Revenue

Introduction

The economic outlook for the District of Columbia and the United States in FY 2005 and FY 2006 is good. Across the nation, strong growth in the second half of FY 2005 is likely as a result of higher productivity, greater government spending, and reduced geo-political risks. In contrast to the early part of the current US recovery, employment and income are also expected to show significant gains.

The District will enjoy these national trends and some additional strengths of its own. Higher federal spending means an extra "kick" locally because more than our share of these dollars will be spent here. Currently, small business growth is helping the economy in the District and this is expected to continue, adding jobs and economic activity. Retail activity will improve somewhat, as the number of retail outlets in the District continues to grow and as shoppers increase their spending. The new National Museum of the American Indian and the World War II Memorial on the National Mall, along with other shopping and eating venues, add to expected business in the hospitality sector in FY 2005 as does the advent of major league baseball.

The estimating assumptions for FY 2005 and FY 2006 include about 1 percent growth each year in total jobs; 5.0 percent and 5.5 percent increases in personal income of District residents; and inflation of 2.8 and 2.3 percent. Most of the increases in jobs and wages will be in the District's key private sector service industries: professional and business services, education, health, membership organizations, retail, and hospitality services.

One key economic question for the District in FY 2005 and on into FY 2006 is "What will happen in the market for real property?" Substantial increases in prices and the number of transactions in both residential and commercial real estate markets were major sources of revenue gains in FY 2003 and FY 2004. These factors are expected to contribute significantly to FY 2005 and FY 2006 revenues as well. In FY 2003 and FY 2004 the assessed value of all taxable property in the District (before the application of any caps or credits) increased 10.6 percent and 14.5 percent, respectively. In addition, the total value of taxable real property sales grew 53 percent in FY 2004, following a 30.5 percent increase in FY 2003.

A number of market observers point out that some of the key fundamentals affecting the District's real estate markets remain strong: the District's economy is growing, individuals and businesses both continue to demonstrate a desire to locate in the District, and the supply of housing and land for commercial development cannot increase very rapidly. Accordingly, we expect real estate values and the total value of transactions to continue to grow at rates close to those experienced in the past two years.

In total, these economic effects will shape the revenue collections by the District of Columbia in FY 2005 and FY 2006. Growth in personal income and recovery of the financial markets, will contribute to the rebound of individual income tax revenues and we forecast growth of 4.4 and 1.6 percent in each year, respectively. Franchise tax revenues also will grow, with about 13.6 percent increases in FY 2005 and 2.7 percent in FY 2006, and sales taxes will go up.

The real property tax baseline will continue to increase by about 12.6 and 9.7 percent during FY 2005 and FY 2006. However, there have been policy changes that increased the homestead exemption to $38,000 and capped homestead tax increases at 12 percent in FY 2005. Additionally, the revenue will grow at a slower rate due to a new policy that takes 15 percent (up to $10 million a year) for a new Neighborhood Development Trust Fund. Despite the growing value of real estate transactions, deed tax collections are estimated to decrease in FY 2005 due to the 26.7 percent rate reduction (from 1.5 percent to 1.1 percent) that took place at the beginning of FY 2005; then they will continue their upward march by 15.8 percent in FY 2006.

In all, total revenue available for general fund purposes in FY 2005 is forecast to be 5.3 percent greater than in FY 2004 and to grow another 5.6 percent in FY 2006. The growth in total general fund revenue in FY 2004 was 9.7 percent over the FY 2003.

Although economic growth numbers for the last two quarters of FY 2004 and the first quarter of FY 2005 indicate a recovering national economy, a number of risks remain. One major risk is a sharp upward movement in long-term interest rates as a result of current imbalances in the economy - in particular, the record-level budget and trade deficits. The District's revenue estimates are vulnerable to a sharp rise in the interest rate; our forecast calls for a gradual rise in long-term interest rates. A sharp rise in interest rates could cause more slowing of growth in the real estate market than we are forecasting here. The uncertainties involved in estimating changes in real estate markets that have such a big impact on revenues are not unlike those encountered a few years earlier in trying to anticipate the stock market, which had such a large impact on income tax revenues. Similarly, a sharp decline, or a prolonged period of stagnation in the U.S. stock market, would adversely affect the District's revenues, particularly the Individual Income Tax.

Another source of risk to the national economy is the possibility of faltering employment and income growth caused by a host of issues like the weakening of the dollar compared to other major currencies in the world, or an increasing national debt, which may raise the interest rates further. National forecasters expect a strong job market recovery that will cause wages, salaries and personal income to grow as well. Stagnation particularly could lead to a cutback in consumer spending, especially in the hospitality industry.

Another source of risk is the pattern of federal expenditures. Federal spending is the significant economic underpinning of the entire Washington D.C. Metropolitan area, including the District of Columbia itself. Security concerns arising out of 9/11 and the Iraq war have resulted in large increases in government spending that benefited the Washington D.C. area. Efforts to reduce government spending over the next few years to bring greater balance to federal fiscal policy could dampen growth in the District of Columbia.

Economic Assumptions for the FY 2006-2009 Revenue Estimates and Financial Plan

The U.S. Economy

The national economy continues to be strong (see table 4-1 for selected U.S. economic indicators). According to the U.S. Bureau of Economic Analysis, U.S. Real Gross Domestic Product grew at a seasonally adjusted annual rate of 3.8 percent during the quarter that ended on December 31, 2004, down slightly from a 3.9 percent rate in the previous quarter. Nominal Gross Domestic Product and Nominal Personal Income in the quarter that ended on December 31, 2004 were 6.4 percent and 6.6 percent higher, respectively, than in the same quarter of 2003.

Concerns about sluggish growth in employment and wages in the recovery from the 2001 recession are finally abating. In the quarter ending December 31, 2004, employment was up 1.6 percent, and wage and salary earning 5.4 percent from the prior year. Employment in February 2005 was 1.8 percent higher than a year earlier.

Table 4-1

Selected U.S. Economic Indicators: 2003 Fourth Quarter to 2004 Fourth Quarter

(Percent change from same period of pervious year unless noted)

	2003.4	2004.1	2004.2	2004.3	2004.4
GPD:					
Real	4.4	5.0	4.8	4.0	3.9
Nominal	6.2	6.8	7.1	6.3	6.4
Employment (Wage and Salary)	-0.1	0.3	1.1	1.4	1.6
Income:					
Wages	4.0	4.3	4.7	5.4	5.4
Total personal income	4.6	4.9	5.3	5.3	6.6
Inflation (CPI)	1.9	1.8	2.9	2.7	3.3
S & P 500:					
Level	1056	1133	1123	1104	1162
Change from prior quarter	5.6	7.3	-0.9	-1.6	5.2
Change from prior year	19.1	31.8	19.7	10.4	10.0
Interest rate (10-yr. Treasuries)	4.27	4.00	4.58	4.29	4.16

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

- Economic growth in FY 2005 and FY 2006 will continue, but at a rate about one percentage point below FY 2004's 6.6 percent increase in nominal GDP. Growth rates in nominal GDP for the U.S. are expected to be about 5.8 percent in FY 2005 and 5.5 percent in FY 2006.
- Due to the pick up in employment and wages that has begun to occur, wage and salary growth will be higher in FY 2005 and FY 2006 than the 4.5 percent increase in FY 2004.
- Inflation will be modest. The CPI is expected to increase at a 2.8 percent rate in FY 2005, up from 2.3 percent in FY 2004, then decline in FY 2006, as energy prices recede somewhat from their FY 2005 peak and productivity gains and imports continue to moderate the price impact of wage increases. The Financial Plan assumes inflation will be 2.8 percent in FY 2005 and 2.3 percent in FY 2006.
- Gradually rising interest rates. The interest rates on 10-year Treasury securities are expected to rise slightly from 4.3 percent in FY 2004 to about 4.5 percent in FY 2005. In FY 2006 rates are anticipated to be between 5 percent and 5.6 percent, as the markets adjust gradually to the fiscal imbalances caused by the trade and federal budget deficits. The Financial Plan assumes the interest rate on 10-year Treasury securities will be 4.5 percent in FY 2005 and 5.2 percent in FY 2006.
- Moderate stock market gains. The Financial Plan assumes the market will gain 8.5 percent in FY 2005 and 6.1 percent in 2006, essentially the average of two forecasting service estimates. Economy.com and Global Insight both expect the stock market to grow in FY 2005 and 2006, building on the 19.8 percent increase that occurred in FY 2004, although they differ in the amount of gain that will occur. (In December 2004 the market closed the year at a 3 ½ year high). The two services forecast single digit increas-

es in FY 2005 ranging from 6 percent to 9 percent, with subsequent growth in FY 2006 ranging from 3 percent to 11 percent.

The D.C. Economy

The outlook for the District remains favorable if things go well nationally. However, because the District recovered sooner from the 2001 recession and the rate of growth in federal spending is expected to slow down, the growth rate in the District's economy for FY 2005 and FY 2006 is not expected to outpace that of the U.S. economy (see table 4-2 for key variables affecting the District's economy).

As the District's economy moved into FY 2004, its service-oriented economy, based in part on high levels of federal government spending in the D.C. region, had rebounded more quickly than the U.S. economy as a whole from the U.S. recession and the events of 9/11. In fiscal years 2001 through 2003, the annual growth of federal spending (national spending for compensation of employees plus purchase of goods and services) outpaced all other aspects of the US economy, reaching 9.9 percent in FY 2003. In Fiscal Year 2004 both sectors experienced nominal growth of about 6.6 percent.

The FY 2006 Proposed Budget and Financial Plan assumes that output, income, and employment will continue to increase in FY 2005 and FY 2006. The driving force is the gain in major services (professional and business services, health, education, and membership organizations). The Plan also assumes that the value of real estate will continue to increase at double digit rates in both FY 2005 and FY 2006. In FY 2005 the population and resident employment are both expected to stabilize, and begin to increase in FY 2006.

Highlights of the economic assumptions are:

- *Nominal Gross State Product.*[1] Growth rates in FY 2005 and FY 2006 are 5.6 percent and 5.2 percent, respectively, somewhat less that the 6.2 percent growth for FY 2004. As noted, the slower growth rate in the next two years reflects the fact that the District has already recovered from earlier slowdowns and anticipated slower growth in federal spending. Major services, government, and retail and hospitality all contribute significantly to the increase in GSP.
- *Jobs Located in D.C.* The number of jobs in the District in FY 2005 is expected to show a net increase of 5,700 (0.9 percent), then increase another 7,300 (1.1 percent) in FY 2006, mostly in response to a stronger economy.
- *Personal income.*[2] Growth rates in FY 2005 and FY 2006 are 5.0 percent and 5.5 percent, respectively, about comparable to the 5.1 percent growth for FY 2004. The growth in D.C. personal income is expected to drop only slightly mainly due to an expected drop in the stock index prices, as well as higher interest rates.
- *The value of real estate.*[3] In FY 2005 the number of housing sales is expected to increase only about 1 percent, but the price of the average housing unit that is sold is expected to increase from $415,178 in FY 2004 to $485,758 in FY 2005, a 17.0 percent gain, and rise again in FY 2006 by another 10.6 percent to $537,249. This increase in prices, which follows the 18.4 percent increase experienced in FY 2004, is due to both supply and demand factors in the District's residential market. Comparable gains are expected in commercial values as well.
- *Resident employment, households, and population.* The Financial Plan assumes that FY 2005 will be a turning point in the declines in population and resident employment that have occurred in FY 2003, FY 2004 and prior years. The FY 2006 estimated population of 558,400 is up 4,400 (0.8 percent) from FY 2004. In FY 2006 the increases in housing construction and in the

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1 GSP, the value added in production by the labor and property located in a state, is a measure of the gross output of all industries in a state.

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

3 In the table, the number of sales and average price of residential real estate is measured by the average selling price of single family and condominium units as reported by the Metropolitan Regional Information System (MRIS), as accessed through the Greater Capital Area Association of Realtors. The MRIS system reports only sales handled by brokers.

number of District households are finally expected to translate into gains in total population and employed residents as well. The unemployment rate is expected to rise, however from 7.8 percent in FY 2004 to 8.5 percent in FY 2005, as the increase in jobs held by DC residents does not keep up with the increase in the District's labor force and job growth. The

Table 4-2

Estimated Key Variables for the D.C. Economy for the Forecast Period FY 2003 through FY 2009

	FY 2003 actual	FY 2004 actual	FY 2005 est.	FY 2006 est.	FY 2007 est.	FY 2008 est.	FY 2009 est.
Gross State Product (nominal; $ billions)	70.35	74.72	78.89	82.97	87.28	91.81	96.59
	5.5%	*6.2%*	*5.6%*	*5.2%*	*5.2%*	*5.2%*	*5.2%*
Personal Income ($ billions)	26.44	27.79	29.18	30.80	32.39	34.07	35.84
	1.6%	*5.1%*	*5.0%*	*5.5%*	*5.2%*	*5.2%*	*5.2%*
Earnings of DC Residents ($ billions)	19.12	20.24	21.39	22.76	24.01	25.33	26.73
	2.1%	*5.8%*	*5.7%*	*6.4%*	*5.5%*	*5.5%*	*5.5%*
Population (thousands)	560.0	554.2	554.4	558.8	562.0	565.9	568.4
	-1.4%	*1.0%*	*0.0%*	*0.8%*	*0.6%*	*0.7%*	*0.5%*
Household (thousands)	250.1	251.6	253.3	255.3	257.0	258.8	260.7
	0.4%	*0.6%*	*0.7%*	*0.8%*	*0.7%*	*0.7%*	*0.7%*
At-place Employment (thousands)	665.9	670.5	676.2	683.5	690.1	696.5	702.4
	0.6%	*0.7%*	*0.9%*	*1.1%*	*1.0%*	*0.9%*	*0.9%*
Civilian Labor Force (thousands)	298.1	297.9	302.5	305.1	307.4	309.8	312.3
	-1.4%	*-0.1%*	*1.5%*	*0.9%*	*0.8%*	*0.8%*	*0.8%*
Resident Employment (thousands)	277.2	274.5	276.7	279.7	282.5	285.4	288.5
	-1.8%	*-1.0%*	*0.8%*	*1.1%*	*1.0%*	*1.0%*	*1.1%*
Unemployment Rate (thousands)	7.0	7.8	8.5	8.3	8.1	7.9	7.6
Housing Starts	2,450	4,024	4,548	4,017	3,840	3,894	3,912
Housing Stock (thousands)	272.3	272.8	274.6	276.8	278.4	281.2	281.2
Sale of housing units (thousands)	9,286	9,850	9,920	10,179	10,439	10,698	10,957
	8.6%	*6.1%*	*0.7%*	*2.6%*	*2.6%*	*2.5%*	*2.4%*
Average housing price ($)	350,701	415,178	485,758	537,249	584,526	625,443	662,970
	8.6%	*18.4%*	*17.0%*	*10.6%*	*8.8%*	*7.0%*	*6.0%*
Wash Area CPI (% change from prior year)	3.0	2.5	2.8	2.3	2.3	2.2	2.2
Interest Rate on 10-year Treasury Notes (%)	3.9	4.3	4.5	5.2	5.5	5.5	5.5
Change in S&P Index of Common Stock (%)	-12.5	19.8	8.5	6.1	7.6	7.6	7.4

Note: Estimated by the D.C. Office of Revenue Analysis based on forecasts of the D.C. and national economies prepared by Global Insight (Winter 2004) and Economy.com (November 2004); on forecasts of the national economy prepared by the Congressional Budget Office (January 2005 and Blue Chip Economic Indicators (February 2005); on BLS labor market information from January 2005; on Bureau of Economic Analysis estimates of D.C. Personal Income (December 2004); and on D.C. housing sales data from the Metropolitan Regional Information System (MRIS) accessed through the Greater Capital Area Association of Realtors (February 2005).

unemployment rate is expected to decline slightly in FY 2006.

Employment

The District's employment growth forecast in FY 2005 is 0.9 percent and is expected to grow to 1.1 percent during the following fiscal year. Major services are expected to account for 83 percent of the employment gains and the retail and hospitality account for 19 percent, more than offsetting net declines in government and other private industries.

While the District lost over 10,000 private sector jobs immediately following 9/11 (2.3 percent of the private sector job base), increases in federal employment soon offset this decline. Employment in the District of Columbia slumped in 2003, but has bounced back since, with growth led by professional, business, and other major services and by retail and hospitality services. Employment in the quarter ending December 31, 2004 increased 7,700 (1.1 percent) from the same period of the previous year (see table 4-3). This gain shows the District economy is experiencing solid job growth, albeit at a slower rate of growth than that in the still recovering US economy and less than half of that prevailing throughout the Washington Metropolitan area (see table 4-4).

Employment in both the federal and local governments increased slightly over the past year. Recent positive developments include the transfer of jobs to the Navy Yard site in Southeast Washington D.C., and the decision to locate the Homeland Security Department in the District. In addition, contractors working alongside federal employees are an important element in the government's presence in the District, although these gains are counted in the District's service sector.

Retail trade and hospitality are an important

Table 4-3

Change in D.C. Wage and Salary Employment by Sector in the Quarter Ending December 31, 2004, Compared With the Same Period of the Previous Year

Sector	Level	Change from one year ago	
		Amount	%
Government	229,600	+1,100	+0.5%
Private Sector	446,200	+6,600	+1.5%
Major services*	291,200	+6,900	+2.4%
Retail and hospitality	69,900	+1,400	+2.0%
All other	85,200	-1,700	-2.0%
Total	675,800	+7,700	+1.1%

Source: BLS

* Professional, business, education, health, and member organization services

Table 4-4

Percent Change in Wage and Salary Employment in D.C., the Washington Metropolitan Area, and U.S.: Quarter Ending December 31, 2004, Compared With the Same Period of the Previous Year

	D.C.	Metro Area	U.S.
Wages and Salaries			
All	+1.1%	+2.6%	+1.6%
Private Sector	+1.5%	+2.8%	+1.8%

Source: BLS

part of the District's economy as a source of employment and earnings and as a source of sales tax revenue. In the quarter ending December 31, 2004, these two sectors added 1,400 jobs, a 2.0 percent gain. The new DC convention center and downtown revitalization have been significant factors in the recovery of the leisure and hospitality industry. In the quarter ending December 31, 2004, hotel revenues were up 20.6 percent from a year earlier (see table 4-5).

Wages and salaries

Wages and salaries are expected to grow by 5.5 percent in FY 2005, and 5.2 percent during FY 2006, essentially carrying forward the momentum from a 5.7 percent increase in FY 2004. Wage growth in the last several years has been stronger in the District of Columbia than for the U.S. as a whole and has compared favorably with that of the entire metropolitan area (see table 4-6). In FY 2005 and FY 2006, major services are expected to account for 59 percent of the increase in wages and government for 24 percent.

Table 4-5

Hospitality sector indicators for the Quarter ending December 31, 2004

Sector	Level	Change from one year ago	
		Amount	Percent
Hotel occupancy rate (percent)	66.9	3.6	5.7%
Hotel room rate ($)	$168.82	$21.46	14.6%
Amount spent for hotel stays ($M)	$270.1	$46.2	20.6%

Source: Smith Travel

Table 4-6

Growth in Wages and Salaries in D.C., the Washington Metropolitan Area, and the U.S.: FY 2002, FY 2003, and FY 2004

(Percent change from the prior year)

	FY 2002	FY 2003	FY 2004
Wages and Salaries			
D.C.	4.4	4.3	5.7
Washington Metropolitan Area	2.3	3.2	6.6
U.S.	0.5	1.8	4.5

Source: BEA, Personal Income by States, December 2004

D.C. Real Estate Markets

The assumption in the Financial Plan that the value of real estate will continue to increase at a double digit rate in FY 2005 and FY 2006 is not simply based on projecting the rapid gains of the past three years into the future. Indeed, prudence suggests that such rapid increases in the value of real estate cannot be sustained indefinitely. However, analysis of the supply and demand factors present in the current market suggest that gains can reasonably be expected to continue in FY 2005 and 2006 unless there were to be some severe external shock, such as a sharp rise in interest rates.

Residential markets. The number of residential sales is expected to remain about the same over the next several years, and moderately rising interest rates are expected to have very little dampening effect on prices in FY 2005 and FY 2006 (see table 4-7). Gains in D.C. employment and wages, together with public confidence about safety and street maintenance, make the D.C. location attractive for households that prefer not to be committed to a daily commute. Homeland security, outsourcing of government activities, and other changes to the federal government help fuel the demand for D.C. homes.

