



# February 2026 Revenue Estimate

February 27, 2026

# Current National and DC Economic Trends



## National:

- The Federal Reserve *maintained the benchmark federal funds rate at 3.5% to 3.75%* and is expected to gradually reduce the rate to a neutral rate of 2.75-3% by 2027.
- Real U.S. *GDP rose by an annual rate of 1.4% in the 4<sup>th</sup> quarter of 2025*, following a 4.4% gain in the second quarter. These gains were partly offset by weaker exports and reduced government spending.
- *Nonfarm payrolls for January rose by 130,000*, the strongest monthly growth since late 2024, and the unemployment rate decreased to 4.3%. However, job growth for 2025 was revised downward to an average of 15,000 jobs per month.
- *The Personal Consumption Expenditures (PCE) index, an inflation measure, rose at an annualized rate of 2.7% in the 4th quarter of 2025.*
- *In January, federal employment fell by 32,800 positions*, contributing to a total decline of 312,300 jobs (13 percent) over the year. The largest drop occurred in October, with 178,100 jobs cut due to the Deferred Resignation Program.

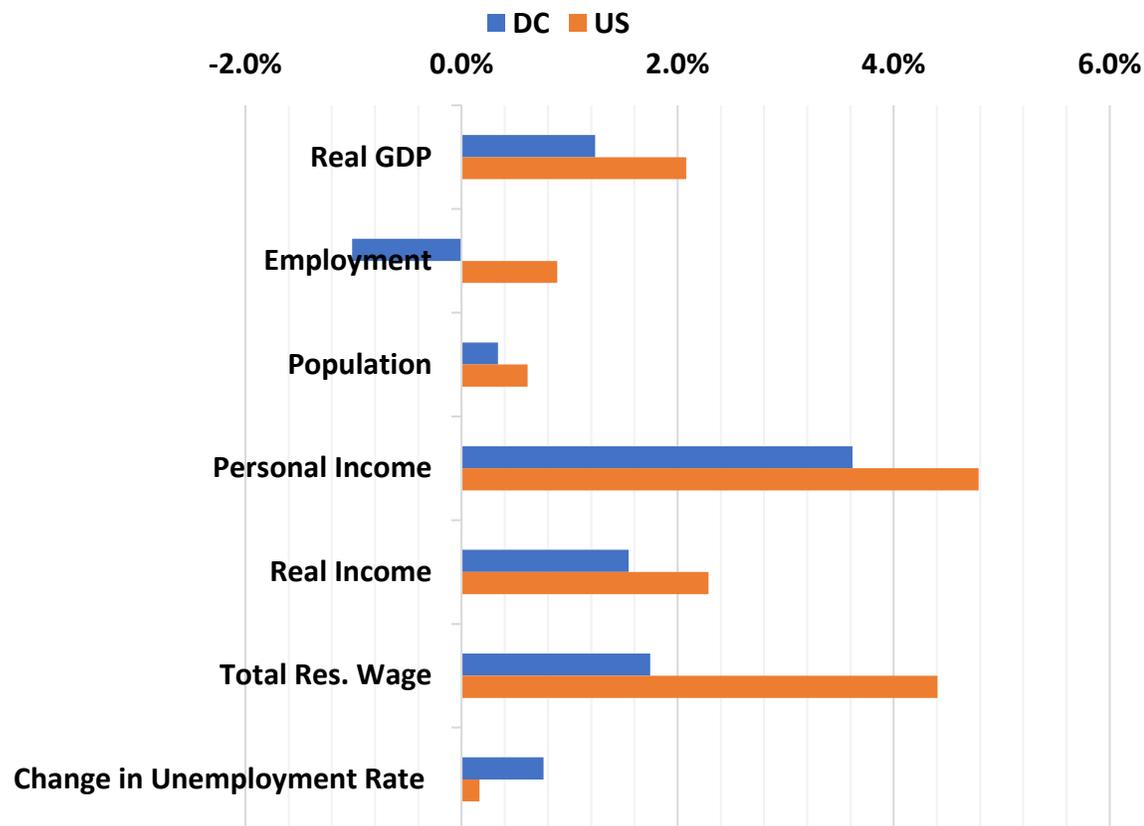
## District:

