and Regulation
Cyril O. Byron, Associate Chief Financial Officer

Government Direction
Mohamed Mohamed, Interim Associate Chief Financial Officer

Government Services
George Dines, Interim Associate Chief Financial Officer

Human Support Services
Deloras A. Shepherd, Associate Chief Financial Officer

Public Safety and Justice
Angelique Hayes, Interim Associate Chief Financial Officer

Prepared By:

Government of the District of Columbia
Office of Revenue Analysis
441 4th Street, N.W.
Suite 410 South
Washington, D.C. 20001
(202) 727-7775