In FY 2004 the price appreciation in the residential market was very strong, with average prices for single family homes and condominiums up 18.4 percent and 20.6 percent respectively from the prior year. The value of transactions increased by 21.9 percent and 34.0 percent, respectively. In the first five months of FY 2005, for the market as a whole, there was some evidence of slower growth in the number of sales. The number of sales was up 1.5 percent, while the total value of transactions was up 17.6 percent, compared with the same period a year earlier. The condominium market has shown relatively more sales activity and price appreciation than single family homes, accounting for two-thirds of the increase in the value of transactions in the first five months of FY 2005 from the same period of FY 2004 (see table 4-8).

The price appreciation in the residential market reflects high demand combined with limited supply. In calendar year (CY) 2004 there was a 5.9 percent decrease in single-family homes sold compared to the prior year. However, for single-family homes valued above $300,000, there was a 14 percent increase compared to the prior year. In the condominium and cooperative subsector of residential home sales, the growth rates were even more pronounced. In 2004 there was a 5 percent increase for all condominium homes sold. But for condominiums valued above $300,000, there was a 56 percent increase.

If the supply of District housing were to increase to a significant degree, this might moderate future price increases. However, the rate at which new District homes are expected to be built in FY 2005 and FY 2006 is not expected to be sufficient to make much of a dent in the overall supply, and many of the units that are constructed will be at the upper end of the price range. The U.S. Census Bureau reports that in the fourth quarter of 2004, there were more than 1,300 permits issued to build new housing units in the District. Furthermore, Delta Associates reports that as of September 2004 there were currently more than 5,000 condominiums and more than 3,200 apartment units under construction in the District of Columbia, and approximately 4,750 additional new condominiums and more than 3,000 additional apartment units are likely to be built before 2007. However, due to the absence of comprehensive housing stock data, it is difficult to conclude that the District's housing stock has experienced sustained net annual growth in recent years. This conclusion is because new residential construction totals do not represent a net increase in the District's total housing stock. More specifically, there is an absence of reliable annual data for the total number of housing units demolished in the city. And furthermore, while the Office of Tax and Revenue (OTR) has a full accounting of the number of residential properties in the city, OTR does not have a full accounting of the total number of apartment units in the city. For example, in many cases, apartment buildings are considered one residential property for tax purposes. These factors preclude a definite assessment of the size of the city's housing stock.

Commercial real estate markets. The value

Table 4-7
D.C. Residential Real Estate Transactions

	FY 2002	FY 2003	FY 2004
Level			
Sales	8,554	9,286	9,850
Value of Transactions ($ million)	$2,763	$3,256	$4,090
Percent Change from prior year			
Sales	4.6%	8.6%	6.1%
Value of Transactions	17.0%	17.9%	25.6%

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

Table 4-8
Single Family and Condominium Home Sales for the First Five Months of FY 2005

	Level (thousands)	Change from one year ago	
Single Family		Amount	Percent
Units sold	2,096	-127	-5.7%
Average price	$523,846	+$68,672	+15.1%
Median price	$397,400	+$64,300	+19.3%
Total Value of transactions ($M)	$1,098.0	+$86.1	+8.5%
Condominium			
Units Sold	1, 586	+181	+12.9
Average price	$376,319	+$70,552	+23.1%
Median price	$376,319	+$60,526	+22.1%
Total Value of Transactions ($M)	$596.8	+$167.2	+38.9%

Source: MRIS, accessed through the Greater Capital Area Association of Realtors, through February 2005 (median price is the average of monthly values).

of commercial property and the total value of property sold each year are forecast to continue to grow in FY 2005 and again in FY 2006. The Washington area commercial market remains strong and attractive to investors from around the world. Many new buildings are under construction or in the active planning stage. Within the Metropolitan area and the nation, D.C.'s vacancy rates for commercial office space remain low (see table 4-9). All of these factors suggest that the commercial office market will remain lively.

Table 4-10 shows that in FY 2004 the inventory of commercial office space was up by 1.93 million square feet (1.8 percent) from the prior year; the vacancy rate (including space for sublet) fell slightly to 6.4 percent (very low compared to the rest of the nation). In fiscal year 2004 the number of square feet sold (10.31 million square feet) increased by 19.6 percent, and the average price increased by 5.1 percent, resulting in a 26.2 percent increase in the value of transactions.

In FY 2004, the District was a top commercial office market in the nation in terms of the amount of leased space constructed and occupied, as well as the billions of dollars invested to own commercial real estate in the District. That is because the District has a stable and growing office tenant base comprised of the federal government, the legal sector and large associations. This tenant base has been a constant source of growth since 2001 for commercial office space demand and commercial real estate investment demand when all other commercial office markets in the nation (with the exception of New York City) have been beset with net decreases for both the demand for leased commercial office space and the investment demand.

As of September 2004, the District was ranked by Costar as being second in the nation with the most office space under construction, 5.7 million square feet. New York topped the list with having 8.0 million square feet under construction. The District was also ranked second in the nation for having the largest amount of net additional office space rented. Again, New York topped this list by adding 6.3 million square feet, while the District added 940,000 square feet. Despite the District being in the process of adding a large amount of office space, there is not a major concern over an over supply of office space because the District had the highest average quoted office rental rate of $40.19 per square foot. In this respect, New York ranked second with an average quoted office rental rate of $39.34 per square foot. For the District, this indicates that the demand for leased space, including new space under construction, is strong and growing. When these statistics are paired with the stability of the District's tenant base, continued job growth, and the expanding economy, the District is likely to retain its designation as a top commercial real estate market in the nation. These developments bode well for the value of commercial (and residential) properties and the consequent deed taxes paid when they are purchased by overseas investors, institutional investors, real estate investment trusts, other institutional buyers and individual investors seeking higher assured rates of return than can be obtained in the equity markets.

Table 4-9
D.C. Area Office Vacancy Rates

	D.C.	No. Virginia	Suburban MD	Metro
September 30, 2003	6.7%	14.4%	11.6%	11.2%
September 30, 2004	6.4%	11.4%	11.1%	9.7%

Source: Delta Associates (includes sublet space)

Table 4-10
Commercial Office Space in the District of Columbia
(Million square feet, unless otherwise indicated)

	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2004
Inventory	106.44	109.29	111.22
Vacancy rate (no sublet)	4.8%	5.3%	5.4%
Vacancy rate (with sublet)	6.7%	6.7%	6.4%
Under construction	6.47	5.39	6.33
Net increase in leased space from prior year	+0.77	+2.17	+1.72

Source: Delta Associates

Population and D.C. labor market

The Financial Plan expectation that population and resident employment would stabilize in FY 2005 and show sustained growth beginning in FY 2006 is based in large measure on a judgment that the pace of housing construction and renovation, together with improvements in city services and amenities, will begin to have an impact on statistical measures of population and resident employment.

At the present time the District's housing and employment markets are very active and, at some point, continued construction would be expected to result in a net increase in the District's housing stock and households, and probably population, labor force, and employed residents as well. Not enough is know about the dynamics of today's changes to be sure when the transition will occur. Our assumptions are that it is happening now and growth will be sustained by next year, but there is not enough known about the dynamics of changes in the District's population, households (size and age distributions), housing stock (new units, units going out of existence), labor force, and resident employment. At some point continued construction would be expected to result in a net increase in the District's housing stock and households, and probably in its population, labor force, and employed residents as well. At present, the federal statistics available for the District make it difficult to make definitive judgments.

The U.S. Bureau of the Census shows, in a report dated December 2004, that the District's population is continuing to decline, down 18,536 (3.2 percent) from the 2000 census, and down 53,368 (8.8 percent) since 1990. The population in the District of Columbia was 553,523 in July of 2004 as compared to the 2000 Census count of 572,059.

It appears that the number of households has stabilized, and household size has dropped, even as population declined. Clearly, the District's market for new and rehabilitated housing has been strong and is expected to remain so. An estimated 8,900 new and rehabilitated units were completed in fiscal years 2001 through 2004, and a combined total of another 8,600 new and rehabilitated units are estimated for fiscal years 2005 and 2006. This new activity is a major reversal of declining trends over the past several decades.

According to the U.S. Bureau of Labor Statistics, D.C.'s labor force and number of employed residents in the District remain somewhat loose. Although the number of jobs in D.C. increased by 4,600 in FY 2004, resident employment declined from 277,200 in FY 2003 to 274,500 in FY 2004, a drop of 2,700 (see table 4-11). The unemployment rate rose from 7.0 percent to 7.8 percent during the same time period. In recent months the labor force has increased. Although the number of employed residents has also begun to show an increase, at the same time the unemployment rate in February 2005 (7.7 percent) was significantly above the U.S. rate of 5.7 percent. In the first quarter of FY 2005, the labor force increased by 6,200 (2.1 percent) and resident employment by 500 (0.2 percent) compared to the same period of the prior year. Consistent with the Census Bureau's population estimates, U.S. Bureau of Labor Statistics labor market estimates for the District of Columbia show declines in both the labor force and employed residents in FY 2002, FY 2003, and FY 2004. During this three year period, the labor force declined from 312,100 to 301,700, a drop of 10,400 (3.3 percent); resident employment declined from 292,400 to 280,100, a drop of 12,300 (4.3 percent). Recently, however, it appears that these declines may have stopped.

Longer Term (Fiscal Years 2007-2009)

In looking further ahead to FY 2007 through FY 2009, the consensus among forecasters of the U.S. economy is that steady, low-inflationary growth will continue, with accompanying gains in employment and wages and modest increases in interest rates. Absent any disturbances arising from the national economy, the regional economy is expected to show strength over the long term as it benefits from continued high levels of federal government expenditures for both national and homeland defense.

Table 4-11
Labor force, resident employment, and unemployment in Quarter ending December 31, 2004

Sector	Level	Change from one year ago	
		Amount	Percent
Labor force ('000)	300,900	+5,705	+1.9%
Resident employment ('000)	274,500	+100	+0.0%
Resident unemployment ('000)	26,400	+5,700	+27.2%
Unemployment rate	8.8%	+1.8%	--

Source: BLS

While the District does not benefit as much as Northern Virginia from this spending, there will be economic spillovers to District businesses. The continuing revitalization of the downtown area will draw metropolitan area residents to downtown restaurants, shops, and theaters. The new convention center that opened in FY 2003 should continue to boost the city's tourism industry, as will the advent of major league baseball. The housing market is expected to remain strong as improving conditions in the city continue to attract new residents, although the commercial real estate market may experience slower gains.

Revenues

The FY 2006 and revised FY 2005 estimates show General Fund revenues of $4.691 billion and $4.513 billion, respectively (see table 4-12). These include local source General Purpose Tax, Non-Tax, and Special Purpose Revenues, as well as proposed policy changes affecting revenue During FY 2004, non-dedicated General Fund revenue increased by $360 million (9.7 percent) compared to FY 2003.

Specific Revenue Sources

The income taxes account for 31.8 percent of estimated revenues in FY 2005, followed by 26.7 percent in property tax revenues, 19.0 percent in sales tax revenues, and 22.5 percent from all other sources (see figure 4-1). The Other Taxes include Deed Taxes (Deed Recordation, Deed Transfer, Economic Interest), and the Estate Tax. These revenue sources are discussed below.

Table 4-12

General Fund Revenue by Source, Fiscal Year 2004 Actual, Fiscal Years 2005-2009 Estimates and Projections

($ thousands)

Revenue Source	FY 2004 actual	FY 2005 revised	FY 2006 original	FY 2007 projected	FY 2008 projected	FY 2009 projected
Real Property	947,689	1,067,445	1,170,853	1,289,831	1,396,812	1,494,726
Personal Property (net)	63,558	53,647	54,175	54,900	55,835	56,974
Public Space	16,728	16,765	17,077	17,381	17,676	17,964
Total Property	**1,027,975**	**1,137,857**	**1,242,105**	**1,362,112**	**1,470,323**	**1,569,664**
General Sales (gross)	733,217	820,394	879,548	935,916	984,646	1,035,910
Convention Center Transfer	*(62,200)*	*(68,614)*	*(73,548)*	*(78,250)*	*(82,313)*	*(86,588)*
General Sales (net)	671,017	751,780	806,000	857,666	902,333	949,322
Alcohol	5,090	4,774	4,692	4,612	4,533	4,456
Cigarette	20,765	21,466	20,903	20,354	19,819	19,299
Motor Vehicle	40,437	42,671	44,534	46,478	48,508	50,625
Total Sales	**737,309**	**820,691**	**876,129**	**929,110**	**975,193**	**1,023,702**
Individual Income	1,042,309	1,088,682	1,106,209	1,102,415	1,165,070	1,228,489
Corporation Franchise	168,353	196,244	196,133	203,174	209,418	216,641
U. B. Franchise	88,347	95,300	103,328	112,063	121,528	131,740
Total Income	**1,299,009**	**1,380,226**	**1,405,670**	**1,417,652**	**1,496,016**	**1,576,870**
Public Utility (gross)	169,494	154,295	154,723	156,827	158,955	161,193
Baseball Gross Receipts Tax	*0*	*(6,888)*	*(9,184)*	*(9,303)*	*(9,424)*	*(9,546)*
Public Utility (net)	169,494	147,407	145,539	147,524	149,531	151,647
Toll Telecommunication (gross)	54,951	49,692	49,014	48,841	48,864	48,884
Baseball Gross Receipts Tax	*0*	*(2,371)*	*(3,162)*	*(3,165)*	*(3,165)*	*(3,165)*
Toll Telecommunication (net)	54,951	47,321	45,852	45,676	45,699	45,719
Insurance Premiums	47,452	44,500	44,500	44,500	44,500	44,500
Healthcare Provider Tax	0	5,500	11,000	11,000	11,000	11,000
Total Gross Receipts	**271,897**	**244,728**	**246,891**	**248,700**	**250,730**	**252,866**
Estate	26,466	23,440	21,420	20,072	19,352	18,657
Deed Recordation (gross)	164,522	180,648	210,650	242,500	277,105	314,874
Transfer to HPTF	*0*	*(27,097)*	*(31,598)*	*(36,375)*	*(41,566)*	*(47,231)*
Deed Recordation (net)	164,522	153,551	179,052	206,125	235,539	267,643
Deed Transfer (gross)	121,747	129,676	147,520	166,535	186,804	207,259
Transfer to HPTF	*0*	*(19,451)*	*(22,128)*	*(24,980)*	*(28,021)*	*(31,089)*
Deed Transfer (net)	121,747	110,225	125,392	141,555	158,783	176,170
Economic Interests	16,269	4,500	4,500	4,500	4,500	4,500
Total Other Taxes	**329,004**	**291,716**	**330,364**	**372,252**	**418,174**	**466,970**
TOTAL TAXES	**3,665,194**	**3,875,218**	**4,101,159**	**4,329,826**	**4,610,436**	**4,890,072**
Licenses & Permits	61,505	69,073	66,470	70,179	66,556	71,240
Fines & Forfeits	99,478	110,015	113,613	116,278	115,749	115,749
Charges for Services	53,705	57,661	56,436	58,638	56,938	58,639
Miscellaneous Revenue	109,011	82,024	91,803	85,601	87,070	88,745
O-Type Transfer	*0*	*12,200*	*12,200*	*12,200*	*12,200*	*12,200*

Table 4-12 (continued)

General Fund Revenue by Source, Fiscal Year 2004 Actual, Fiscal Years 2005-2009 Estimates and Projections

($ thousands)

Revenue Source	FY 2004 actual	FY 2005 revised	FY 2006 original	FY 2007 projected	FY 2008 projected	FY 2009 projected
TOTAL NON-TAX	**323,699**	**330,973**	**340,522**	**342,896**	**338,513**	**346,573**
Lottery/Interfund Transfer	73,500	70,000	73,100	73,100	73,100	73,100
Federal Project Funds		0	0	0	0	0
TOTAL NON-DEDICATED GENERAL FUND	**4,062,393**	**4,276,191**	**4,514,781**	**4,745,822**	**5,022,049**	**5,309,745**
MAYOR'S POLICY PROPOSALS						
Income Tax Relief Proposals						
Expand Local EITC Match to 50%			(9,500)	(9,500)	(10,100)	(10,600)
Extend EITC Benefits to Non-Custodial Parents			(300)	(300)	(300)	(300)
Increase the Standard Deduction to $2,500			(4,500)	(4,600)	(4,800)	(4,900)
Increase the Personal Exemption to $1,500			(4,700)	(4,800)	(5,000)	(5,100)
Subtotal, Income Tax Proposals			**(19,000)**	**(19,200)**	**(20,200)**	**(20,900)**
Property Tax Relief Proposals						
Increase the Homestead Deduction to $60,000			(18,700)	(19,600)	(20,600)	(21,600)
Low-Income Property Tax Deferral			(2,000)	(2,300)	(2,100)	(1,900)
Disabled Resident Property Tax Relief			(1,400)	(1,500)	(1,500)	(1,500)
Subtotal, Property Tax Proposals			**(22,100)**	**(23,400)**	**(24,200)**	**(25,000)**
DDOT Revenue Proposals						
Transfer Parking Tax Revenue to DDOT Local Streets Fund			(30,000)	(30,300)	(30,603)	(30,909)
Transfer Public Space Rental Revenue to DDOT SPR Fund			(17,077)	(17,381)	(17,676)	(17,964)
Transfer Parking Meter Revenue to DDOT SPR Fund			(12,263)	(13,000)	(14,000)	(16,000)
Subtotal, DDOT Revenue Proposals			**(59,340)**	**(60,681)**	**(62,279)**	**(64,873)**
Other Proposals						
Increased US Marshal's Reimbursement		1,000	0	0	0	0
Transfer US Marshal's Reimbursement to DOC SPR Fund			(25,000)	(25,000)	(25,000)	(25,000)

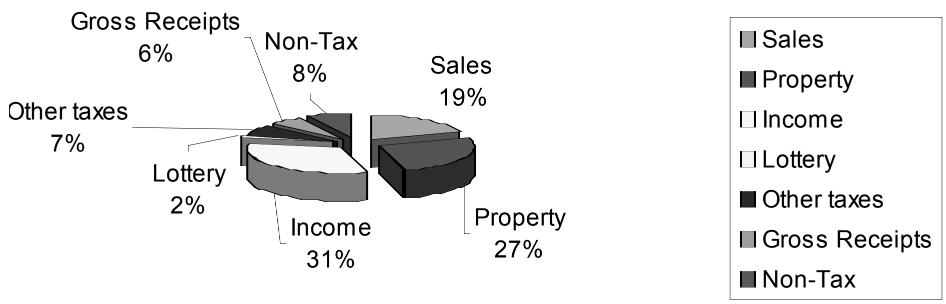
Table 4-12 (continued)

General Fund Revenue by Source, Fiscal Year 2004 Actual, Fiscal Years 2005-2009 Estimates and Projections

($ thousands)

Revenue Source	FY 2004 actual	FY 2005 revised	FY 2006 original	FY 2007 projected	FY 2008 projected	FY 2009 projected
Subtotal, Other Proposals		**1,000**	**(25,000)**	**(25,000)**	**(25,000)**	**(25,000)**
Subtotal, General Purpose Revenues		**1,000**	**(125,440)**	**(128,281)**	**(131,679)**	**(135,773)**
TOTAL NON-DEDICATED GENERAL FUND WITH MAYOR'S PROPOSALS	**4,062,393**	**4,277,191**	**4,389,341**	**4,617,541**	**4,890,370**	**5,173,972**
SPECIAL PURPOSE REVENUE FUNDS	**236,175**	**236,026**	**237,925**	**239,013**	**237,364**	**235,969**
MAYOR'S POLICY PROPOSALS						
Special Purpose Revenue (O-type) Funds:						
Transfer Public Space Rental Revenue to DDOT SPR Fund			17,077	17,381	17,676	17,964
Transfer Parking Meter Revenue to DDOT SPR Fund			12,263	13,000	14,000	16,000
Transfer US Marshal's Reimbursement to DOC SPR Fund			25,000	25,000	25,000	25,000
New OTR Special Purpose Revenue Fund for Collection Fees Assessed Against Delinquent Taxpayers			3,753	3,753	3,753	3,753
E911 Fee Increase			6,045	6,045	6,045	6,045
Subtotal, Special Purpose Revenue Funds			**64,137**	**65,178**	**66,473**	**68,761**
SPECIAL PURPOSE REVENUE FUND WITH MAYOR'S PROPOSALS	**236,175**	**236,026**	**302,063**	**304,192**	**303,837**	**304,730**
TOTAL GENERAL FUND, WITHOUT PROPOSALS	**4,298,568**	**4,512,217**	**4,752,706**	**4,984,835**	**5,259,413**	**5,545,714**
TOTAL GENERAL FUND MAYOR'S PROPOSALS		**1,000**	**(61,303)**	**(63,103)**	**(65,206)**	**(67,012)**
TOTAL GENERAL FUND WITH MAYOR'S PROPOSALS	**4,298,568**	**4,513,217**	**4,691,404**	**4,921,733**	**5,194,207**	**5,478,702**

Figure 4-1
FY 2005 Non-Dedicated General Fund Revenue



Property Taxes
Real Property Tax

The District taxes real property based on 100 percent of assessed value and bills taxpayers twice annually like many other jurisdictions throughout the United States. But the District's real property tax system differs from that of other jurisdictions in two important ways. First, the District's system divides properties into three separate tax classes depending on the use of the real property. Each class is taxed at a different rate. And second, the District has an extraordinarily large proportion of real property that is exempt from paying the District's real property tax - amounting to roughly 57 percent by land area and 27 percent by total assessed value. Tax-exempt properties primarily include those owned by the federal government as well as properties owned by foreign governments, non-profit organizations, educational institutions, the District government, and others.