- Economy: *Real GDP, income, and wages grew but lagged national averages* despite improving over the last forecast.
- Jobs: *Total employment fell in Q4 2025 compared to the prior year*, led by federal and business services losses.
- Unemployment rate: *District resident unemployment rate climbed steadily, hitting 6.7% in December 2025.*

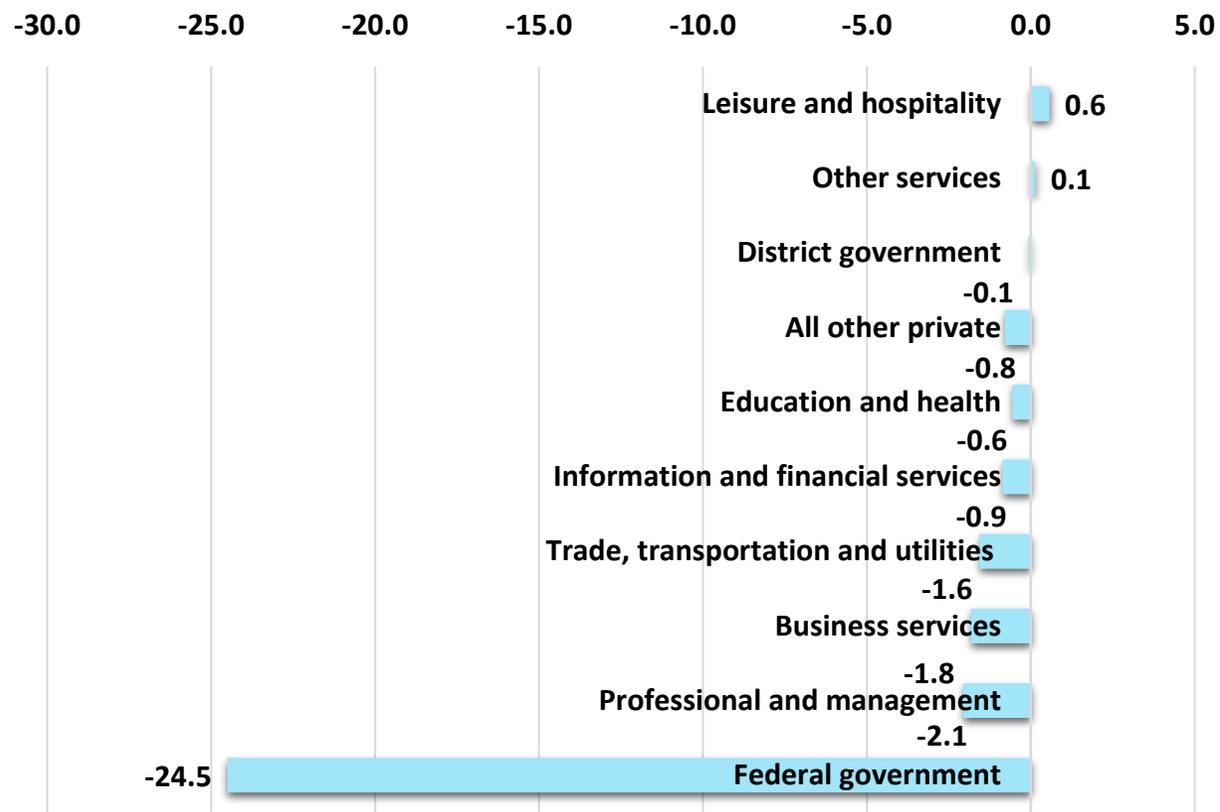
# DC Economy Lags Nation as Federal and Contractor Jobs Fall



Relative performance in key indicators  
Q3 2025 vs a year earlier



Change in wage and salary jobs in DC by sector: Q4  
2025 vs Q4 2024, Seasonally Adjusted



Data source: Bureau of Labor Statistics (BLS) Total Jobs: -31,600

\*Employment statistics as of Q4 2025

# Revisions to Key Economic Assumptions

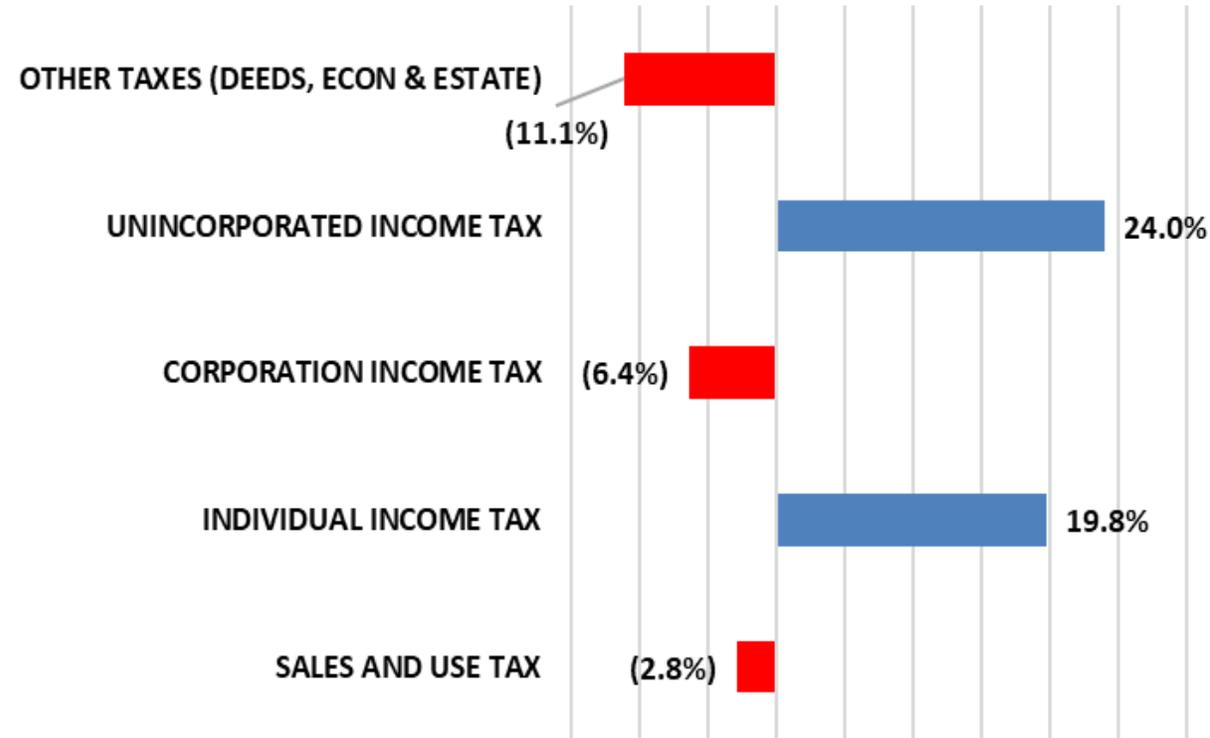


- **Output:** Gross State Product estimates for fiscal year 2025-2026 were increased following the Q3 data release, and historical revisions were applied to fiscal year 2023-2024.
- **Personal income & wages:** Following the US Bureau of Economic Analysis (BEA) revisions, FY 2025-2026 wages were revised downward sharply; however, FY 2027-2029 wages were revised upward. Personal income revisions were similar, with more moderate changes.
- **Population:** The US Census Bureau revised District population estimates for 2023-2024 downward, below 700K, and estimates for FY 2025 were lower by 2.4%. The forecast for FY 2026-2029 is reduced by about 2%.
- **Employment in DC:** Jobs in DC for FY 2026 were revised downward by 0.7% following the latest jobs report for FY 2025, with a similar revision for the out-years.
- **Resident employment:** The number of employed DC residents was unchanged for FY 2025-2026 but was revised slightly downward for FY 2027-2029.
- **Housing:** Housing starts and sales were revised downward for FY 2026-2029 to reflect weaker employment.
- **Financial markets and corporate earnings:** The S&P 500 index and earnings for FY 2025-2026 are revised upward, whereas the out-years are revised downward.