Real Property Tax Assessments
Annual Assessments

FY 2004 was the first year all real property in the District began to be assessed on an annual basis since 1998. The District operated under a triennial assessment system from FY 1999 to FY 2003. The return to annual assessments has produced annual assessed values that are more representative of their market values. But, the return to annual assessments, in combination with the continuously robust annual growth rates in assessments of the District's real property market, has resulted in many properties seeing a greater than 30 percent increase in the current year's assessed value over the prior year. To ameliorate the effect of vigorous annual growth in assessment values and consequent real property tax bills for residential tax payers, the Mayor and the Council enacted the Owner-Occupant Residential Tax Credit and Homestead Deduction Clarification Emergency Act of 2004. This legislation stipulates that District homeowners will pay no property tax on the assessment increase above 12 percent of the prior year's assessment and increases the annual homestead deduction by $8,000 to $38,000.

In effect, the legislation lowers the tax liability of homestead property owners, particularly those whose property assessments experience annual growth in excess of 12 percent. The legislation does not limit the assessed value determined by the Office of Tax and Revenue.

Real Property Tax Base

The value of all real property in the District grew 16.9 percent from $93.8 billion in 2003 to

$109.7 billion in 2004. The total value of all taxable commercial properties amounted to $33.7 billion or 30.8 percent of all property in the District. The total value of all residential properties amounted to $32.7 billion or 29.8 percent of all property in the District. The total value of all exempt properties amounted to $43.2 billion, 39.4 percent of all property in the District.

In 2004, the total value of taxable commercial properties grew 13.7 percent, taxable residential properties grew 15.2 percent, and all exempt property grew 21.0 percent from their levels in 2003. With only 60.6 percent of the value of all real property in the District being taxable in 2004, the commercial sector accounted for 50.8 percent of the 2004 tax base, down from 51.1 percent in 2003, and the residential sector accounted for 49.2 percent of the 2004 tax base, up from 48.9 percent in 2003. In FY 2004, the District's total taxable real property had an assessed value of $66.4 billion. The Office of Tax and Revenue reports the average assessment for all taxable real properties in the city for 2005 grew by 14.6 percent.

Real Property Tax Rates

As mentioned earlier, the District's real property tax system divides properties into three separate tax classes depending on the use of the real property, and each class is taxed at a different rate (see table 4-13). Class 1 properties are residential proprieties, of which there are approximately 149,000. These properties are taxed at the residential rate of $0.96 per $100 of assessed value after applying the homestead deduction where appropriate. Class 2 properties are commercial proprieties, of which there are approximately 9,700. These properties are taxed at the commercial rate of $1.85 per $100 of assessed value. Class 3 properties are vacant and/or abandoned proprieties, of which there are approximately 3,300. These properties are taxed at a rate of $5.00 per $100 of assessed value. The significantly higher Class 3 tax rate is intended to prevent the proliferation of such properties, while simultaneously not being overly onerous for all potential Class 3 property owners. For example, Class 3 legislation provides a host of exemptions - 15 for residential property and 16 for commercial property - for buildings that are, for example, under construction, for sale, or have been damaged by flood or fire

Real Property Revenue

In FY 2004, collections under the real property tax constituted 23 percent of General Fund revenue, making the real property tax the second largest source of General Fund revenue after the individual income tax. In FY 2005, real property tax revenue collections are expected to account for 25 percent of General Fund revenue. Real property tax revenue increased by 15.2 percent in FY 2004 over the prior year, and FY 2005 revenue is expected to increase 12.6 percent over FY 2004. These relatively high growth rates are the direct result of the enormously vibrant District real property market and the return to an annual assessment system.

The overall real property market in the District is expected to moderate back to its long term trend growth level by FY 2009. Afterwards real property tax collections are expected to grow at a more modest annual rate of 7 percent, which reflects the historical average annual growth in the real property tax revenues in the District (see table 4-14 for all property tax revenue projections).

While the rate at which new District homes are being built in 2005 may be lower than in recent years, the level remains high. The U.S. Census Bureau reports that in the fourth quarter of 2004, there were more than 1,300 permits issued to build new housing units in the District. Furthermore,

Table 4-13
Real Property Tax Classes and Rate

Real Property Tax Class	Tax Rate
Class 1 (Residential)	$0.96 per $100 of assessed value
Class 2 (Commercial/Other)	$1.85 per $100 of assessed value
Class 3 (Vacant/Abandoned)	$5.00 per $100 of assessed value

Table 4-14
Property Tax Revenue, Fiscal Years 2004-2009
($ thousands)

Revenue Source	FY 2004 actual	FY 2005 revised	FY 2006 original	FY 2007 projected	FY 2008 projected	FY 2009 projected
Real Property	947,689	1,067,445	1,170,853	1,289,831	1,396,812	1,494,726
Personal Property (net)	63,558	53,647	54,175	54,900	55,835	56,974
Public Space	16,728	16,765	17,077	17,381	17,676	17,964
Total Property Taxes	**1,027,975**	**1,137,857**	**1,242,105**	**1,362,112**	**1,470,323**	**1,569,664**

Delta Associates reports that as of September 2004 there were currently more than 5,000 condominiums and more than 3,200 apartments under construction in the District of Columbia, and approximately 4,750 additional new condominiums and more than 3,000 additional apartment units are likely to be built before 2007.

Due to the absence of comprehensive housing stock data, however, it is difficult to conclude that the District's housing stock has experienced sustained annual growth in recent years. This is because new residential construction totals does not represent a net increase in the District's total housing stock. More specifically, there is an absence of reliable annual data for the total number of housing units demolished in the city. And furthermore, while the Office of Tax and Revenue (OTR) has a full accounting of the number of residential properties in the city, OTR does not have a full accounting of the total number of apartment units in the city. For example, in many cases, apartment buildings are considered one residential property for tax purposes. These factors preclude a definite assessment of the size of the city's housing stock.

The District's other major real property subsector is the commercial office market. The commercial office market accounts for more than 60 percent of real property tax collections and had a vacancy rate of 5.1 percent in the fourth quarter of CY 2004, among the lowest in the nation. By contrast, the District's commercial office vacancy rate was 5.6 percent in the fourth quarter of CY 2003. Moreover, for the second year in a row, the Association of Foreign Investors in Real Estate (AFIRE) ranked the District as the best city for commercial real estate investment for 2004 not only in the nation, but also the world (followed by London, Tokyo, New York and Paris).

Clearly, there continues to be a growing demand for the District's residential and commercial properties taking place in all parts of the city, and this is reflected in the fact that the average assessment for all taxable real properties in the city grew by 14.6 percent for 2005. When the several real property tax relief programs are accounted for, the real property tax revenue in 2005 is expected to grow by 12.6 percent over the real property tax collected in 2004.

GENERAL OBLIGATION BOND - Debt Service

Each year the District dedicates a percentage of its real property tax collections to pay off the principal and interest on its General Obligation Bonds. For FY 2005, the percentage of real property tax collections dedicated to the repayment of principal and interest on the District's General Obligation Bonds is 45 percent.

Personal Property Tax

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

In 2004 District legislation created a Neighborhood Investment Fund and a Neighborhood Investment Program which dedicates $10 million annually from the personal property tax revenue to pay for a variety of community revitalization development purposes, including commercial, residential, and civic uses for nine priority neighborhoods. With the initial implementation of this program in 2005, actual net personal property tax collections going to the General Fund will be 15.6 percent less in 2005. However, growth in actual net personal property tax collections going to the General Fund will commence in FY 2006 (see table 4-14).

Public Space Rental

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

In FY 2001, total public space rental tax collection amounted to $10.1 million. In FY 2002, collections increased 20.4 percent $12.2 million. This large increase in public space rental collections was the result of an enforcement initiative conducted in FY 2002 by the Office of the Deputy Mayor for Planning and Economic Development together with the District Department of Transportation as part of the Street Café Compliance Program. The program resulted in numerous District cafés paying past due taxes, fines and penalties because of previous noncompliance with District law. However, after the one-time spike in collections in 2002, revenues decreased by 3.4 percent to $11.7 million in 2003. In 2004, revenues increased 42 percent to $16.7 million. This increased amount resulted from a greater number of District businesses renting public spaces, but more importantly from the dramatically increased assessment values of underground vaults associated with respective large commercial office buildings. Like the personal property tax, the volatility in recent years' collections is the basis for modest annual growth from public space rentals for the next several years (see table 4-14).

Other Taxes

Deed Recordation and Deed Transfer Taxes

While the real property tax is an annual tax on all existing taxable properties in the District, the deed taxes are levied only when taxable properties were sold. More specifically, the deed recordation tax is imposed on the recording of all deeds to real estate in the District, and the deed transfer tax is imposed on each transfer of real property at the time the deed is submitted for recordation. The deed recordation tax must also be paid on the increased value when commercial property is refinanced. Prior to FY 2003, the deed recordation and the deed transfer taxes were each calculated as 1.1 percent of the fair market value of every arms-length property sale.

Deed tax rates were affected by three legislative changes in FYs 2003 and 2004. First, the Deed Recordation Tax Amendment Act of 2002 increased both the deed recordation and deed transfer tax rates from 1.1 percent to 1.5 percent, effective January 1, 2003. Second, the Housing Production Trust Fund Second Amendment Act of 2002 requires that 15 percent of the District's deed recordation and transfer tax revenue be transferred to the Housing Production Trust Fund beginning in FY 2004. The Housing Production Trust Fund provides funds for the acquisition, construction and rehabilitation of affordable multifamily housing projects. And lastly, the Fiscal Year 2005 Budget Support Act of 2004 decreased both the deed recordation and deed transfer tax rates from 1.5 percent back to 1.1 percent, effective October 1, 2004.

In light of recent legislative changes, the following analysis of deed tax trends uses normalized deed tax collection data which nullifies the effect of the two tax rate changes in recent years so to extract and better understand the underlying economic activity that is captured by deed tax collections.

There are three component sources of deed tax revenue: the commercial real estate sector, the housing sector and commercial refinancing. In FY 2004, it is estimated that the commercial real estate sector accounted for 48 percent of all deed tax collections, the housing sector accounted for 37 percent, and the commercial refinancing sector accounted for 15 percent of total deed tax revenue. Deed tax revenue from commercial property sales was 28 percent higher in 2004 than 2003, deed tax revenue from residential property sales was 24 percent higher in 2004 than 2003, and commercial refinancing was 17 percent higher in 2004 than 2003. Refinancing activity is measured by the difference between the deed recordation and deed transfer taxes.

When the recent developments in the commercial sector and residential sector are combined with the outlook for next four years, it is expected that the deed recordation tax collections will grow by 26 percent, and the deed transfer tax collections will grow by 22 percent in FY 2005. However, the annual growth rate are expected to trend downwards for the forecast period resulting in a deed recordation tax collections growth rate of 14 percent and a deed transfer tax collections growth rate of 11 percent in FY 2009. This trend stems from the facts that the job growth in the District will remain positive, but there is a scarcity of land on which to add housing in the District and the continuously escalating sales price will become even more prohibitive for potential District home buyers in the coming years. Despite the expected growth in the deed taxes in 2005, the Fiscal Year 2005 Budget Support Act of 2004 that decreased both the deed recordation and deed transfer tax rates from 1.5 percent back to 1.1 percent effective October 1, 2004, will cause deed recordation collections for 2005 to be 6.7 percent less than the amount collected in 2004 due the deed tax rate reduction. Likewise, deed transfer collections for 2005 to be 9.5 percent less than the amount collected in 2004 due the deed tax rate reduction.

The strong demand for and limited supply of real estate in the District will continue to provide the key impetus for the growth in deed taxes from FY 2005 to FY 2009 (see table 4-16, which covers all other tax revenue projections). This idea is reflected in the value of property sold as a percentage of total taxable property since 1996 (see table 4-15). In years 2001 to 2004, the percent of the District's property sold, in terms of value, was approximately double that in 1996. These statistics further support the contention that the District is an attractive, as well as a profitable, place to own real estate and a desirable place to work and live.

Economic Interest Tax

The economic interest transfer tax is triggered by the sale of a controlling interest in a business entity that includes one or two of the following elements: 1) 80 percent or more of the assets of the entity consist of real property located in the District of Columbia; or 2) more than 50 percent of the gross receipts of the entity are derived from ownership or disposition of real property in the District. If either of these two elements is present, then the tax rate is 3.0 percent of the consideration. This tax is generally paid by real estate investment trusts and similar partnerships.

Economic interest transfers are normally very large and infrequent. There can be a long period of time leading up to the final payment of the economic interests tax, as corporate lawyers and the Recorder of Deeds determine exemptions and liabilities for the tax. Revenue from the economic interests tax increased from $1.6 million in FY 2001 to $5.1 million in FY 2002. But in spite of the Deed Recordation Tax Amendment Act of 2002, which increased the economic interests tax rate from 2.2 percent to 3.0 percent, FY 2003 economic activity subject to the economic interests tax slowed and amounted to $4.9 million in tax revenue in FY 2003. However, transactions subject to the economic interest tax in 2004 reached record proportions where $16.3 million was collected. This appears to be related to the heightened level of activ-

Table 4-15

Value of Property Sold as a Percentage of Total Taxable Property

FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
5.41%	5.75%	8.97%	10.07%	9.38%	12.77%	10.76%	12.68%	14.53%

ity in the District's real property market, but prior years' collections is not entirely consistent with the level of activity in the District's real property market in the same years. And, according to collections for the first quarter 2005 economic interests tax collections, which amounted to $0.7 million, FY 2005 does not appear to be on track to rival 2004's record amount of tax collected (see table 4-16 for out year projections).

The Estate Tax

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

The federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 changed this situation. This legislation gradually eliminates the federal estate tax over the next several years, with full repeal taking effect in year 2010. The major aspects of the EGTRRA legislation:

- Lowers tax rates for the largest estates;
- Raises the exemption level from $650,000 to $1 million in 2002, $1.5 million in 2004, $2 million in 2006, and $3.5 million in 2009; and
- Lowers the state credit from 16 percent to 12 percent in 2002, 8 percent in 2003, and 4 percent in 2004. In 2005, the credit will be eliminated.

Existing District law, however, stipulates that the amount due to the District is the maximum credit for state death taxes allowed under Internal Revenue Code §2011, as it existed on January 1, 1986. This means that existing District estate tax laws are automatically decoupled from a few of the recent and forthcoming federal estate tax law changes. For example, while the federal threshold was $1 million, the District Inheritance and Estate Tax Act of 2002 raised the District's filing threshold from $600,000 to $675,000, effective January 1, 2002. The Estate and Inheritance Tax Clarification Temporary Act of 2004 raised the estate tax filing threshold from $675,000 to $1 million to decedents whose death occurs on or after January 1, 2003, while the federal threshold rises to $1.5 million in 2004. Hence, some District estate tax payers may be required to file and pay District estate taxes even when no federal filing or tax is due.

From the Government of the District of Columbia's perspective, it is important to note that the current estate tax is primarily a federal tax that is overwhelmingly governed by complex federal legislation. The federal estate tax takes at least nine months to complete and practically compels affected decedent estates to hire lawyers to ensure compliance. Also, Federal estate tax forms must be filled-out completely in order to calculate District estate tax liability, even when no federal estate tax is due but District estate tax is due. Essentially, the District does not have a stand-alone estate tax structure. District estate tax legislation is a diminutive appendage to a complicated set of unwieldy federal rules and regulations.

The District has attempted, however, on several occasions to minimize the impact of federal legislative changes that would adversely affect the level of estate tax revenues that are due to the District. But, the intent of the recent EGTRRA and the scope of legislation are designed to eliminate the federal estate tax (and consequently the District estate tax) by 2009. Therefore, no District legislative action, short of creating an entirely stand-alone estate tax system, will completely offset the effect of EGTTRA, which is annually declining estate tax revenues at the federal and District level.

Therefore, despite record level estate tax revenue in FY 2002, which was primarily the result of an unusually large estate tax payment, estate tax revenue was only $29.9 million in FY 2003 and $26.5 million in FY 2004, an 11.6 percent decrease. For the first four months of FY 2005,

Table 4-16
Other Tax Revenue
($ thousands)

	FY 2004 actual	FY 2005 revised	FY 2006 original	FY 2007 projected	FY 2008 projected	FY 2009 projected
Estate	26,466	23,440	21,420	20,072	19,352	18,657
Deed Recordation (gross)	164,522	180,648	210,650	242,500	277,105	314,874
Transfer to HPTF	*0*	*(27,097)*	*(31,598)*	*(36,375)*	*(41,566)*	*(47,231)*
Deed Recordation (net)	164,522	153,551	179,052	206,125	235,539	267,643
Deed Transfer (gross)	121,747	129,676	147,520	166,535	186,804	207,259
Transfer to HPTF	*0*	*(19,451)*	*(22,128)*	*(24,980)*	*(28,021)*	*(31,089)*
Deed Transfer (net)	121,747	110,225	125,392	141,555	158,783	176,170
Economic Interests	16,269	4,500	4,500	4,500	4,500	4,500
Total Other Taxes	**329,004**	**291,716**	**330,364**	**372,252**	**418,174**	**466,970**

estate tax collections are down 36.3 percent compared to the same period in FY 2004. This continuous but legislatively-induced decline in District estate tax revenues is likely to continue through 2009. In FY 2005, the annual decline in estate tax revenue is expected be 11.4 percent followed by an 8.6 percent decline in 2006 (see table 4-16).

Sales and Excise Taxes
General Sales and Use Tax
Revenue from the District's sales and use tax is collected using a five-tier structure. Sales of tangible personal property and certain specified services are taxed at 5.75 percent. Sales of alcoholic beverages for consumption outside the premises are taxed at 9 percent (increased January 1, 2003 from 8 percent). Sales of food and drink for immediate consumption, the rental or leasing of motor vehicles and sales of prepaid phone cards are taxed at 10 percent (with one percent supporting the Convention Center Authority). Parking and storing of vehicles are taxed at 12 percent. Transient accommodations are taxed at 14.5 percent (with 4.45 percent supporting the Convention Center Authority).

From a policy perspective, the multiplicity of rates achieves many goals, including revenue generation from visitors to the District and support for the hospitality industry via the convention center. Administratively, the multiplicity of rates, with special exemptions provided in each category, complicates the administration of the tax for the Office of Tax and Revenue and adds to compliance costs for businesses such as hotels and food stores, where transactions may involve several tax categories.

Revenue collected under the sales and use tax in FY 2004 was $671 million, net of the convention center transfer of $62 million. For FY 2004, sales and use tax collections were the third largest source of District General Fund revenue, comprising 20 percent of total local-source revenue. The sales and use tax applies to businesses on their purchases of supplies and equipment as well as to a wide range of ordinary consumer purchases.

Revenue from the general sales tax (net of the Convention Center Transfer) grew strongly in the late 1990s. The average growth rate for FY 1998 through FY 2000 was above 5 percent. In FY 2001, growth slowed to about 3 percent, reflecting the general economic slowdown nationally and in the District. In FY 2002, sales tax revenue declined by 3 percent. The decline in FY 2002 was attributed to the District's hospitality industry suffering considerably because of the events of September 11. FY 2003 saw a modest recovery from the events of September 11; and this recovery continued in FY 2004 (annual sales and use tax revenue grew by 6.3 percent in FY 2004 from FY 2003). Collections from sales and use taxes are estimated to grow 12.0 percent for FY 2005. This growth is expect-

Table 4-17

General Sales and Use Tax Revenue

($ thousands)

	FY 2004 actual	FY 2005 revised	FY 2006 original	FY 2007 projected	FY 2008 projected	FY 2009 projected
General Sales and Use	671,017	751,780	806,000	857,666	902,333	949,322

ed from: a) additional spending from the January 2005 presidential inauguration, b) the Convention Center is fully online and future bookings extend into FY 2008, and c) the added spending from the ACC basketball tournament in March 2005.

The general U.S. economy grew at a rate of 6.6 percent in FY 2004 and a 5.7 percent rate is expected for FY 2005 (nominal GDP). U.S. personal income increased 6.6 percent in FY 2004 and is expected to increase 5.7 percent for FY 2005. When people have rising income they tend to spend a portion of this increase on vacation spending. Thus, the District is expected to see the tourism spending, which picked up in FY 2004, to continue this growth in FY 2005. This provides a basis for increased sales tax revenues for FY 2005. Also, the special events (i.e. ACC basketball tournament and presidential inauguration) occurring in FY 2005 provide an opportunity for tourism spending above the usual tourism draw. The growth rates in both sales tax revenue and personal income will slowly decline for the out years. We are expecting continuous positive growth from the hospitality industry, which will contribute to increases in the sales tax revenue for the District of the next five years (see table 4-17).

Convention Center Transfer

After recovering from the FY 2002 drop, the convention center transfer grew by approximately 4.6 million or 8.5 percent in FY 2003 over FY 2002. Convention center transfer continued its growth in FY 2004, expanding 5.2 percent from FY 2003; and we expect a 10.7 percent growth for FY 2005. This growth in the convention center transfer can be attributed to the facility coming completely online in FY 2005 and the center's target occupancy rate of 75 percent for FY 2004 through FY 2006.

Restaurant Sales Tax

FY 2005 restaurant sales tax is expected to be $20.5 million and FY 2006 is forecast to be $22.1 million, up 7.7 percent from FY 2005 (see table 4-18). The major force influencing this growth is the growth in hospitality spending, which is expected to be moderately increasing in FY 2005 and FY 2006.

Hotel Sales Tax

The FY 2005 hotel sales is estimated to be $48.0 million and FY 2006 is forecasted to be $51.4 million (see table 4-18). Again, hotel sale revenues are a sector of the District economy benefiting from the growth in tourism spending.

Selective Sales and Use Taxes

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

Alcoholic Beverage Tax

The alcoholic beverage tax is levied on wholesale sales of beer, wine, and liquor in the District. The tax rates vary by type of product. Alcohol consumption has been declining in the United States since 1990, a trend reflected in the District's tax collections for alcoholic beverages. Alcohol tax collections are expected to be $4.7 million in FY 2006, a 7.7 percent decrease from FY 2004. Alcohol tax collections are expected to decrease moderately throughout the FY 2005 through FY 2009 projection period (see table 4-19). According to statistics

Table 4-18

Sales Tax Forecast for the Convention Center Fund

($ thousands)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Restaurant Sales Tax	20,584	22,064	23,475	24,694	25,976
Hotel Sales Tax	48,030	51,484	54,775	57,619	60,612
Total	**68,614**	**73,548**	**78,250**	**82,313**	**86,588**

from the National Institute on Alcohol Abuse and Alcoholism, beer and liquor comprise the major share of alcohol consumed in the District. Between 1995 and 1999, annual per capita beer consumption in the District declined 5.4 percent, and annual per capita liquor consumption declined 7.5 percent. Annual per capita wine consumption, by contrast, increased 6.3 percent over the same period. The growing popularity of wine consumption in the District is expected to somewhat offset the decreased demand for beer and liquor in FY 2004.

Cigarette Tax

The cigarette tax is levied on the sale or possession of all cigarettes in the District with the exception of sales to the military and Congress. Cigarette consumption has been declining in recent years due to factors such as higher wholesale prices (related to the settlement between tobacco companies and the states), higher state taxes, and greater awareness of health risks. Effective January 2003, the cigarette tax rate increased to $1.00 per pack, up from the previous rate of $0.65 per pack. This rate increased FY 2003 revenues by $4.2 million. FY 2004 revenues were $20.8 million, a decline of $0.57 million or 2.7 percent over FY 2003. Revenues are estimated to be $20.9 million in FY 2006. We project revenue to decline 5 percent between FY 2007 and FY 2009 (see table 4-19).

Motor Vehicle Excise Tax

The motor vehicle excise tax is imposed on the issuance of every original and subsequent certificate of title on motor vehicles and trailers. The tax is 6 percent of fair market value for vehicles 3,499 pounds or less and 7 percent of fair market value for vehicles 3,500 pounds and over. Collections from motor vehicle excise taxes totaled $ 40 million in FY 2004, a 9 percent increase in collections from FY 2003. This tax is largely dependent on car purchases by District residents. Soaring car sales in previous fiscal years gave way to the fall-out from a slow economy following September 11. Automakers attempted to curtail this decline in FY 2002 by incentives such as zero percent financing and cash rebates. During FY 2003 many automakers still offered low interest rate financing. During FY 2003, auto sales seemed to recover from September 11 levels. The District's Department of Motor Vehicles (DMV) has reported that there have been improvements in the administration of imposing the excise tax on all newly titled vehicles. The Department has programmed computers to ensure the application of the correct excise tax rate on a more consistent method of Fair Market Valuation. This improvement may have contributed to the increase in collections in FY 2004. Collections are projected to increase by an average of 9 percent between FY 2007 and FY 2009 (see table 4-19).

Table 4-19

Selective Sales and Excise Tax Revenue, FY 2004-2009

($ thousands)

	FY 2004 actual	FY 2005 revised	FY 2006 original	FY 2007 projected	FY 2008 projected	FY 2009 projected
Alcoholic Beverages	5,090	4,774	4,692	4,612	4,533	4,456
Cigarette	20,765	21,466	20,903	20,354	19,819	19,299
Motor Vehicle Excise	40,437	42,671	44,534	46,478	48,508	50,625
Total Selective Sales and Excise (1)	**66,292**	**68,911**	**70,129**	**71,444**	**72,860**	**74,380**

Income Taxes

The individual income, the corporate franchise and the unincorporated business franchise taxes are significant sources of District tax revenue. Collectively, these taxes represent 32 percent of FY 2004 local source revenue. Revenue from these sources is summarized in table 4-20.

Individual Income Tax

Base and Rate

The individual income tax, the District's largest single source of tax revenue, accounted for 26 percent of Total Local Source Revenue in FY 2004. The tax is levied on all individuals who maintain a permanent residence in the District at any time during the tax year and on those who maintain a residence for a total of 183 or more days. Individuals exempt from the District's personal income tax include: elected officers of the federal government; presidential appointees subject to confirmation by the U.S. Senate; justices of the United States Supreme Court not domiciled in the District; employees on legislative staffs who are bona fide residents of the state of their elected officer; and all persons working in the District but living outside the District. The tax is currently applied progressively to net taxable income as shown in Table 4-21.

These rates and estimates reflect the tax cuts under the revised Tax Parity Act of 1999, restarting in FY 2005. Originally, the Tax Parity Act of 1999 sought to reduce tax rates in the District of Columbia starting in FY 2000 and was to be fully implemented in FY 2004. However, it was temporarily suspended in FY 2003 and FY 2004 after the economic downturn that started in FY 2002. With the recovery of the District economy and revenues in FY 2004, the automatic triggers to restart were activated. In FY 2005 the top rate will be reduced from 9.3 percent to 9.0 percent.

Going forward, one of three key triggers may prevent the other phases from being implemented. The first trigger states that the accumulated general fund balance for the immediately preceding fiscal year must be 5 percent of the general fund-operating budget for the current fiscal year. The second trigger is that the estimated national economic growth rates published in the CBO's January report must exceed 3.5 percent on a nominal basis and 1.7 percent on a real basis. The third trigger requires that the Mayor demonstrate, and the Chief Financial Officer certify, that a proposed budget will not be balanced over the four year planning horizon of the financial plan. For FY 2006, the first two Tax Parity triggers have not been activated. The third trigger awaits the FY 2006 proposed Budget and Financial Plan.

Table 4-20
Income Tax Revenue, FY 2004-2008
($ thousands)

	FY 2004 actual	FY 2005 revised	FY 2006 original	FY 2007 projected	FY 2008 projected	FY 2009 projected
Individual Income	1,042,309	1,088,682	1,106,209	1,102,415	1,165,070	1,228,489
Corporation Franchise	168,353	196,244	196,133	203,174	209,418	216,641
U. B. Franchise	88,347	95,300	103,328	112,063	121,528	131,740
Total Income	**1,299,009**	**1,380,226**	**1,405,670**	**1,417,652**	**1,496,016**	**1,576,870**

FY 2004
In FY 2004, individual income tax revenue grew 12 percent. This was a remarkable turnaround from declines in the two previous years-it fell14 percent in FY 2002 and a further 2 percent in FY 2003. The FY 2004 recovery in the individual income tax reflects a combination of strong growth in earnings of District residents as well as the stock market rebounding in the second half of FY 2003. Earnings of District residents grew roughly 6 percent in 2004 after growing only 2 percent the previous year. The withholding component of the individual income tax, which is tied directly to wages and salaries, grew 7 percent in FY 2004. The recovery of the stock market in the second half of 2003 also contributed significantly to the strong growth in individual income tax revenue in FY 2004. After a lackluster FY 2003 first half performance the stock market finished that year with a 26 percent growth. The capital gains from the strong stock market performance boosted revenue from the declarations (estimated payments) and final payments components of the individual income tax. Declarations were up 15 percent over the previous year and final payments were up 26 percent! Overall, revenue from the individual income tax staged a strong recovery in FY 2004 and seems set to continue growing at a strong rate as recovery in the national and local economies gain traction.

FY 2005-FY 2009
In FY 2005 the District expects $1,113 million in individual income tax revenue, a 6.8 percent growth over FY 2004. With the Tax Parity tax cuts, the estimate is $1,089 million and a 4.4 percent growth. In FY 2006 the District expects $1,183 million in individual income tax, an 8.6 percent increase over FY 2005. After the tax cuts, the estimate is $1,106 million with growth falling to 1.2 percent. For the period FY 2007 through 2009, we are estimating growth of between 5 and 6 percent in baseline individual income tax revenue. Note that in FY 2007, when Tax Parity is fully implemented, the after tax cuts growth rate is flat. After that individual income tax revenue grows in accordance with the baseline.

As the national and regional economies continue to strengthen and the District population becomes wealthier, as recent Census figures indicate, we expect continued strong revenue growth in the individual income tax. However, the individual income tax will continue to be a major source of volatility in the District's revenue system because its growth is so closely tied to the stock market. As the District's population becomes wealthier we expect the volatility in this revenue source to increase as a greater share of taxable income will be tied to capital gains.

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

Table 4-21
Individual Income Tax Rates

Net Taxable Income	2005	2006*	2007*	2008*	2009*
$0 - $10,000	5.0%	4.5%	4.0%	4.0%	4.0%
$10,001 - $30,000	7.5%	7.0%	6.0%	6.0%	6.0%
$30,001 - $40,000*	9.0%	8.7%	6.0%	6.0%	6.0%
$40,000 and above	9.0%	8.7%	8.5%	8.5%	8.5%

* If triggers permit.

that taxpayer may petition for (or the Office of Tax and Revenue may require) consideration of a different formula.

Corporate franchise tax revenue as a share of total local fund revenues has declined as a percentage of total revenues from 5.4 percent in FY 1999 to 4.1 percent in FY 2004. Corporations have increasingly found methods to take deductions lowering their taxable income. As a result, many corporations, regardless of the amount of their gross profits, have only a minimum tax liability. This situation exists nationwide. Some state taxing authorities have attempted to disallow specific types of deductions through the courts (for example: Geoffrey, Inc. v. South Carolina Tax Commission). The District watches these cases with interest to learn about legal events and interpretations that may help to improve corporate franchise tax collections.

Corporate franchise tax revenue is a small share of total revenues both because approximately 65 percent of the District's corporate franchise taxpayers pay the minimum tax liability and because the minimum tax liability is $100. The minimum amount remains unchanged since 1983. Growth rates of net incomes and taxes from them since 1983 are not reflected in minimum tax payments. Over the years, other categories of tax collections have therefore shown more growth when compared to the growth of corporate franchise tax collections.

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

The Tax Parity Act enacted in 1999 was intended to reduce franchise tax rates from the current effective rate of 9.975 percent to 9.0 percent in FY 2003 and to 8.5 percent in FY 2004 and thereafter. These reductions were suspended in FY 2003 because of budget constraints. Franchise tax rates currently are 9.975 percent.

Corporate Franchise

The District estimates approximately $196.2 million of corporate franchise tax revenue in FY 2005 , a 16 percent increase over FY 2004, and revenue of $ 196.1 million in FY 2006 , a decline of 0.05 percent. We project growth of approximately 6.6 percent from FY 2007 to FY 2009. Our estimate is based partly on recent record growth in productivity, where corporations have been able to do more with fewer workers, and on the strong recovery of the stock market in the latter half of 2003; franchise tax revenues lag the stock market by about a year. We expect the growth in revenue from the corporate franchise tax to be less than the stock market's growth because the relationship between the stock market and corporate franchise tax is not one to one. In FY 2002 and FY 2003, legal rulings and changes to the applicable tax code resulted in larger refunds than expected. As a result, actual collections were less than estimated collections.

Unincorporated Business Franchise

The District estimates approximately $95.3 million in unincorporated business franchise tax in FY 2005 (an 8 percent increase over FY 2003), and $ 103.3

million in FY 2006 (a growth rate of approximately 8 percent). We project growth of approximately 17.5 percent in FY 2007 through FY 2009. Collections from this revenue source, which are based on profits from unincorporated businesses located in the District, are linked to factors such as personal income growth, the local commercial real estate sector, and collections in the transfer and recordation taxes.

Many District unincorporated business tax filers who pay taxes on unincorporated business income are real-estate investors. In FY 2003 and FY 2004 the real estate market in the District saw real estate investors' profits substantially increase from sales and leases of commercial and residential property. As a result, the strong growth in unincorporated business collections in FY 2003 and FY 2004 is largely due to the strong growth in the real estate industry in recent years. Although the industry is expected to remain strong, the growth rate is expected to slow somewhat during the FY 2006 to FY 2009 period.

Private contractors also pay the unincorporated business tax. As a result of increased federal contracting because of Homeland Security projects, we anticipate growth from this sector of unincorporated business filers to be strong. In addition, with an expected rebound in the stock market, we forecast strong growth in collections from unincorporated business in FY 2006 and the following years.

Gross Receipts Taxes

Taxes in this category include a tax of 10 percent on gross receipts of public utilities and toll-telecommunications companies operating in the District and a 1.7 percent tax on the gross receipts of insurance companies and a tax of 6 percent on nursing home providers. The rate on public utilities changes in this tax rate, triggered by revenue estimates in the summer of FY 2004, reduced the rates back to 10 percent, the pre-January 2003 rate. Subsequent decisions supporting the Major League Baseball Ballpark have re-established 11 percent at the rate only on non-residential users of public utilities and toll telecommunications services; revenue generated from this rate change will not be general fund revenue.

Companies that pay the gross receipts tax include heating oil companies, gas companies, electricity providers, subscription television, video and radio service providers, and telephone companies. The District taxes long distance and wireless telecommunications providers for the privilege of providing toll telecommunication service in District. Collections from this category of taxes are

Table 4-22

Gross Receipts Tax Revenue

($ thousands)

Revenue	FY 2004 actual	FY 2005 revised	FY 2006 original	FY 2007 projected	FY 2008 projected	FY 2009 projected
Public Utility (gross)	169,494	154,295	154,723	156,827	158,955	161,193
Baseball Gross Receipts Tax	*0*	*(6,888)*	*(9,184)*	*(9,303)*	*(9,424)*	*(9,546)*
Public Utility (net)	169,494	147,407	145,539	147,524	149,531	151,647
Toll Telecommunication (gross)	54,951	49,692	49,014	48,841	48,864	48,884
Baseball Gross Receipts Tax	*0*	*(2,371)*	*(3,162)*	*(3,165)*	*(3,165)*	*(3,165)*
Toll Telecommunication (net)	54,951	47,321	45,852	45,676	45,699	45,719
Insurance Premiums	47,452	44,500	44,500	44,500	44,500	44,500
Healthcare Provider Tax	0	5,500	11,000	11,000	11,000	11,000
Total Gross Receipts Taxes	**271,897**	**244,728**	**246,891**	**248,700**	**250,730**	**252,866**

included in "Toll Telecommunications Tax." The District also taxes insurance premiums at a rate of 1.7 percent of gross premiums. Table 4-22 shows actual revenue in FY 2004, estimates for FY 2005 and FY 2006 and projected revenue from public utilities, toll telecommunications and insurance premiums for fiscal years 2007 through 2009.

Public Utility Taxes

The public utility tax is imposed on the gross receipts of gas, electric and local telephone companies. Washington Gas and Pepco are the leading suppliers of natural gas and electricity to customers in the Washington area. As a result of electricity deregulation, Pepco has lost some of its market share, but remains the dominant electricity distributor. Between September 2001 and September 2003, Pepco's market share declined from 97 percent to 88 percent. In homes and offices in the District, electricity is used more to cool and natural gas is used more to heat. Cold winters tend to result in an increase in collections from Washington Gas and hot, humid summers tend to result in higher collections from Pepco.

During FY 2003, as part of an effort to avert a potential budget shortfall, public utility tax rates were increased from 10 percent to 11 percent effective January 1, 2003. The legislation authorizing the rate increase includes a trigger that will restore the 10 percent rate "if the annual revenue estimate forecast in the fourth quarter of a fiscal year exceeds the annual revenue estimate incorporated in the approved financial and budget plan for that fiscal year by at least $105 million."

The conditions to restore the 10 percent rate were met and the tax was lowered effective January 2005. However, a charge of 1 percent was placed on gross receipts from utilities of non-residential customers effective January 2005. The proceeds from this new charge will be dedicated to the baseball stadium funding.

In FY 2000, as part of the process of deregulation of the electricity market and Pepco's transformation from an electric power producer to an electric power distribution company, the District replaced the gross receipts tax imposed on electric utilities with a unit tax on electricity distribution companies. This "distribution" tax revenue is included with the city's gross receipts tax collections. The tax is imposed on electricity distributors who operate in the District. The tax rate was $0.007 per kilowatt-hour. This rate was equivalent to the gross receipts tax at the time of conversion. Effective January 2003, the rate was changed to $0.0077 per kilowatt-hour. Because of the current tax structure, the tax collected is closely related to energy use. Therefore tax collections from electricity are more closely linked to weather extremes rather than to the fuel cost of the electricity. During the forecast period, we expect average weather patterns.

Fuel costs play a larger role in gross receipts revenues from natural gas use. Fuel costs have been extremely volatile in recent years. Washington Gas attempts to reduce price fluctuations by storing fuel and purchasing financial contracts for future supply of fuel at a specified rate. For example, during the 2003/2004 winter, Washington Gas purchased and stored 35 percent of the natural gas the company expected to deliver during the winter. The company had also purchased an additional 12 percent of its normal winter supply through financial contracts.

We estimate revenue from public utilities taxes (net of 1 percent charge to baseball stadium funding) to be $147.4 million in FY 2005, and $145.5 million in FY 2006. Revenue from public utility taxes is estimated to grow modestly at 2.8 percent from FY 2007 through FY 2009.

Toll Telecommunication Taxes

The toll telecommunications tax is levied on the long distance and wireless telecommunications companies for the privilege of providing toll telecommunication service in the District. In the first quarter of FY 2003, the tax rate was 10 percent. During FY 2003, as part of an effort to avert a potential budget shortfall, public utility tax rates increased from 10 percent to 11 percent effective January 1, 2003. The legislation authorizing the rate increase includes a trigger that will restore the 10 percent rate "if the annual revenue estimate forecast in the fourth quarter of a fiscal year exceeds the annual revenue estimate incorporated in the approved financial and budget plan for that fiscal year by at least $105 million."

The conditions to restore the 10 percent rate were met and the tax was lowered effective

January 2005. However, a charge of 1 percent was placed on gross receipts from toll telecommunications effective January 2005. The proceeds from this new charge will be dedicated to the baseball stadium funding.

Effective August 2002, the District enacted legislation to conform to the federal Mobile Telecommunications Sourcing Act (MTSA). The legislation simplifies the billing process and ensures that calls from mobile phones are not subject to multiple taxation. The legislation defines and designates a user's place of primary use (PPU) as either the user's residence or business address. The District both lost and gained revenue as a result. Some cell phone users who use their cell phones in the District and thus used to pay D.C. taxes on their long distance calls, selected the District as their PPU and some cell phone users selected other jurisdictions.

The telecommunications industry has faced difficult challenges in recent years. Changes in regulation, over capacity of lines, and stiff competition to long distance providers (such as AT&T, MCI, Sprint) by local telephone companies such as Verizon are among these challenges. Long distance providers are also suffering because of the growth of the wireless telephone industry. Most wireless telephone companies now include inexpensive long-distance calling plans as a standard feature.

We expect the capacity of lines locally to be reduced in the coming years. We also expect the telecommunications sector to recover at a moderate pace. We estimate revenue from the Toll Telecommunications tax to (net of 1 percent charge to baseball stadium funding) be $47.3 million in FY 2005 and $45.9 million in FY 2006. We project growth of approximately 0.09 percent for FY 2007 through FY 2009.