# FY 2026 Year-to-date (YTD) Revenue Trends

- Total YTD tax revenue through January is trending above the forecast.
- Individual income tax revenue accounted for roughly 59% of the YTD FY 2026 revenue growth.
  - Non-withholding income tax revenue drove this growth due to final payments (up 153%) and estimated payments (up 30%).
  - Withholding revenue was up 7.6 percent; January withholding collections were 13.9% higher compared to last year but reflect seasonal bonus distributions.
- Growth in unincorporated business tax revenue continues to be driven by a few taxpayers making large estimated payments.
- Other taxes (Deed, Economic Interest, and Estate) represent the major source of YTD revenue decline, down 11%, reflecting decreased real estate sales and financing activity.
- Corporation Franchise income tax revenue is down 6.4% primarily due to lower January final and estimated payments, down 58% and 39% respectively.
- Decline in Sales and Use tax revenue is mainly due to a decline in general sales tax collection from all components, led by a sharp decline (-9.7%) in hotel tax revenue.

## YTD FY 2026 Major Tax Revenue Growth



# FY 2025-2030 Financial Plan – Local Component



## February 2026 Revenue Estimate Compared to the Previous Estimate

Local Source, General Fund Revenue Estimate (\$M)	Actual	Estimated	Projected			
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
<b>September 2025 Revenue Estimate</b>	<b>10,937.5</b>	<b>10,740.8</b>	<b>11,021.2</b>	<b>11,396.4</b>	<b>11,779.3</b>	
<i>February revision to the estimate</i>		75.1	73.4	65.1	53.4	
<b>February 2026 Revenue Estimate</b>	<b>11,088.7</b>	<b>10,815.9</b>	<b>11,094.6</b>	<b>11,461.5</b>	<b>11,832.7</b>	<b>12,219.9</b>
<b>Revenue Change From Previous Year</b>						
Amount	864.8	(272.8)	278.7	366.9	371.2	387.2
<i>Year-Over-Year Percent Change</i>	8.5%	-2.5%	2.6%	3.3%	3.2%	3.3%

# FY 2026-2029 Forecast Revision vs. September Estimate



## REVISION TO SEPTEMBER ESTIMATE (\$000)

SOURCES OF REVISION	FY 2026	FY 2027	FY 2028	FY 2029
PROPERTY	(7,810)	(37,554)	(36,629)	(50,004)
SALES & EXCISE	(30,958)	(17,736)	(27,825)	(24,703)
<b>INCOME</b>	<b>286,314</b>	<b>316,533</b>	<b>344,220</b>	<b>358,068</b>
<b>INDIVIDUAL INCOME TAX</b>	<b>338,216</b>	<b>324,261</b>	<b>323,338</b>	<b>336,894</b>
WITHHOLDING	175,894	203,234	225,949	258,163
NONWITHHOLDING	162,322	121,027	97,390	78,730
<b>CORPORATE FRANCHISE</b>	<b>(8,048)</b>	<b>(9,151)</b>	<b>12,322</b>	<b>671</b>
<b>UNINCORPORATED BUSINESS</b>	<b>(43,855)</b>	<b>1,422</b>	<b>8,559</b>	<b>20,504</b>
GROSS RECEIPTS	(9,573)	4,666	8,739	7,283
DEED, ECON AND ESTATE	(87,851)	(100,074)	(140,242)	(163,325)
<b>GROSS TAX</b>	<b>150,122</b>	<b>165,834</b>	<b>148,264</b>	<b>127,319</b>
NONTAX & LOTTERY	(105,871)	(108,165)	(82,100)	(60,987)
Net REVISION (GROSS)	44,250	57,670	66,164	66,332
Dedicated revision	(30,897)	(15,794)	989	12,892
<b>LOCAL FUND REVISION</b>	<b>75,148</b>	<b>73,463</b>	<b>65,175</b>	<b>53,440</b>

## **National:**

- Economic uncertainty related to tighter trade, monetary, and immigration policies
- Uncertainty around federal tax and spending decisions
- Persistent inflation, a slowing labor market, and consumer spending vulnerability
- Financial market volatility
- Geopolitical turmoil
- Risk of U.S. recession/stagflation

## **District:**

- Uncertainty around congressional actions on the District tax laws
- Changes to federal employment and office use patterns
- Population growth stalling due to federal workforce reductions and tighter immigration
- Declining tourism amid more restrictive trade and immigration policies

# Questions?