Insurance Premiums Tax

The District's insurance premiums tax rate is 1.7 percent of gross premium receipts. Annuities are tax-exempt. The insurance premiums tax is levied on insurance policies taken out by District residents as well as on property that is registered in the District, regardless of where the policies are written or initiated. Approximately 50 percent of the revenue from insurance premiums tax comes from life insurance policies, with other premiums (including business, health, property and motor vehicle) making up the other half. Since September 11 insurance rates have risen nationally. Insurers had begun to either substantially increase the price for terrorism coverage or drop the coverage completely. However, District regulators reached an agreement that would cap premium increases for terrorism coverage at 24 percent.

Insurance costs have also risen in recent years with the declining stock market. Investments that had previously helped offset underwriting losses for many insurance companies have turned into losses themselves. As a result of the increased premium charges and the reduction in insurance investment income, premiums rose by $6.2 million or 15 percent in FY 2004. Collections from taxes on insurance premiums are estimated to remain stable at $44.5 million in FY 2005 to FY 2009 unless thee is another external jolt to the insurance industry.

Healthcare Provider Tax

The healthcare provider tax imposes a 6 percent tax on the District's nursing homes. The tax should be implemented mid FY 2005 and is estimated to generate $5.5 million in general fund revenue in FY 2005 and $11 million in FY 2006 through FY 2009.

Non-Tax Revenues

General Purpose Non-Tax Revenue

Non-Tax Revenues

General Purpose Non-Tax Revenues

Total general purpose non-tax collections are estimated to be $295.5 million in FY 2005 (see table 4-23). This is $27.1 million or 8.4 percent less than FY 2004 estimated non-tax revenue collections. Factors contributing to this decrease in general purpose non-tax revenue in FY 2005 include the following:

Collections from business licenses and permits are estimated to be 7.6 percent higher than FY 2004 estimated revenues. This is due to the fact that some insurance licenses are renewed every other year, creating a cycli-

cal trend in annual collections.
Collections from fines and forfeitures are estimated to be 3.3 percent lower in FY 2005 than in FY 2004 due to a $3.1 million decrease in other fines and forfeitures collections in FY 2005.

Collections from charges for services are estimated to be 7.4 percent higher in FY 2005 than in FY 2004 due to a $1.6 million increase in other service charges, a $1.7 million increase in corporate recordation, and a $2.3 million increase in parking meter collections in FY 2005.

Collections from miscellaneous revenues are estimated to be 32.8 percent lower in FY 2005 than in FY 2004 due to a $1.4 million decrease in WASA-Pilot, a $5.6 million decrease in unclaimed property, a $21.0 million decrease in USMS reimbursements, and an $11.6 million decrease in other revenue collections in FY 2005.

Table 4-23

General Purpose Non-Tax Revenue, by Source

($ thousands)

Comptroller Object Code	OBJECT TITLE	Actual FY 2004	Estimate FY 2005	Estimate FY 2006
3001	INSURANCE LICENSE	4,743	9,620	5,665
3002	ELECTRIC LICENSE	7	0	0
3003	NATURAL GAS LICENSE	0	3	2
3006	HACKERS LICENSE	360	365	365
3007	SECURITY BROKER DEALER LICENSE	11,209	1,048	937
3007	SEC REGISTRATION FEES	0	7,760	7,760
3009	SELF(TRUCK) UNLOADING PERMIT	953	750	750
3010	OTHER BUSINESS LICENSE	29	0	0
3010	OTHER BUSINESS LICENSE	44	100	100
3010	OTHER BUSINESS LICENSE	82	100	83
3012	BUILDING STRUCTURES & EQUIPMENT	11,673	10,250	10,250
3013	CERTIFICATE OF OCCUPANCY	381	450	450
3014	REFRIGERATION & PLUMBING PERMIT	2,071	2,600	2,600
3015	ELECTRICAL PERMIT	2,257	2,250	2,250
3016	PUBLIC SPACE EXCAVATION PERMIT	614	600	600
3021	VENDOR BONDS (NET OF REFUNDS)	1,031	800	1,500
3021	VENDOR FEES	7	2	1
3023	OTHER LICENSE FEES	9	10	11
TOTAL	**BUSINESS LICENSES AND PERMITS**	**35,470**	**36,708**	**33,324**
NONBUSINESS LICENSES & PERMITS				
3100	DRIVERS LICENSE	5,072	5,203	5,203
3100	DRIVERS LICENSE (Exams)	52	55	55
3110	BIKE REGISTRATION	0	2	2
3120	BOAT REGISTRATION	142	182	182
3130	OTHER NONBUSINESS LICENSE & PERMITS	0	0	0
3140	RECIPROCITY PERMIT	954	959	959
3150	VEHICLE REGISTRATION	17,861	25,965	26,745
3150	PERSONALIZED TAGS	94	0	0
3150	DCTC ISSUANCES	987	0	0
3150	TEMPORARY TAGS	774	0	0
3150	TRANSFER OF TAGS	99	0	0
3150	MOTOR VEHICLE REGISTRATION	50	0	0
TOTAL	**NONBUSINESS LICENSES & PERMITS**	**26,035**	**32,366**	**33,146**
TOTAL	**LICENSES & PERMITS**	**61,505**	**69,074**	**66,470**

Table 4-23 (continued)

General Purpose Non-Tax Revenue

($ thousands)

Comptroller Object Code	OBJECT TITLE	Actual FY 2004	Estimate FY 2005	Estimate FY 2006
FINES & FORFEITURES				
5000	HACKERS FINES	2	0	0
5010	TRAFFIC FINES-RED LIGHT CAMERAS	5,957	4,034	3,952
5010	TRAFFIC FINES	70,742	71,407	71,407
5011	PHOTO RADAR ENFORCEMENT	18,353	16,687	15,375
5030	BOOTING FEES	677	1,300	1,300
5040	TOWING FEES-RSC 1505	227	1,175	1,175
5050	IMPOUNDMENT FEES-RSC 1506	408	450	450
5060	FINES AND FORFEITURES-OTHER	2	0	0
5060	FINES AND FORFEITURES-OTHER	3,110	0	0
6967	ABANDONED VEHICLES	0	1,200	1,200
TOTAL FINES & FORFEITURES		**99,478**	**96,253**	**94,859**
MISCELLANEOUS				
5300	WASA - P.I.L.O.T.	10,673	9,307	10,035
5600	INTEREST INCOME	7,889	10,902	11,516
5700	UNCLAIMED PROPERTY	25,626	20,000	17,900
6100	SALE OF SURPLUS PROP	281	437	437
6101	BUS SHELTER ADVERTISEMENT	1,793	1,700	1,700
6102	REIMBURSEMENTS	222	0	0
6103	REIMBURSEMENTS-USMS	39,050	18,000	25,000
6106	OTHER REVENUE	5,412	1,262	1,246
6107	CIVIL INFRACTIONS	479	1,200	1,200
6108	COCOT REGISTRATION	6	3	3
6111	OTHER REVENUE	16,517	4,932	4,916
	TOBACCO RESIDUALS	0	4,781	4,850
TOTAL MISCELLANEOUS		**107,948**	**72,524**	**78,803**
CHARGES FOR SERVICES				
3200	TELECO REGISTRATION	14	10	10
3201	HOME OCCUPATION LICENSE	48	60	60
3202	BOILER INSPECTION PERMITS	68	46	46
3204	ELEVATOR INSPECTION	114	245	245
3205	RENTAL ACCOMODATIONS	54	0	0

Table 4-23 (continued)

General Purpose Non-Tax Revenue

($ thousands)

Comptroller Object Code	OBJECT TITLE	Actual FY 2004	Estimate FY 2005	Estimate FY 2006
3206	FINGERPRINTS, PHOTOS	345	270	270
3207	OTHER SERVICE CHARGES	2,184	3,840	3,856
3208	REPRODUCTION OF REPORTS	2,331	2,289	2,247
3209	EMERGENCY AMBULANCE	9,258	9,000	9,500
3210	TRANSCRIPT OF RECORDS	318	336	336
3210	TAX CERTIFICATES	208	215	215
3210	DUPLICATE BILL FEES	7	4	4
3211	FIREARM USER FEE	309	132	132
3215	VEHICLE TITLES	2,969	3,004	3,004
3216	SOLID WASTE DISPOSAL FEES	1,365	1,000	1,000
3219	WEIGHTS AND MEASURES	43	367	367
3220	SURVEYOR FEES	423	375	375
3221	DEED RECORDATION FEES	10,451	8,905	8,905
3222	CORP RECORDATION	6,499	8,200	6,500
3223	PARKING FEES/PERMITS	2,384	2,983	2,983
3228	CONDO REGISTRATION	62	20	20
3234	OTHER SERVICE CHARGES	154	0	0
3235	TOBACCO SETTLEMENT TRUST	0	0	0
3310	INVESTMENT ADVISORS ACT	350	325	325
3320	TOWER FEES	31	35	36
3400	PARKING METERS	13,715	16,000	16,000
4000	GAMING REVENUES	0	0	0
4600	INTRA-DISTRICT REVENUE	0	0	0
CHARGES FOR SERVICES		**53,704**	**57,661**	**56,436**
TOTAL NON TAX REVENUE		**322,635**	**295,512**	**296,568**
OTHER FINANCING SOURCES				
6104	LOTTERY TRANSFER	73,500	73,100	73,100
TOTAL OTHER FINANCING SOURCES		**73,500**	**73,100**	**73,100**
TOTAL NON-TAX AND OTHER FINANCING SOURCES		**396,135**	**368,612**	**369,668**

Special Purpose Non-Tax Revenue

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

In FY 2006 the District is anticipating $237.9 million in revenue and use of fund balance of $115.0 million for a total of $352.9 million to cover the cost of performing the functions associated with these resources. The use of fund balance is a one-time revenue source and as such is not projected for future years. Table 4-29 (at the end of this chapter) shows the dedicated non-tax revenue by source.

Special Funds and Earmarked Revenues. District of Columbia revenues include both special funds and earmarking of General Fund revenues.

Special Funds

The District operates several special funds financed by tax revenues, including the Convention Center Fund and the Highway Trust Fund. These revenues are not available to the General Fund and the Appropriated Budget.

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

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

The motor fuel tax is levied on fuel wholesalers, and yearly variations in tax collections are primarily a function of fuel consumption. In the past, revenues averaged approximately $30 million a year. With the forecast for the local economy improving, revenues are projected to amount to $26.6 million in FY 2005. Based on a time series analysis of recent trends in relation to the local economy, fuel tax revenues are forecasted to grow approximately 1.0 percent per year beginning in FY 2005. This is generally consistent the with U.S. Energy Information Agency forecasts for national gasoline demand. These latter forecasts attribute growth in fuel demand to an accelerating U.S. economy (particularly from the com-

Table 4-24
Highway Trust Fund
($ thousands)

Revenue	FY 2004 actual	FY 2005 revised	FY 2006 original	FY 2007 projected	FY 2008 projected	FY 2009 projected
Motor Fuel Tax	26,564	26,657	26,750	26,844	26,938	27,032

mercial sector) and decreases in the improvement in vehicle fuel efficiency (see table 4-24).

Mayor's Policy Proposals

The FY 2006 budget includes a number of policy proposals that affect District of Columbia revenues:

- Expand local EITC match to 50%;
- Extend EITC benefits to non-custodial parents;
- Increase the standard deduction to $2,500;
- Increase the personal exemption to $1,500;
- Increase the homestead deduction to $60,000;
- Low-income property tax deferral;
- Disabled resident property tax relief;
- Create a new DDOT special purpose revenue fund from the following revenue streams:
  - public space rental and
  - parking meters;
- Transfer parking tax revenue to DDOT's Local Streets Maintenance fund;
- Transfer U.S. Marshal's reimbursement to DOC special purpose revenue fund;
- New OTR special purpose revenue fund for collection fees assessed against delinquent taxpayers; and
- E911 fee increase.

Expand Local EITC Match to 50 Percent

The District currently offers a refundable 25 percent match to the federal Earned Income Tax Credit (EITC) program. Under this proposal, the District will supplement this refundable match with a non-refundable credit up to 50 percent of the federal level. This refundable credit would make D.C.'s EITC similar to the Maryland's program where 15 percent is refundable and 50 percent is non-refundable. The vast majority of benefits would go to low-income households with children; low income households without children would also receive some benefit from this policy change. This proposal would reduce tax revenue by $9.5 million in FY 2006.

Extend EITC Benefits to Non-Custodial Parents

This proposal extends EITC tax relief to non-custodial parents - primarily unmarried fathers - who pay child support and who meet certain other eligibility criteria. This proposal would reduce tax revenue by $0.3 million in FY 2006.

Increase the Standard Deduction to $2,500

The District's current standard deduction is $2,000. This proposal would increase the standard deduction to $2,500. Tax relief from this proposal would go to an income tax filer who takes the standard deduction. The benefit from the increased standard deduction primarily accrues to low-income residents and residents that do not own homes. The increase would bring the District's standard deduction closer to that of Virginia, Maryland, and the federal government. This proposal would reduce tax revenue by $4.5 million in FY 2006.

Increase the Personal Exemption to $1,500

The District's current personal exemption is $1,370 per person. This proposal would increase the personal exemption to $1,500. This proposal brings the District to two-thirds of Maryland's personal exemption level and well above Virginia's personal exemption level. Tax relief goes to all income tax filers. More benefits accrue to those income tax filers with multiple dependents. This proposal would reduce tax revenue by $4.7 million in FY 2006.

Increase the Homestead Deduction to $60,000

This proposal increases the amount that is deducted from a homeowner's property tax assessment from $38,000 to $60,000. This proposal provides a $211 benefit to all homeowners across the city. This proposal would reduce tax revenue by $18.7 million in FY 2006.

Low-Income Property Tax Deferral

This proposal freezes real property tax liability for residents with incomes of $50,000 or less. Any incremental tax liability will be paid out of his or her estate upon sale or estate settlement. Benefits accrue to low-income residents who may have trouble affording the rising property taxes on their properties. This proposal would reduce tax revenue by $2.0 million in FY 2006.

Disabled Resident Property Tax Relief

This proposal would provide a 50 percent tax reduction for disabled residents with incomes under $50,000. The District currently provides similar relief to elderly residents with incomes under $100,000. Benefits accrue to low-income disabled residents. This proposal would reduce tax revenue by $1.4 million in FY 2006.

Transfer Certain Tax and Non-Tax Revenue to DDOT Revenue Funds

Under this proposal, a new special purpose revenue fund would be created for the District Department of Transportation (DDOT). This proposal would have no net effect on District revenues since it merely redirects revenue from certain existing revenue sources to a new special purpose revenue fund. Currently, the revenue from these sources is considered non-dedicated general fund revenue. The revenue streams affected by this proposal are: public space rental revenue and parking meter revenue. In FY 2006, this proposal would result in approximately $29.3 million of revenue being placed in the new DDOT special purpose revenue fund.

Additionally, the proposal would the transfer non-dedicated parking tax revenue stream out of the General Fund to DDOT's Local Streets Maintnance fund. In FY 2006, this proposal would transfer $30 million.

Transfer U.S. Marshal's Reimbursement to New DOC Special Purpose Revenue Fund

Under this proposal, a new Department of Corrections (DOC) special purpose revenue fund would be created. This proposal would have no net effect on District revenues since it merely redirects the reimbursement the District currently receives from the U.S. Marshal's Service to a new special purpose revenue fund. Currently, the revenue from these sources is considered non-dedicated general fund revenue. In FY 2006, this proposal would result in approximately $25.0 million of revenue flowing into the new DOC special purpose revenue fund.

New Delinquent Taxpayer Collection Fees Special Purpose Revenue Fund

This proposal would create a new special purpose revenue fund within the Office of the Chief Financial Officer. This proposal allows the Office of Tax and Revenue (OTR) to recover costs associated with pursuing collection of delinquent tax balances, placing real property delinquencies through the tax sale process, and handling installment agreements. Revenue for this fund would be generated through newly established collection fees. In FY 2006, this proposal would result in approximately $3.8 million of revenue for the new special purpose revenue fund.

E911 Fee Increase

Under this proposal, the fee on wireline E911 services would be raised to $1.25 per line per month. Currently, Centrex and PBX wireline services are assessed a fee of $0.62 per line per month, and exchange access lines are assessed a fee of $0.76 per line per month. The fee on wireless subscribers, which is currently $0.76 per line per month, would not be changed under this proposal. The additional revenue from this fee increase would go to an existing special purpose revenue fund - the Emergency and Non-Emergency Number Calling Systems Fund (E911 Fund). In FY 2006, the fee increase is projected to generate an additional $6.0 million for the E911 fund.

Notes on the Data and the Revenue Estimates

In the tables and estimates contained in this chapter, actual revenues are reported for FY 2004, estimated revenue for FY 2005-2006, and projected revenues for FY 2006-2009. Actual revenues correspond to amounts that are reported in the Comprehensive Annual Financial Report (CAFR) for FY 2004. The Office of Revenue Analysis (ORA) prepares the estimates and projections based on current law, policy, and administrative quality. No changes in tax structure, tax rates, or addition or elimination of revenue sources are included as part of the estimate unless already legislated and able to be implemented.

Procedures for Estimating Revenue

The process of estimating revenue begins a year in advance. The estimates for FY 2006, for instance, were begun in September 2004.

In September we issue a revenue call to all agencies requesting reports and projections on the amount of user fees, fines, and other types of non-tax income agencies expect to generate.

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

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

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

Two advisory groups help us understand the economy:

- The first, a technical advisory group, meets in December and June and is composed of experts in revenue forecasting. Membership includes representatives from the Congressional Budget Office (CBO), the Richmond Federal Reserve, the Commonwealth of Virginia, the State of Maryland, and other jurisdictions and related organizations.
- The second advisory group, composed of knowledgeable local business representatives, advises us about current economic trends and helps us understand where the private sector thinks things are heading. This group meets with us in January and July. Members of this group represent the hotel and tourism industry, real estate and housing, banking and finance, neighborhood groups, downtown development interests, the education sector, and other interests.

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

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

Subsequent steps in revenue estimating are part technical and part investigative.

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

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

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

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

Additional Information on D.C. Revenues

Table 4-25 through 4-29 provide additional detail on what the District taxes and collects, at what rates, and how much revenue these taxes and non-tax revenues yield.

Table 4-25
Percentage Changes in General Fund, Local Revenue by Source
(percentage changes from prior FY, except where noted)

	FY 2003 (actual)	FY 2004 (actual)	FY 2005 (rev.)	FY 2006 (orig.)	FY 2007 (proj.)	FY 2008 (proj.)	FY 2009 (proj.)
Revenue Source	**($ thousands)**						
Real Property	822,845	15.2%	12.6%	9.7%	10.2%	8.3%	7.0%
Personal Property (net)	67,294	-5.6%	-15.6%	1.0%	1.3%	1.7%	2.0%
Public Space	11,749	42.4%	0.2%	1.9%	1.8%	1.7%	1.6%
Total Property	**901,888**	**14.0%**	**10.7%**	**9.2%**	**9.7%**	**7.9%**	**6.8%**
General Sales (gross)	690,370	6.2%	11.9%	7.2%	6.4%	5.2%	5.2%
Convention Center Transfer	*(58,905)*	*NA*	*10.7%*	*7.2%*	*6.4%*	*5.2%*	*5.2%*
General Sales (net)	631,465	6.3%	12.0%	7.2%	6.4%	5.2%	5.2%
Alcohol	4,619	10.2%	-6.2%	-1.7%	-1.7%	-1.7%	-1.7%

Table 4-25 (continued)

Percentage Changes in General Fund, Local Revenue by Source

(percentage changes from prior FY, except where noted)

	FY 2003 (actual)	FY 2004 (actual)	FY 2005 (rev.)	FY 2006 (orig.)	FY 2007 (proj.)	FY 2008 (proj.)	FY 2009 (proj.)
Cigarette	21,344	-2.7%	3.4%	-2.6%	-2.6%	-2.6%	-2.6%
Motor Vehicle	37,066	9.1%	5.5%	4.4%	4.4%	4.4%	4.4%
Total Sales	**694,494**	**6.2%**	**11.3%**	**6.8%**	**6.0%**	**5.0%**	**5.0%**
Individual Income	928,968	12.2%	4.4%	1.6%	-0.3%	5.7%	5.4%
Corporation Franchise	156,777	7.4%	16.6%	-0.1%	3.6%	3.1%	3.4%
U. B. Franchise	81,707	8.1%	7.9%	8.4%	8.5%	8.4%	8.4%
Total Income	**1,167,452**	**11.3%**	**6.3%**	**1.8%**	**0.9%**	**5.5%**	**5.4%**
Public Utility (gross)	166,743	1.6%	-9.0%	0.3%	1.4%	1.4%	1.4%
Baseball Gross Receipts Tax	*0*	*NA*	*NA*	*33.3%*	*1.3%*	*1.3%*	*1.3%*
Public Utility (net)	166,743	1.6%	-13.0%	-1.3%	1.4%	1.4%	1.4%
Toll Telecommunication (gross)	53,324	3.1%	-9.6%	-1.4%	-0.4%	0.0%	0.0%
Baseball Gross Receipts Tax	*0*	*NA*	*NA*	*33.4%*	*0.1%*	*0.0%*	*0.0%*
Toll Telecommunication (net)	53,324	3.1%	-13.9%	-3.1%	-0.4%	0.1%	0.0%
Insurance Premiums	41,281	14.9%	-6.2%	0.0%	0.0%	0.0%	0.0%
Healthcare Provider Tax	0	NA	NA	100.0%	0.0%	0.0%	0.0%
Total Gross Receipts	**261,348**	**4.0%**	**-10.0%**	**0.9%**	**0.7%**	**0.8%**	**0.9%**
Estate	29,944	-11.6%	-11.4%	-8.6%	-6.3%	-3.6%	-3.6%
Deed Recordation (gross)	134,262	22.5%	9.8%	16.6%	15.1%	14.3%	13.6%
Transfer to HPTF	*0*	*NA*	*NA*	*16.6%*	*15.1%*	*14.3%*	*13.6%*
Deed Recordation (net)	134,262	22.5%	-6.7%	16.6%	15.1%	14.3%	13.6%
Deed Transfer (gross)	99,052	22.9%	6.5%	13.8%	12.9%	12.2%	10.9%
Transfer to HPTF	*0*	*NA*	*NA*	*13.8%*	*12.9%*	*12.2%*	*10.9%*
Deed Transfer (net)	99,052	22.9%	-9.5%	13.8%	12.9%	12.2%	11.0%
Economic Interests	4,934	229.7%	-72.3%	0.0%	0.0%	0.0%	0.0%
Total Other Taxes	**268,192**	**22.7%**	**-11.3%**	**13.2%**	**12.7%**	**12.3%**	**11.7%**
TOTAL TAXES	**3,293,374**	**11.3%**	**5.7%**	**5.8%**	**5.6%**	**6.5%**	**6.1%**
Licenses & Permits	59,761	2.9%	12.3%	-3.8%	5.6%	-5.2%	7.0%
Fines & Forfeits	88,455	12.5%	10.6%	3.3%	2.3%	-0.5%	0.0%
Charges for Services	65,736	-18.3%	7.4%	-2.1%	3.9%	-2.9%	3.0%
Miscellaneous Revenue	89,905	21.3%	-24.8%	11.9%	-6.8%	1.7%	1.9%
O-Type Transfer	*0*	*NA*	*NA*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
TOTAL NON-TAX	**303,857**	**6.5%**	**2.2%**	**2.9%**	**0.7%**	**-1.3%**	**2.4%**
Lottery/Interfund Transfer	72,050	2.0%	-4.8%	4.4%	0.0%	0.0%	0.0%
Federal Project Funds	33,000	-100.0%	NA	NA	NA	NA	NA
TOTAL NON-DEDICATED GENERAL FUND	**3,702,281**	**9.7%**	**5.3%**	**5.6%**	**5.1%**	**5.8%**	**5.7%**
SPECIAL PURPOSE REVENUE FUND	**164,125**	**43.9%**	**-0.1%**	**0.8%**	**0.5%**	**-0.7%**	**-0.6%**
TOTAL GENERAL FUND WITHOUT MAYOR'S PROPOSAL	**3,866,406**	**11.2%**	**5.0%**	**5.3%**	**4.9%**	**5.5%**	**5.4%**
TOTAL GENERAL FUND WITH MAYOR'S PROPOSAL	**3,866,406**	**11.2%**	**5.0%**	**3.9%**	**4.9%**	**5.5%**	**5.5%**

Table 4-26
Changes in General Fund, Local Revenue by Source
($ thousands change from prior FY, except where noted)

Revenue Source	FY 2003 actual level	FY 2004 actual	FY 2005 revised	FY2006 original	FY2007 projected	FY2008 projected	FY2009 projected
Real Property	822,845	124,844	119,756	103,408	118,978	106,981	97,914
Personal Property (net)	67,294	(3,736)	(9,911)	528	725	935	1,139
Public Space	11,749	4,979	37	312	304	295	288
Total Property	**901,888**	**126,087**	**109,882**	**104,248**	**120,007**	**108,211**	**99,341**
General Sales (gross)	690,370	42,624	87,400	59,154	56,368	48,730	51,264
Convention Center Transfer	*(58,905)*	*(3,072)*	*(6,637)*	*(4,934)*	*(4,702)*	*(4,063)*	*(4,275)*
General Sales (net)	631,465	39,552	80,763	54,220	51,666	44,667	46,989
Alcohol	4,619	471	(316)	(82)	(80)	(79)	(77)
Cigarette	21,344	(579)	701	(563)	(549)	(535)	(520)
Motor Vehicle	37,066	3,371	2,234	1,863	1,944	2,030	2,117
Total Sales	**694,494**	**42,815**	**83,382**	**55,438**	**52,981**	**46,083**	**48,509**
Individual Income	928,968	113,341	46,373	17,527	(3,794)	62,655	63,419
Corporation Franchise	156,777	11,576	27,891	(111)	7,041	6,244	7,223
U. B. Franchise	81,707	6,640	6,953	8,028	8,735	9,465	10,212
Total Income	**1,167,452**	**131,557**	**81,217**	**25,444**	**11,982**	**78,364**	**80,854**
Public Utility (gross)	166,743	2,751	(15,199)	428	2,104	2,128	2,238
Baseball Gross Receipts Tax	*0*	*0*	*(6,888)*	*(2,296)*	*(119)*	*(121)*	*(122)*
Public Utility (net)	166,743	2,751	(22,087)	(1,868)	1,985	2,007	2,116
Toll Telecommunication (gross)	53,324	1,627	(5,259)	(678)	(173)	23	20
Baseball Gross Receipts Tax	*0*	*0*	*(2,371)*	*(791)*	*(3)*	*0*	*0*
Toll Telecommunication (net)	53,324	1,627	(7,630)	(1,469)	(176)	23	20
Insurance Premiums	41,281	6,171	(2,952)	0	0	0	0
Healthcare Provider Tax	0	0	5,500	5,500	0	0	0
Total Gross Receipts	**261,348**	**10,549**	**(27,169)**	**2,163**	**1,809**	**2,030**	**2,136**
Estate	29,944	(3,478)	(3,026)	(2,020)	(1,348)	(720)	(695)
Deed Recordation (gross)	134,262	30,260	16,126	30,002	31,850	34,605	37,769
Transfer to HPTF	*0*	*0*	*(27,097)*	*(4,501)*	*(4,777)*	*(5,191)*	*(5,665)*
Deed Recordation (net)	134,262	30,260	(10,971)	25,501	27,073	29,414	32,104
Deed Transfer (gross)	99,052	22,695	7,929	17,844	19,015	20,269	20,455
Transfer to HPTF	*0*	*0*	*(19,451)*	*(2,677)*	*(2,852)*	*(3,041)*	*(3,068)*
Deed Transfer (net)	99,052	22,695	(11,522)	15,167	16,163	17,228	17,387
Economic Interests	4,934	11,335	(11,769)	0	0	0	0
Total Other Taxes	**268,192**	**60,812**	**(37,288)**	**38,648**	**41,888**	**45,922**	**48,796**
TOTAL TAXES	**3,293,374**	**371,820**	**210,024**	**225,941**	**228,667**	**280,610**	**279,636**

Table 4-26 (continued)

Changes in General Fund, Local Revenue by Source

($ thousands change from prior FY, except where noted)

Source	FY 2003 actual level	FY 2004 actual	FY 2005 revised	FY2006 original	FY2007 projected	FY2008 projected	FY2009 Revenue
Licenses & Permits	59,761	1,744	7,568	(2,603)	3,709	(3,623)	4,684
Fines & Forfeits	88,455	11,023	10,537	3,598	2,665	(529)	0
Charges for Services	65,736	(12,031)	3,956	(1,225)	2,202	(1,700)	1,701
Miscellaneous Revenue	89,905	19,106	(26,987)	9,779	(6,202)	1,469	1,675
O-Type Transfer	*0*	*0*	*12,200*	*0*	*0*	*0*	*0*
TOTAL NON-TAX	**303,857**	**19,842**	**7,274**	**9,549**	**2,374**	**(4,383)**	**8,060**
Lottery/Interfund Transfer	72,050	1,450	(3,500)	3,100	0	0	0
Federal Project Funds	33,000	(33,000)	0	0	0	0	0
TOTAL NON-DEDICATED GENERAL FUND	**3,702,281**	**360,112**	**213,798**	**238,590**	**231,041**	**276,227**	**287,696**
SPECIAL PURPOSE REVENUE FUND	**164,125**	**72,050**	**(149)**	**1,900**	**1,088**	**(1,649)**	**(1,395)**
TOTAL GENERAL FUND WITH-OUT MAYOR'S PROPOSAL	**3,866,406**	**432,162**	**213,649**	**240,490**	**232,129**	**274,578**	**286,301**
TOTAL GENERAL FUND WITH MAYOR'S PROPOSALS	**3,866,406**	**432,162**	**214,649**	**178,187**	**230,329**	**272,475**	**284,495**

Table 4-27

Summary of Major Taxes in the District of Columbia, Fiscal Year 2005

PART A—GENERAL FUND TAXES

TAX	DESCRIPTION OF WHAT IS TAXED	RATE	FY 2004 REVENUE
REAL PROPERTY TAX	All real property, unless expressly exempted, is subject to the real property tax and is assessed at 100% of market value. With the property tax year beginning October 1, 2002, the District of Columbia increased the number of property classes from two to the following three classifications of property: Class 1--improved residential real property that is occupied and is used exclusively for nontransient residential dwelling purposes; Class 2-commercial property; and Class 3 - unimproved or abandoned property. *D.C. Code Citation: Title 47, Chapters 7 - 14.* The District's Real Property Tax Year is October 1 through September 30.	**Property Class** / **Tax Per $100 of Value** Class 1 — $0.96 (*) Class 2 — $1.85 Class 3 — $5.00 (*) For owner-occupied residential real property, the first $38,000 of Assessed Value is exempt from the tax.	$ 947,689,000
PERSONAL PROPERTY TAX	All tangible property, except inventories, used or available for use in a trade or business. *D.C. Code Citation: Title 47, Chapter 15.*	$3.40 per $100 of assessed value Note: As of July 31, 2000, both an accelerated depreciation schedule for computer equipment; and a $50,000 taxable value threshold on personal property are adopted.	$ 63,558,000
PUBLIC SPACE RENTAL	Commercial use of publicly owned property between the property line and the street. *D.C. Code Citation: Title 10, Chapter 11.*	Various rates for the following: Vault, Sidewalk (Enclosed and Unenclosed Cafes), Surface, and Fuel Oil Tank	$ 16,728,000
SALES AND USE TAX	All tangible personal property and certain selected services, sold or rented to businesses or individuals at retail in the District. Groceries, prescription and non-prescription drugs, and residential utility services are among those items exempt from the sales tax. The use tax is imposed at the same rate as the sales tax rate on purchases made outside the District and then brought into the District to be used, stored or consumed, providing that the purchaser has not paid the sales tax on the purchases to another jurisdiction. *D.C. Code Citation: Title 47, Chapters 20 and 22.*	A five-tier rate structure is presently in effect: 5.75% General rate for tangible personal property and selected services 9% Liquor sold for off the premises consumption 10% Restaurant meals, liquor for consumption on the premises, rental vehicles 12% Parking motor vehicles in commercial lots 14.5% Transient accommodations Note: The following portions of the sales tax go to the Convention Center Fund: 1% of sales tax from restaurant meals etc., and 4.45% of sales tax from transient accommodations. Sales tax on internet access is eliminated.	$ 671,017,000 (a)

ALCOHOLIC BEVERAGE TAX	Alcoholic beverages manufactured by a holder of a manufacturer's license and beverages brought into D.C. by the holder of a wholesaler's or a retailer's license. *D.C. Code Citation: Title 25, Chapter 9.*	Beer –$2.79 per 31 gallon barrel Light wine < 14% alcohol—30¢ per gal Heavy wine >14% alcohol—40¢ per gal Champagne/sparkling wine– 45¢ per gal Spirits -- $1.50 per gallon	$5,090,000
CIGARETTE TAX	The sale or possession of cigarettes in the District. Cigarettes sold to the military and to federal government are exempt. *D.C. Code Citation: Title 47, Chapter 24.*	$1.00 per package of twenty cigarettes	$ 20,765,000
MOTOR VEHICLE EXCISE TAX	Issuance of every original and subsequent certificate of title on motor vehicles and trailers. *D.C. Code Citation: Title 50, Chapter 22.*	Based on manufacturer's shipping weight 6% of fair market value-3,499 lbs or less 7% of fair market value-3,500 lbs or more	$ 40,437,000
INDIVIDUAL INCOME TAX	The taxable income of an individual who is domiciled in the District at any time during the tax year, or who maintains an abode in the District for 183 or more days during the year. *D.C. Code Citation: Title 47, Chapter 18.*	For Calendar Year 2004: Taxable Income — Tax Rate First $10,000 — 5.0% Over $10,000, but Not over $30,000 — $500 + 7.5% of excess over $10,000 Over $30,000 — $2,000 + 9.0% of Excess over $30,000	$1,042,309,000
CORPORATE FRANCHISE TAX	Net income of corporations having nexus in the District. All corporations engaging in a trade, business or profession in the District of Columbia must register. *D.C. Code Citation: Title 47, chapter 18.*	The franchise tax rate is 9.975 percent of taxable income.	$ 168,353,000
U. B. FRANCHISE TAX	Net income of unincorporated businesses with gross receipts over $12,000. A 30% salary allowance for owners and a $5,000 exemption are deductible from net income to arrive at taxable income. A business is exempt if more than 80% of gross income is derived from personal services rendered by the members of the entity and capital is not a material income-producing factor. A trade, business or professional organization that by law, customs or ethics cannot be incorporated is exempt. *D.C. Code Citation: Title 47, chapter 18.*	The franchise tax rate is 9.975 percent of taxable income.	$ 88,347,000
PUBLIC UTILITY TAX	Gross receipts of gas, electric and local telephone companies. *D.C. Code Citation: Title 47, Chapter 25.*	11% of gross charges $0.0077 per kwh Electricity distribution Companies	$169,494,000
TOLL TELECOMMUNICATIONS TAX	Gross receipts of companies providing toll telecommunication service in the District. *D.C. Code Citation: Title 47, Chapter 39.*	11% of gross charges	$ 54,951,000
INSURANCE PREMIUMS TAX	Gross insurance premiums received on risks in the District, less premiums received for reinsurance assumed, returned premiums and dividends paid to policy-holders. The tax is in lieu of all other taxes except real estate taxes and fees provided for by the District's insurance law. *D.C. Code Citation: Title 31; Title 47, Chapter 26.*	1.7% on policy and membership fees and net premium receipts	$ 47,452,000
ESTATE TAX	The estate of every decedent dying while a resident of the District, and on the estate of every nonresident decedent owning property having a taxable situs in the District at the time of his or her death, where the gross estate exceeds $1,000,000. *D.C. Code Citation: Title 47, Chapter 37.*	Tax due is determined by using Form D-76 (Estate Tax Return). Return must be filed within 10 months of death.	$ 26,466,000

DEED RECORDATION TAX	The recording of all deeds to real estate in the District. The basis of the tax is the value of consideration given for the property. Where there is no consideration or where the consideration is nominal, the tax is imposed on the basis of the fair market value of the property. *D.C. Code Citation: Title 42, Chapter 11.*	1.5% of consideration or fair market value Note: 1.1% of consideration or fair market value for residential properties worth $250,000 or less.	$ 164,522,000
DEED TRANSFER TAX	Each transfer of real property at the time the deed is submitted for recordation. The tax is based upon the consideration paid for the transfer. Where there is no consideration or where the amount is nominal, the basis of the transfer tax is the fair market value of the property conveyed. *D.C. Code Citation: Title 47 Chapter 9.*	1.5% of consideration or fair market value Note: 1.1% of consideration or fair market value for residential properties worth $250,000 or less.	$ 121,747,000
ECONOMIC INTEREST TAX	The economic interest transfer tax is triggered by the sale of a controlling interest in a business entity, including either one of the following elements. These elements are 1) 80% or more of the assets of the entity consist of real property located in the District of Columbia; or 2) more than 50% of the gross receipts of the entity are derived from ownership or disposition of real property in D.C. The consideration is not always equal to the assessed value of the property. The consideration is what is paid for the interest in the real property being transferred. If there is no consideration, then the tax basis will be the assessed value of the property owned by the corporation. *D.C. Code Citation: Title 42 Chapter 11.*	3.0% of consideration or fair market value	$ 16,269,000
TOTAL GENERAL FUND TAXES:			$3,665,194,000 (a)

PART B—OTHER SELECTED TAXES

TAX	DESCRIPTION OF WHAT IS TAXED	RATE	FY 2004 REVENUE
MOTOR VEHICLE FUEL TAX	Every importer 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 the propulsion of motor vehicles. *D.C. Code Citation: Title 47, Chapter 23.*	20¢ per gallon (entire tax dedicated to Highway Trust Fund)	$ 26,660,000

Source of General Fund Revenue amounts: Government of the District of Columbia Comprehensive Annual Financial Report, Year Ended September 30, 2004

Notes: (a) Amount excludes transfers to the Convention Center Fund.

Table 4-28

Non-Dedicated General Fund Revenues, FY1994-FY2004

($ thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Real Property	730,641	654,284	624,382	617,694	616,935	597,566	610,896	633,172	726,014	822,845	947,689
Personal Prop.	62,437	61,305	65,201	60,392	68,475	73,928	70,133	64,144	65,208	67,294	63,558
Public Space	17,931	14,754	12,052	9,513	10,030	8,056	11,752	10,107	12,167	11,749	16,728
Total Property	**811,009**	**730,343**	**701,635**	**687,599**	**695,440**	**679,550**	**692,781**	**707,423**	**803,389**	**901,888**	**1,027,975**
General Sales and Use	**458,555**	**485,651**	**467,527**	**482,354**	**525,087**	**541,573**	**585,688**	**617,217**	**612,354**	**631,465**	**671,017**
Alcohol	4,878	4,930	5,100	5,460	4,702	4,821	4,779	4,743	4,721	4,619	5,090
Cigarette	21,721	20,117	18,676	18,946	17,592	17,107	17,177	16,329	17,189	21,344	20,765
Motor Vehicle Fuel	36,107	34,617	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Motor Vehicle Excise	27,456	30,440	31,668	30,271	29,838	31,329	36,693	38,825	34,573	37,066	40,437
Hotel Occupancy	8,757	8,352	7,420	3,806	5,369	(26)	0	25	0	0	0
Total Selective Sales	**98,919**	**98,456**	**39,088**	**58,483**	**57,501**	**53,231**	**58,649**	**59,922**	**56,483**	**63,029**	**66,292**
Ind. Income	650,660	643,676	689,408	753,475	861,505	952,156	1,077,346	1,098,188	949,175	928,968	1,042,309
Corp. Franchise	113,981	121,407	123,114	144,563	170,029	163,699	190,594	233,237	142,647	156,777	168,353
U.B. Franchise	36,227	39,272	31,031	38,942	45,767	53,896	70,624	68,812	68,602	81,707	88,347
Total Income	**800,868**	**804,355**	**843,553**	**936,980**	**1,077,301**	**1,169,751**	**1,338,564**	**1,400,237**	**1,160,424**	**1,167,452**	**1,299,009**
Insurance	31,208	34,703	33,121	42,625	37,096	26,944	30,882	33,356	35,502	41,281	47,452
Public Utility	134,228	131,012	144,842	141,901	141,069	128,472	132,849	149,125	140,931	166,743	169,494
Toll Tele. Tax	39,958	44,554	45,464	52,994	56,732	51,874	48,280	51,259	55,353	53,324	54,951
Health Care Prov. Fee	27,708	175	11,530	(8,278)	1,740	0	0	0	0	0	0
Public Safety Fee	10,097	468	0	0	0	0	0	0	0	0	0
Total Gross Receipts	**243,199**	**210,912**	**234,957**	**229,242**	**236,637**	**207,290**	**212,011**	**233,740**	**231,786**	**261,348**	**271,897**

Table 4-28 (continued)

Non-Dedicated General Fund Revenues, FY1994-FY2004

($ thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Estate	11,714	16,807	32,175	27,314	32,256	26,247	35,992	51,072	125,889	29,944	26,466
Deed Recordation	23,547	22,691	33,099	30,821	53,863	70,398	60,418	75,936	89,951	134,262	164,522
Deed Transfer	21,980	21,826	26,701	27,162	42,597	47,001	44,660	62,086	62,228	99,052	121,747
Economic Interests	262	0	10	10,081	11,166	3,687	540	1,640	5,078	4,934	16,269
Total Other Taxes	**57,503**	**61,324**	**91,985**	**95,378**	**139,882**	**147,333**	**141,610**	**190,734**	**283,146**	**268,192**	**329,004**
TOTAL TAXES	**2,470,053**	**2,391,041**	**2,402,521**	**2,490,036**	**2,731,848**	**2,798,728**	**3,029,303**	**3,209,273**	**3,147,582**	**3,293,374**	**3,665,194**
Business Licenses & Permits	29,202	29,943	29,663	28,268	31,050	28,607	24,929	21,767	29,875	35,195	35,471
Non-Business Licenses & Permits	19,896	17,640	19,737	17,221	17,073	17,927	18,825*	19,627	20,320	24,566	26,034
Total Licenses & Permits	**49,098**	**47,583**	**49,400**	**45,489**	**48,123**	**46,534**	**43,754**	**41,394**	**50,195**	**59,761**	**61,505**
Fines and Forfeitures	**48,107**	**42,447**	**40,792**	**51,664**	**53,177**	**47,688**	**53,216**	**57,052**	**86,539**	**88,455**	**99,478**
Parking Meters	12,954	12,889	9,681	5,766	7,082	12,784	11,721	11,721	14,031	14,019	13,715
Other Charges	39,150	39,798	36,353	38,044	27,670	18,271	25,536	52,229	41,441	51,717	39,990
Total Charges for Services	**52,104**	**52,687**	**46,034**	**43,810**	**34,752**	**31,055**	**37,257**	**63,950**	**55,472**	**65,736**	**53,705**

Table 4-28 (continued)

Non-Dedicated General Fund Revenues, FY1994-FY2004

($ thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Interest Income	7,995	17,994	13,917	18,599	32,478	41,289	12,779	33,317	9,645	9,906	7,890
Unclaimed Property	13,904	13,856	16,230	17,688	25,908	31,511	28,042	19,006	16,148	20,308	25,626
Other Revenues	25,353	21,984	11,870	34,642	40,750	13,940	61,337	87,963	54,762	59,691	75,495
Total Misc. Revenues	**47,252**	**53,834**	**42,017**	**70,929**	**99,136**	**86,740**	**102,158**	**140,286**	**80,555**	**89,905**	**109,011**
TOTAL NON-TAX REVENUES	**196,561**	**196,551**	**178,243**	**211,892**	**235,188**	**212,017**	**236,385**	**302,682**	**272,759**	**303,857**	**323,699**
TOTAL NON-TAX REVENUES	**196,561**	**196,551**	**178,243**	**211,892**	**235,188**	**212,017**	**236,385**	**302,682**	**272,759**	**303,857**	**323,699**
TOTAL TAX & NON-TAX REVENUES	**2,666,614**	**2,587,592**	**2,580,764**	**2,701,928**	**2,967,036**	**3,010,745**	**3,265,688**	**3,511,955**	**3,420,341**	**3,597,231**	**3,988,893**
Tobacco Settlement	0	0	0	0	0	0	16,049	13,289	0	0	0
Lottery Transfer	69,050	85,100	75,250	69,200	81,300	64,225	69,450	86,858	63,000	72,050	73,500
Federal Payment/Contribution	647,930	660,000	660,000	665,702	198,000	0	0	0	0	0	0
Federal Project Funds	0	0	0	0	0	157,968	23,576	43,295	43,295	33,000	0
TOTAL NON-DEDICATED GENERAL FUND REVENUE	**3,383,594**	**3,332,692**	**3,316,014**	**3,436,830**	**3,246,336**	**3,232,938**	**3,374,763**	**3,655,399**	**3,526,636**	**3,702,281**	**4,062,393**

Table 4-29 Special Purpose (O- type) Revenue Funds, by Source: February 2005 Certifications

		FY 2004 End of Year Fund Balance	FY 2005 Certified Revenues 2/05 Cert.	FY 2005 Certified Fund Balance Use 2/05 Cert.	FY 2005 Certified Resources 2/05 Cert.	FY 2006 Certified Revenues 2/05 Cert.	FY 2006 Certified Fund Balance Use 2/05 Cert.	FY 2006 Certified Resources 2/05 Cert.	FY 2007 Certified Revenues 2/05 Cert.	FY 2008 Certified Revenues 2/05 Cert.	FY 2009 Certified Revenues 2/05 Cert.
A. Government Direction and Support											
Office of the City Administrator (AE0)		**24,362,229**	**0**	**24,362,229**	**24,362,229**	**0**	**17,161,331**	**17,161,331**	**0**	**0**	**0**
0620	Crime Victim Assistance Fund	24,362,229	0	24,362,229	24,362,229	0	17,161,331	17,161,331	0	0	0
Office of Property Management (AM0)		**0**	**3,625,000**	**0**	**3,625,000**	**3,625,000**	**0**	**3,625,000**	**3,625,000**	**3,625,000**	**3,625,000**
1450	Parking Fees	0	375,000	0	375,000	375,000	0	375,000	375,000	375,000	375,000
1459	Rental Fees	0	3,250,000	0	3,250,000	3,250,000	0	3,250,000	3,250,000	3,250,000	3,250,000
Office of Finance and Resource Management (AS0)		**373,638**	**3,041,114**	**0**	**3,041,114**	**3,041,114**	**0**	**3,041,114**	**3,132,347**	**3,226,318**	**3,323,107**
1150	Utilities Payment for Non-DC Agencies	373,638	3,041,114	0	3,041,114	3,041,114	0	3,041,114	3,132,347	3,226,318	3,323,107
Office of Chief Financial Officer (AT0)		**2,326,422**	**12,195,000**	**0**	**12,195,000**	**10,590,000**	**0**	**10,590,000**	**10,590,000**	**10,590,000**	**10,590,000**
0602	Payroll Service Fees	0	350,000	0	350,000	350,000	0	350,000	350,000	350,000	350,000
0603	Payroll Contract Fees	0	5,000	0	5,000	300,000	0	300,000	300,000	300,000	300,000
0605	Dishonored Check Fees	0	650,000	0	650,000	650,000	0	650,000	650,000	650,000	650,000
0606	Recorder of Deeds Surcharge	2,326,422	900,000	0	900,000	900,000	0	900,000	900,000	900,000	900,000
0610	Bank Fees	0	3,600,000	0	3,600,000	3,600,000	0	3,600,000	3,600,000	3,600,000	3,600,000
0611	Discovery Contract - Tax Collection Fees	0	900,000	0	900,000	900,000	0	900,000	900,000	900,000	900,000
0612	Tax Increment Financing	0	750,000	0	750,000	0	0	0	0	0	0
0613	Unclaimed Property Contingency Fund	0	3,500,000	0	3,500,000	3,500,000	0	3,500,000	3,500,000	3,500,000	3,500,000
0614	Defined Contribution Plan Administration Fund	0	40,000	0	40,000	40,000	0	40,000	40,000	40,000	40,000
0615	Federal Retirement Benefits Processing Fees	0	1,400,000	0	1,400,000	350,000	0	350,000	350,000	350,000	350,000
0617	Baseball Review Fund	0	100,000	0	100,000	0	0	0	0	0	0
Office of the Secretary (BA0)		**0**	**415,000**	**0**	**415,000**	**415,901**	**0**	**415,901**	**415,901**	**415,901**	**415,901**
1243	Distribution Fees	0	415,000	0	415,000	415,901	0	415,901	415,901	415,901	415,901
D.C. Office of Personnel (BE0)		**0**	**502,540**	**0**	**502,540**	**542,858**	**0**	**542,858**	**555,832**	**569,117**	**582,719**
0615	Reimbursables from Defined Benefit Program	0	363,775	0	363,775	370,389	0	370,389	379,241	388,305	397,586
1555	Reimbursables from Federal Agencies	0	138,765	0	138,765	172,469	0	172,469	176,591	180,812	185,133
Office of the Attorney General (CB0)		**9,963,714**	**2,680,000**	**9,488,028**	**12,168,028**	**3,160,000**	**3,283,710**	**6,443,710**	**2,660,000**	**2,660,000**	**2,660,000**
0601	Driving Under the Influence (DUI) Fund	0	85,000	0	85,000	85,000	0	85,000	85,000	85,000	85,000
0602	Antitrust Fund	442,784	200,000	400,000	600,000	600,000	0	600,000	200,000	200,000	200,000
0603	Child Support - TANF/AFDC Collections	8,360,632	2,100,000	8,360,632	10,460,632	2,100,000	2,904,902	5,004,902	2,100,000	2,100,000	2,100,000
0604	Child Support - Reimbursement & Fees	71,654	20,000	42,396	62,396	0	0	0	0	0	0
0611	Consumer Protection Fund	1,029,354	250,000	660,000	910,000	350,000	353,808	703,808	250,000	250,000	250,000
0612	Antifraud Fund	59,289	25,000	25,000	50,000	25,000	25,000	50,000	25,000	25,000	25,000
Office of Contracting and Procurement (PO0)		**326,111**	**0**	**323,495**	**323,495**	**0**	**400,000**	**400,000**	**450,000**	**475,000**	**499,275**
6102	D.C. Supply Schedule Sales Fund	326,111	0	323,495	323,495	0	400,000	400,000	450,000	475,000	499,275

Table 4-29 Special Purpose (O- type) Revenue Funds, by Source (continued)

B. Economic Development and Regulation

		FY 2004 End of Year Fund Balance	FY 2005 Certified Revenues 2/05 Cert.	FY 2005 Certified Fund Balance Use 2/05 Cert.	FY 2005 Certified Resources 2/05 Cert.	FY 2006 Certified Revenues 2/05 Cert.	FY 2006 Certified Fund Balance Use 2/05 Cert.	FY 2006 Certified Resources 2/05 Cert.	FY 2007 Certified Revenues 2/05 Cert.	FY 2008 Certified Revenues 2/05 Cert.	FY 2009 Certified Revenues 2/05 Cert.
Dept. of Employment Services (CF0)		**13,380,421**	**24,435,519**	**1,500,000**	**25,935,519**	**21,333,653**	**1,200,000**	**22,533,653**	**21,800,000**	**21,800,000**	**21,800,000**
0603	Proceeds from the Sale of 500 C Street	871,582	0	500,000	500,000	0	200,000	200,000	0	0	0
0610	Worker's Compensation - Special Fund	3,132,520	7,000,000	0	7,000,000	7,000,000	0	7,000,000	7,000,000	7,000,000	7,000,000
0611	Worker's Compensation - Administrative Fund	7,737,977	14,435,519	0	14,435,519	13,616,039	0	13,616,039	14,000,000	14,000,000	14,000,000
0612	UI Penalties & Interest	204,964	1,000,000	0	1,000,000	717,614	0	717,614	800,000	800,000	800,000
0614	Surcharge	1,433,379	2,000,000	1,000,000	3,000,000	0	1,000,000	1,000,000	0	0	0
Dept. of Consumer and Regulatory Affairs (CR0)		**19,193,381**	**11,503,539**	**1,600,000**	**13,103,539**	**14,301,058**	**0**	**14,301,058**	**11,505,970**	**13,562,000**	**11,505,970**
6005	Condo Conversion	0	20,000	0	20,000	20,000	0	20,000	20,000	20,000	20,000
6006	Nuisance Abatement Fund	7,717,534	4,800,000	0	4,800,000	5,125,000	0	5,125,000	4,800,000	4,800,000	4,800,000
6008	Real Estate Guarantee Fund	2,271,567	919,834	0	919,834	600,000	0	600,000	920,000	600,000	920,000
6009	Real Estate Appraisal Fund	0	40,970	0	40,970	97,000	0	97,000	40,970	97,000	40,970
6010	OPLA Special Fund	1,048,948	1,581,580	0	1,581,580	1,984,058	0	1,984,058	1,590,000	1,590,000	1,590,000
6011	Special Events Fund	0	30,000	0	30,000	30,000	0	30,000	30,000	30,000	30,000
6012	Boxing & Wrestling Fund	0	50,000	0	50,000	70,000	0	70,000	50,000	50,000	50,000
6013	Basic Business License Fund	7,468,659	3,240,000	0	3,240,000	5,500,000	0	5,500,000	3,235,000	5,500,000	3,235,000
6014	Fire Protection Account	0	100,000	0	100,000	100,000	0	100,000	100,000	100,000	100,000
6020	Board of Engineering	686,674	171,155	0	171,155	225,000	0	225,000	170,000	225,000	170,000
6025	Construction/Zoning Compliance Mgmt. Fund	0	550,000	1,600,000	2,150,000	550,000	0	550,000	550,000	550,000	550,000
Office of Cable Television (CT0)		**3,979,292**	**4,004,000**	**693,000**	**4,697,000**	**4,964,100**	**0**	**4,964,100**	**5,004,100**	**5,054,200**	**5,054,200**
0600	Franchise Fees & Tape Sales	3,979,292	4,004,000	693,000	4,697,000	4,964,100	0	4,964,100	5,004,100	5,054,200	5,054,200
Dept. of Housing and Community Development (DB0)		**71,887,804**	**45,276,720**	**49,963,082**	**95,239,802**	**42,482,423**	**66,202,176**	**108,684,599**	**40,596,000**	**40,596,000**	**40,596,000**
0602	Home Purchase Assistance Program Repayment	19,745,516	2,500,000	4,074,215	6,574,215	3,500,000	2,722,350	6,222,350	2,500,000	2,500,000	2,500,000
0603	Land Acquisition for Housing Dev. Opportunities	2,126,381	150,000	266,000	416,000	150,000	266,000	416,000	150,000	150,000	150,000
0605	Multi-Family/ Rehabilitation Repayment	2,503,635	200,000	200,000	400,000	200,000	200,000	400,000	200,000	200,000	200,000
0607	Low Income Housing Tax Credit Program	0	300,000	0	300,000	713,775	0	713,775	700,000	700,000	700,000
1261	Housing Production Trust Fund	47,512,273	42,080,720	45,422,867	87,503,587	37,872,648	63,013,826	100,886,474	37,000,000	37,000,000	37,000,000
1980	Portal Site	0	46,000	0	46,000	46,000	0	46,000	46,000	46,000	46,000
Public Services Commission (DH0)		**115,677**	**7,529,354**	**0**	**7,529,354**	**7,963,630**	**0**	**7,963,630**	**7,963,630**	**7,963,630**	**7,963,630**
0631	Utilities Regulation	0	7,529,354	0	7,529,354	7,963,630	0	7,963,630	7,963,630	7,963,630	7,963,630
0641	Auditors Assessment Fund	35,393	0	0	0	0	0	0	0	0	0
0651	Copy Fund	80,284	0	0	0	0	0	0	0	0	0
Office of People's Counsel (DJ0)		**40,676**	**3,987,840**	**0**	**3,987,840**	**4,406,460**	**0**	**4,406,460**	**4,406,460**	**4,406,460**	**4,406,460**
0631	Advocate for Consumers	40,676	3,987,840	0	3,987,840	4,406,460	0	4,406,460	4,406,460	4,406,460	4,406,460

Table 4-29 Special Purpose (O- type) Revenue Funds, by Source: (continued)

		FY 2004 End of Year Fund Balance	FY 2005 Certified Revenues 2/05 Cert.	FY 2005 Certified Fund Balance Use 2/05 Cert.	FY 2005 Certified Resources 2/05 Cert.	FY 2006 Certified Revenues 2/05 Cert.	FY 2006 Certified Fund Balance Use 2/05 Cert.	FY 2006 Certified Resources 2/05 Cert.	FY 2007 Certified Revenues 2/05 Cert.	FY 2008 Certified Revenues 2/05 Cert.	FY 2009 Certified Revenues 2/05 Cert.
B. Economic Development and Regulation (continued)											
Office of the Deputy Mayor for Econ. Develop. (EB0)		**3,938,549**	**15,136,000**	**3,307,979**	**18,443,979**	**15,231,400**	**823,210**	**16,054,610**	**15,267,970**	**15,306,369**	**15,346,687**
0609	Industrial Revenue Bond Program	1,288,917	1,500,000	660,407	2,160,407	1,500,000	628,510	2,128,510	1,500,000	1,500,000	1,500,000
0622	Commercial Trust Fund	2,476,099	0	2,476,099	2,476,099	0	0	0	0	0	0
0623	Home Again Revolving Fund	171,473	636,000	171,473	807,473	731,400	194,700	926,100	767,970	806,369	846,687
2003	Business Improvement Districts	2,060	13,000,000	0	13,000,000	13,000,000	0	13,000,000	13,000,000	13,000,000	13,000,000
Alcoholic Beverage Regulation Admin. (LQ0)		**2,795,575**	**3,462,080**	**2,795,575**	**6,257,655**	**3,462,080**	**1,380,947**	**4,843,027**	**3,462,080**	**3,462,080**	**3,462,080**
6017	ABC Import and Class License Fees	2,689,042	3,459,080	2,689,042	6,148,122	3,459,080	1,271,414	4,730,494	3,459,080	3,459,080	3,459,080
6018	Keg Registration Fees	106,533	3,000	106,533	109,533	3,000	109,533	112,533	3,000	3,000	3,000
Dept. of Insurance, Securities and Banking (SR0)		**1,126,176**	**22,820,132**	**0**	**22,820,132**	**23,471,817**	**40,902**	**23,512,719**	**23,807,422**	**23,807,422**	**23,807,422**
2100	HMO Assessment Fee	484,425	812,271	0	812,271	852,100	5,846	857,946	877,663	877,663	877,663
2200	Insurance Assessment Fee	641,751	7,722,861	0	7,722,861	7,836,730	35,056	7,871,786	8,071,832	8,071,832	8,071,832
2300	Securities/ Broker Dealer Licenses Fees	0	4,200,000	0	4,200,000	4,200,000	0	4,200,000	4,200,000	4,200,000	4,200,000
2500	Investment Advisors Licenses Fees	0	325,000	0	325,000	325,000	0	325,000	325,000	325,000	325,000
2600	Securities Registration Fees	0	7,760,000	0	7,760,000	7,760,000	0	7,760,000	7,760,000	7,760,000	7,760,000
2900	Banking Fees	0	2,000,000	0	2,000,000	2,497,987	0	2,497,987	2,572,927	2,572,927	2,572,927

Table 4-29 Special Purpose (O- type) Revenue Funds, by Source (continued)

Code	Source	FY 2004 End of Year Fund Balance	FY 2005 Certified Revenues 2/05 Cert.	FY 2005 Certified Fund Balance Use 2/05 Cert.	FY 2005 Certified Resources 2/05 Cert.	FY 2006 Certified Revenues 2/05 Cert.	FY 2006 Certified Fund Balance Use 2/05 Cert.	FY 2006 Certified Resources 2/05 Cert.	FY 2007 Certified Revenues 2/05 Cert.	FY 2008 Certified Revenues 2/05 Cert.	FY 2009 Certified Revenues 2/05 Cert.
C. Public Safety and Justice											
Metropolitan Police Dept. (FA0)		**1,599,811**	**11,287,827**	**1,363,196**	**12,651,023**	**11,696,086**	**938,676**	**12,634,762**	**11,696,086**	**11,696,086**	**11,696,086**
1431	Data Processing	0	130,804	0	130,804	130,804	0	130,804	130,804	130,804	130,804
1555	Reimbursable From Other Governments	0	650,000	0	650,000	650,000	0	650,000	650,000	650,000	650,000
1607	Sale Of Unclaimed Property	278,053	203,292	273,575	476,867	203,292	188,814	392,106	203,292	203,292	203,292
1614	Miscellaneous Reimbursements	0	2,104,491	63,206	2,167,697	2,100,000	0	2,100,000	2,100,000	2,100,000	2,100,000
1616	Drug Elimination	0	124,937	0	124,937	124,937	0	124,937	124,937	124,937	124,937
1660	Automated Traffic Enforcement	0	6,678,000	0	6,678,000	7,090,750	0	7,090,750	7,090,750	7,090,750	7,090,750
2531	Narcotics Proceeds	708,175	686,935	591,983	1,278,918	686,935	486,652	1,173,587	686,935	686,935	686,935
2532	Gambling Proceeds	0	19,565	0	19,565	19,565	0	19,565	19,565	19,565	19,565
7278	Asset Forfeiture	613,583	689,803	434,432	1,124,235	689,803	263,210	953,013	689,803	689,803	689,803
Fire and Emergency Medical Services (FB0)		**0**	**2,000**	**0**	**2,000**	**2,000**	**0**	**2,000**	**2,500**	**2,500**	**2,500**
1613	Training Fund	0	2,000	0	2,000	2,000	0	2,000	2,500	2,500	2,500
Dept. of Corrections (FL0)		**0**	**680,000**	**0**	**680,000**	**700,000**	**0**	**700,000**	**720,000**	**720,000**	**720,000**
0601	Concession Income	0	680,000	0	680,000	700,000	0	700,000	720,000	720,000	720,000
Office of Administrative Hearings (FS0)		**0**	**185,000**	**0**	**185,000**	**193,443**	**0**	**193,443**	**195,000**	**195,000**	**195,000**
0614	Adjudication Fines and Fees	0	185,000	0	185,000	183,443	0	183,443	185,000	185,000	185,000
TBD	Court Fines and Fees	0	0	0	0	10,000	0	10,000	10,000	10,000	10,000
Office of the Chief Medical Examiner (FX0)		**0**	**125,000**	**0**	**125,000**	**135,196**	**0**	**135,196**	**135,000**	**150,000**	**150,000**
0601	Medical Examiner Fees	0	125,000	0	125,000	135,196	0	135,196	135,000	150,000	150,000
Office of Unified Communications (UC0)		**10,396,426**	**13,731,046**	**4,051,137**	**17,782,183**	**13,731,046**	**6,268,417**	**19,999,463**	**13,731,046**	**13,731,046**	**13,731,046**
1630	911 & 311 Assessments	10,396,426	13,731,046	4,051,137	17,782,183	13,731,046	6,268,417	19,999,463	13,731,046	13,731,046	13,731,046

Table 4-29 Special Purpose (O- type) Revenue Funds, by Source (continued)

D. Public Education System

		FY 2004 End of Year Fund Balance	FY 2005 Certified Revenues 2/05 Cert.	FY 2005 Certified Fund Balance Use 2/05 Cert.	FY 2005 Certified Resources 2/05 Cert.	FY 2006 Certified Revenues 2/05 Cert.	FY 2006 Certified Fund Balance Use 2/05 Cert.	FY 2006 Certified Resources 2/05 Cert.	FY 2007 Certified Revenues 2/05 Cert.	FY 2008 Certified Revenues 2/05 Cert.	FY 2009 Certified Revenues 2/05 Cert.
Commission on Arts & Humanities (BX0)		**114,576**	**685,424**	**114,577**	**800,001**	**800,000**	**0**	**800,000**	**800,000**	**800,000**	**800,000**
0600	Special Purpose Revenue	94,306	685,424	94,306	779,730	800,000	0	800,000	800,000	800,000	800,000
6010	Arts and Technology Fund	20,271	0	20,271	20,271	0	0	0	0	0	0
DC Public Library (CE0)		**1,029,753**	**488,825**	**161,990**	**650,815**	**501,000**	**129,815**	**630,815**	**503,000**	**505,000**	**507,000**
0101	Miscellaneous	70,312	15,000	5,000	20,000	15,000	5,000	20,000	15,000	15,000	15,000
0102	Bookstore	58,251	64,000	26,815	90,815	70,000	20,815	90,815	72,000	74,000	76,000
0103	Restricted Fines	327,125	106,000	24,000	130,000	110,000	20,000	130,000	110,000	110,000	110,000
0108	Copies and Printing	63,396	76,000	9,000	85,000	76,000	9,000	85,000	76,000	76,000	76,000
0150	SLD E-Rate Reimbursement	510,669	227,825	97,175	325,000	230,000	75,000	305,000	230,000	230,000	230,000
District of Columbia Public Schools (GA0)		**1,600,894**	**6,649,000**	**0**	**6,649,000**	**6,780,000**	**0**	**6,780,000**	**6,810,000**	**6,810,000**	**6,810,000**
0601	Special Escrow	2,090	0	0	0	0	0	0	0	0	0
0602	ROTC	0	830,000	0	830,000	830,000	0	830,000	830,000	830,000	830,000
0603	Lease Income	0	2,500,000	0	2,500,000	2,700,000	0	2,700,000	2,700,000	2,700,000	2,700,000
0604	Pepco	27,858	143,000	0	143,000	143,000	0	143,000	143,000	143,000	143,000
0607	Custodial	0	250,000	0	250,000	250,000	0	250,000	250,000	250,000	250,000
0608	Nonresident	551,604	497,000	0	497,000	420,000	0	420,000	420,000	420,000	420,000
0609	Security Deposits	119,548	125,000	0	125,000	125,000	0	125,000	125,000	125,000	125,000
0611	Cafeteria	415,203	1,138,000	0	1,138,000	1,195,000	0	1,195,000	1,200,000	1,200,000	1,200,000
0613	Vending Machine Sales	0	436,000	0	436,000	475,000	0	475,000	500,000	500,000	500,000
0621	Parking Fees	0	70,000	0	70,000	92,000	0	92,000	92,000	92,000	92,000
0623	Hoop Dreams Scholarship Fund	0	42,000	0	42,000	0	0	0	0	0	0
0627	BOE - Real Property Improvement Fund	484,591	400,000	0	400,000	400,000	0	400,000	400,000	400,000	400,000
0630	Teacher Certification Fees	0	218,000	0	218,000	150,000	0	150,000	150,000	150,000	150,000
State Education Office (GD0)		**9,780,504**	**220,000**	**4,212,598**	**4,432,598**	**180,000**	**4,212,598**	**4,392,598**	**4,333,186**	**180,000**	**180,000**
0601	Other Fund (Defaulted Student Loans)	0	60,000	0	60,000	60,000	0	60,000	60,000	60,000	60,000
0610	Charter School Credit Enhancement Fund	9,758,598	0	4,212,598	4,212,598	0	4,212,598	4,212,598	4,153,186	0	0
6007	Site Evaluation Visits	0	80,000	0	80,000	60,000	0	60,000	60,000	60,000	60,000
6010	Licensing Fees (OPLA - Special Account)	21,906	80,000	0	80,000	60,000	0	60,000	60,000	60,000	60,000

Table 4-29 Special Purpose (O- type) Revenue Funds, by Source (continued)

E. Human Support Services

		FY 2004 End of Year Fund Balance	FY 2005 Certified Revenues 2/05 Cert.	FY 2005 Certified Fund Balance Use 2/05 Cert.	FY 2005 Certified Resources 2/05 Cert.	FY 2006 Certified Revenues 2/05 Cert.	FY 2006 Certified Fund Balance Use 2/05 Cert.	FY 2006 Certified Resources 2/05 Cert.	FY 2007 Certified Revenues 2/05 Cert.	FY 2008 Certified Revenues 2/05 Cert.	FY 2009 Certified Revenues 2/05 Cert.
Dept. of Recreation and Parks (HA0)		**309,992**	**1,600,000**	**0**	**1,600,000**	**1,600,000**	**0**	**1,600,000**	**1,700,000**	**1,723,000**	**1,751,000**
0602	Enterprise Fund Account	309,992	1,600,000	0	1,600,000	1,600,000	0	1,600,000	1,700,000	1,723,000	1,751,000
Dept. of Health (HC0)		**12,556,709**	**19,348,595**	**7,120,000**	**26,468,595**	**21,841,317**	**8,564,361**	**30,405,678**	**22,133,000**	**22,280,000**	**22,696,000**
0602	Air Quality Construction Permits	371,764	200,000	50,000	250,000	200,000	79,996	279,996	205,000	210,000	215,000
0603	Fishing License	173,008	80,000	0	80,000	80,000	50,000	130,000	80,000	82,000	84,000
0605	SHPDA Fees	546,635	200,000	0	200,000	200,000	0	200,000	200,000	210,000	225,000
0606	Vital Records Revenue	876,618	3,400,000	150,000	3,550,000	3,485,799	100,000	3,585,799	3,500,000	3,550,000	3,600,000
0607	Underground Storage Tank Fines and Fees	1,002,001	350,000	50,000	400,000	365,000	320,014	685,014	370,000	375,000	380,000
0608	Drug Interdiction Fund	1,410,440	650,000	50,000	700,000	650,000	50,000	700,000	675,000	700,000	725,000
0609	LUST Trust Fund	120,694	45,000	0	45,000	45,000	35,000	80,000	45,000	45,000	45,000
0610	Methadone Fees	0	25,000	0	25,000	300,000	0	300,000	300,000	300,000	300,000
0611	Radioactive Waste Fees	26,398	35,000	0	35,000	35,000	0	35,000	30,000	30,000	30,000
0612	Food Handlers Certification	1,724,441	950,000	0	950,000	950,000	0	950,000	800,000	825,000	875,000
0613	Adjudication Hearings (Community Hygiene)	387,914	159,000	70,000	229,000	170,000	139,861	309,861	175,000	180,000	185,000
0617	Office of Professional Licensing Fines	93,658	0	0	0	0	85,000	85,000	0	0	0
0621	University Health Clinic Reimbursement	0	580,324	0	580,324	569,927	0	569,927	575,000	585,000	595,000
0624	Medicaid Fraud Collections - Client	0	0	0	0	0	0	0	0	0	0
0625	Medicaid Fraud Collections - Providers	0	35,000	0	35,000	35,000	0	35,000	40,000	45,000	50,000
0628	Nursing Home Fines	0	25,000	10,000	35,000	26,000	200,000	226,000	27,000	28,000	29,000
0630	General Counsel-FICA	0	5,000	0	5,000	5,500	0	5,500	6,000	6,500	7,000
0631	Medicaid Collections - Other	0	2,682,000	0	2,682,000	3,500,000	0	3,500,000	3,500,000	3,500,000	3,500,000
0632	Pharmacy Protection	432,285	392,000	120,000	512,000	400,000	120,000	520,000	410,000	420,000	425,000
0633	Radiation Protection	206,144	38,600	0	38,600	38,000	62,000	100,000	40,000	40,000	40,000
0634	Soil Erosion/Sediment Control	963,877	400,000	150,000	550,000	550,000	179,998	729,998	575,000	600,000	625,000
0638	Animal Control Dog License Fees and Fines	100,997	65,000	20,000	85,000	75,000	22,970	97,970	80,000	82,000	84,000
0641	Other Medical Licenses and Fees	150,174	0	0	0	0	100,000	100,000	0	0	0
0642	Medicaid Reimbursement-APRA	0	250,000	0	250,000	1,500,000	0	1,500,000	1,650,000	1,750,000	1,850,000
0643	Board of Medicine	1,246,818	2,900,000	500,000	3,400,000	2,897,232	746,818	3,644,050	3,100,000	2,950,000	3,100,000
0645	Pesticide Product Registration	1,370,983	750,000	100,000	850,000	750,000	25,000	775,000	850,000	900,000	925,000
0646	Storm Water Fees	50,195	16,000	0	16,000	26,000	0	26,000	27,000	29,000	31,000
0648	Asbestos Certification and Abatement Fee	638,927	169,000	100,000	269,000	175,000	169,011	344,011	180,000	185,000	195,000
0649	Health Facility Fee	47,420	36,000	0	36,000	44,000	0	44,000	46,000	47,500	48,000
0650	Human Services Facility Fee	197,304	75,000	50,000	125,000	90,000	44,973	134,973	90,000	92,000	94,000
0651	Health Benefits Plans-Bill of Rights Act	307,949	415,000	0	415,000	448,001	0	448,001	450,000	465,000	475,000
0652	DC Superior Courts PHSA Agreement	0	408,147	0	408,147	381,906	0	381,906	390,000	395,000	400,000
0653	DC General Collections	0	686,308	500,000	1,186,308	450,000	1,292,900	1,742,900	250,000	150,000	35,000
0654	Storm Water Permit Review	0	2,000,000	0	2,000,000	2,299,951	0	2,299,951	2,300,000	2,300,000	2,300,000
0655	SHPDA Admission Fee	57,217	541,216	0	541,216	550,000	200,820	750,820	600,000	625,000	635,000
0656	EMS Fees	0	35,000	0	35,000	55,000	0	55,000	56,000	57,000	58,000
0658	Public Health Laboratory Fees	52,849	65,000	0	65,000	100,000	40,000	140,000	110,000	115,000	120,000

Table 4-29 Special Purpose (O- type) Revenue Funds, by Source (continued)

Code	Name	FY 2004 End of Year Fund Balance	FY 2005 Certified Revenues 2/05 Cert.	FY 2005 Certified Fund Balance Use 2/05 Cert.	FY 2005 Certified Resources 2/05 Cert.	FY 2006 Certified Revenues 2/05 Cert.	FY 2006 Certified Fund Balance Use 2/05 Cert.	FY 2006 Certified Resources 2/05 Cert.	FY 2007 Certified Revenues 2/05 Cert.	FY 2008 Certified Revenues 2/05 Cert.	FY 2009 Certified Revenues 2/05 Cert.
E. Human Support Services (continued)											
0660	HIV/AIDS 1115 Waiver	0	250,000	0	250,000	0	0	0	0	0	0
0667	HIV/AIDS Medicaid Fees-Water Filter	0	50,000	0	50,000	0	0	0	0	0	0
0661	ICF/MR Fees and Fines	0	30,000	0	30,000	30,000	0	30,000	30,000	32,000	34,000
0662	Civil Monetary Penalties	0	75,000	0	75,000	70,000	0	70,000	75,000	75,000	75,000
0663	Brownfields Revitalization	0	10,000	0	10,000	20,000	0	20,000	20,000	20,000	20,000
0664	Adjudication Hearings (Air Quality)	0	35,000	0	35,000	17,000	0	17,000	17,000	18,000	19,000
0665	Adjudication Hearings (Water Quality)	0	25,000	0	25,000	22,000	0	22,000	23,000	24,000	25,000
0666	Adjudication Hearings (Food, Drug & Radiation)	0	10,000	0	10,000	10,000	0	10,000	10,000	10,000	10,000
0669	Lead Based Certification Fees	0	200,000	0	200,000	225,001	0	225,001	226,000	227,000	228,000
0670	HCSN Revolving Fund	0	0	5,200,000	5,200,000	0	4,500,000	4,500,000	0	0	0
Dept. of Human Services (JA0)		**370**	**2,132,000**	**0**	**2,132,000**	**3,000,000**	**0**	**3,000,000**	**3,300,000**	**3,300,000**	**3,300,000**
0602	DC Village Maintenance Reimbursement	0	367,000	0	367,000	400,000	0	400,000	400,000	400,000	400,000
0603	SSI Payback	0	400,000	0	400,000	800,000	0	800,000	900,000	900,000	900,000
0610	Vocational Rehab Services Reimbursement	370	140,000	0	140,000	200,000	0	200,000	200,000	200,000	200,000
0611	Cost of Care - Non Medicaid Clients	0	1,100,000	0	1,100,000	1,400,000	0	1,400,000	1,500,000	1,500,000	1,500,000
0613	Food Stamps Collections	0	125,000	0	125,000	200,000	0	200,000	300,000	300,000	300,000
DC Energy Office (JF0)		**275,336**	**274,943**	**275,336**	**550,279**	**163,962**	**0**	**163,962**	**163,962**	**163,962**	**163,962**
0610	Petroleum Violation Escrow Funds	56,858	110,981	56,858	167,839	0	0	0	0	0	0
0620	Utility Discount Programs Funds	0	0	0	0	0	0	0	0	0	0
6201	Economy II (ECON2)	218,478	43,412	218,478	261,890	43,412	0	43,412	43,412	43,412	43,412
6202	Residential Aid Discount (RAD)	0	38,768	0	38,768	38,768	0	38,768	38,768	38,768	38,768
6203	Residential Essential Services (RES)	0	36,849	0	36,849	36,849	0	36,849	36,849	36,849	36,849
6204	WASA Utility Discount Program (UDP)	0	44,933	0	44,933	44,933	0	44,933	44,933	44,933	44,933
Dept. of Child and Family Services (RL0)		**0**	**650,000**	**0**	**650,000**	**750,000**	**0**	**750,000**	**750,000**	**750,000**	**750,000**
0601	SSI/SSA Reimbursement	0	650,000	0	650,000	750,000	0	750,000	750,000	750,000	750,000
Dept. of Mental Health (RM0)		**0**	**4,808,120**	**0**	**4,808,120**	**3,808,120**	**0**	**3,808,120**	**3,608,120**	**3,608,120**	**3,608,120**
0610	Federal Beneficiary Reimbursement	0	2,268,000	0	2,268,000	2,268,000	0	2,268,000	2,268,000	2,268,000	2,268,000
0640	Medicare and Third Party Reimbursement	0	2,540,120	0	2,540,120	1,540,120	0	1,540,120	1,340,120	1,340,120	1,340,120

Table 4-29 Special Purpose (O- type) Revenue Funds, by Source (continued)

F. Public Works

		FY 2004 End of Year Fund Balance	FY 2005 Certified Revenues 2/05 Cert.	FY 2005 Certified Fund Balance Use 2/05 Cert.	FY 2005 Certified Resources 2/05 Cert.	FY 2006 Certified Revenues 2/05 Cert.	FY 2006 Certified Fund Balance Use 2/05 Cert.	FY 2006 Certified Resources 2/05 Cert.	FY 2007 Certified Revenues 2/05 Cert.	FY 2008 Certified Revenues 2/05 Cert.	FY 2009 Certified Revenues 2/05 Cert.
Dept. of Transportation (KA0)		**0**	**1,114,682**	**0**	**1,114,682**	**1,091,084**	**0**	**1,091,084**	**1,109,084**	**1,109,084**	**1,109,084**
6000	Special Events	0	69,016	0	69,016	84,000	0	84,000	84,000	84,000	84,000
6261	Reimbursable Street Repairs	0	222,000	0	222,000	235,366	0	235,366	253,366	253,366	253,366
6425	Federal Transit Grant Match	0	135,964	0	135,964	72,000	0	72,000	72,000	72,000	72,000
6452	Child Safety Seat Program	0	25,840	0	25,840	21,072	0	21,072	21,072	21,072	21,072
6462	Restoration of Public Space Program	0	159,000	0	159,000	239,094	0	239,094	239,094	239,094	239,094
6551	Wilson Bridge	0	102,000	0	102,000	102,000	0	102,000	102,000	102,000	102,000
6555	Mall Tunnel Lighting	0	345,862	0	345,862	282,552	0	282,552	282,552	282,552	282,552
6634	Citizen Streetlight & Traffic Control Project	0	55,000	0	55,000	55,000	0	55,000	55,000	55,000	55,000
Dept. of Public Works (KT0)		**4,165,105**	**2,712,000**	**2,128,000**	**4,840,000**	**2,814,275**	**660,000**	**3,474,275**	**2,833,500**	**2,833,500**	**2,833,500**
6000	Fleet Services Reimbursements	0	500,000	0	500,000	568,775	0	568,775	568,000	568,000	568,000
6010	Super Cans	0	17,000	0	17,000	17,000	0	17,000	17,000	17,000	17,000
6072	District Recycling Program	2,406,422	1,200,000	1,878,000	3,078,000	1,300,000	300,000	1,600,000	1,300,000	1,300,000	1,300,000
6564	Lorton Landfill	0	45,000	0	45,000	48,500	0	48,500	48,500	48,500	48,500
6591	Nuisance Abatement (Clean City)	1,122,696	950,000	250,000	1,200,000	880,000	360,000	1,240,000	900,000	900,000	900,000
6967	Abandoned Vehicle Program	635,987	0	0	0	0	0	0	0	0	0
Dept. of Motor Vehicles (KV0)		**8,188,341**	**8,342,450**	**75,000**	**8,417,450**	**8,731,423**	**3,615,128**	**12,346,551**	**8,792,000**	**8,792,000**	**8,792,000**
6000	International Registration Program	2,574,010	1,050,000	0	1,050,000	1,500,000	0	1,500,000	1,500,000	1,500,000	1,500,000
6221	Drivers Education Program	0	599,000	0	599,000	599,000	0	599,000	599,000	599,000	599,000
6258	Motor Vehicle Inspection Fund	5,614,331	6,425,000	75,000	6,500,000	6,425,000	3,615,128	10,040,128	6,425,000	6,425,000	6,425,000
6785	Commercial Drivers License Program	0	268,450	0	268,450	207,423	0	207,423	268,000	268,000	268,000
Taxi Cab Commission (TC0)		**617,027**	**375,000**	**87,821**	**462,821**	**415,000**	**124,589**	**539,589**	**455,000**	**495,000**	**535,000**
2200	Taxicab Driver Assessment Fund	617,027	375,000	87,821	462,821	415,000	124,589	539,589	455,000	495,000	535,000
District-Wide Total		**204,444,510**	**236,025,750**	**113,623,043**	**349,648,793**	**237,925,446**	**115,005,860**	**352,931,306**	**239,013,196**	**237,363,795**	**235,968,749**