

Government of the  
District of Columbia



Natwar M. Gandhi  
Chief Financial Officer

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# Tax Rates and Tax Burdens Washington Metropolitan Area

Including: Washington, DC

**Maryland**  
Charles Co.  
Montgomery Co.  
Prince George's Co.

**Virginia**  
Alexandria  
Arlington Co.  
Fairfax City  
Fairfax Co.  
Falls Church  
Loudoun Co.  
Prince William Co.

# 2003

Issued August 2004

**A Comparison of Tax Rates and Burdens in  
the Washington Metropolitan Area**

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# Executive Summary

This publication contains two studies: (I) the Washington, D.C. Metropolitan Area Tax burden comparison, and (II) the Washington, D.C. Metropolitan Area comparison of tax rates.

Hypothetical state and local tax burdens for a family of four, at five income levels, are presented in Part I of this publication. These burdens reflect individual income, real property, sales, and automotive taxes in the District of Columbia and selected jurisdictions in the Washington metropolitan area.

The hypothetical tax burdens vary substantially from jurisdiction to jurisdiction. The highest overall tax burden at the \$25,000 income level is found in Fairfax County, Virginia. Fairfax County's tax burden of \$2,236 is \$834 greater than the lowest tax burden of \$1,402 in Montgomery County, Maryland, and \$385 above the \$1,851 average tax for the metropolitan area. At \$150,000, Washington, DC burden of \$16,115 exceeds the \$14,641 area average by \$1,474; this is \$2,926 higher than the lowest tax burden of \$13,189 in Arlington County, Virginia.

The comparison of metropolitan area tax burdens indicates that the District of Columbia tax burden becomes progressively higher as income levels rise. Compared to the neighboring five jurisdictions, the District's overall tax burden ranks fourth out of six at the \$25,000 income level, third at the \$50,000 income level; second at the \$75,000 and \$100,000 income levels, and first at the \$150,000 income level.

The overall tax burden in the District at the income levels analyzed is progressive, with the \$25,000 household paying 6.8 percent of income in tax and the \$150,000 household paying 10.7 percent. A tax burden is considered progressive when the share of income paid for taxes is higher at higher income levels. The major reasons for progressivity in the District's tax burden include a \$30,000 homestead exemption for residential owner-occupied property and an individual income tax with a graduated rate structure. As of January 1, 2004, the homestead deduction has increased to \$38,000.

For metropolitan Washington families earning \$25,000, the overall average burden for the four major taxes as a percent of income is 7.4 percent. At the \$50,000 income level, the percentage increases to 9.2 percent. The average tax burden increases to 9.9 percent at the \$75,000 and \$100,000 income levels, and decreases to 9.8% at the \$150,000 income level. Taxes borne by the District of Columbia residents exceed these averages at all income levels except \$25,000 and \$50,000.

Bear in mind that the tax burdens are for a hypothetical family of four and that the calculations reflect one specific set of assumptions. The income levels and housing values used do not necessarily represent an "average" family within each jurisdiction.

Part II presents a comparison of tax rates for the District of Columbia and selected area jurisdictions effective as of January 1, 2004. Tax rates are the tax levied per unit of value. Examples include the amount of tax levied against each \$100 of real property value or the percent of tax levied on each \$1 of sales. The tax rates in the District of Columbia, as shown in Part II, rank higher than those in the states of Maryland and Virginia in seven tax categories (individual income, cigarette, corporate income, sales and use, motor vehicle excise, motor vehicle registration fees, and deed recordation and transfer taxes). However, some Maryland and Virginia area jurisdictions levy a county or city tax in addition to the state rate shown in the table.

# Acknowledgments

Each year the Government of the District of Columbia, Office of the Chief Financial Officer, Office of Research and Analysis publishes *A Comparison Of Tax Rates And Burdens In The Washington Metropolitan Area* as required by D.C. Code 47-816. Taxpayers and government officials in the District of Columbia have a significant interest in the relative tax position of the District compared to the surrounding jurisdictions.

The Office of Research and Analysis acknowledges and sincerely appreciates the time, effort and courtesy of officials in the Washington metropolitan area who cooperated in providing information for this report. In order to properly compare tax rates and tax burdens, uniform and reliable data must be utilized. Officials from the area jurisdictions provide the data included in this report. Part I of this volume compares tax burdens for the 2003 tax year and Part II compares tax rates effective as of January 1, 2004.

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

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## **Part I**

# **A Comparison of Tax Burdens in Selected Washington Metropolitan Area Jurisdictions**

# **2003**

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## OVERVIEW

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

The hypothetical family in this study consists of two wage-earning spouses and two school-age children. Families with annual gross income levels of \$25,000, \$50,000, \$75,000, \$100,000, and \$150,000 for each jurisdiction are analyzed. Families at the \$25,000 and \$50,000 income levels are assumed to own their own home and one automobile. Families with annual incomes of \$75,000, \$100,000 and \$150,000 are assumed to own their own home and two automobiles. This study compares the tax burden in each jurisdiction for the hypothetical family for four major tax categories: individual income tax, sales tax, real estate tax and the automobile-related taxes.

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

The individual income tax rates, exemptions and deductions in effect for calendar year 2003 in the District of Columbia, Maryland and Virginia are shown in Table 1 on page 3. Table 2, page 8, presents detailed data on state and local tax burdens for each type of tax by income level for each selected metropolitan area jurisdiction. The District's tax burden is compared with the average for the metropolitan area at each income level for the four tax categories, separately and combined in Table 3, page 9.

Factors used in the housing value assumptions and the assumed housing values by income level for each jurisdiction are shown in Table 4, page 10. The assumptions used to derive the automobile tax burdens are contained in Table 5, page 11. Table 6 on page 12 shows the progressivity/regressivity indices. Finally, selected state and local tax rates in the Washington metropolitan area for fiscal year 2003 - 2004 are outlined in Table 7, page 13.

## Individual Income Tax Burdens

The income tax burden of a hypothetical family is estimated using the actual income tax system in each jurisdiction and assumptions about the sources of income for families at different income levels. The features of the individual income tax systems used in the Washington, D.C. Metropolitan Area are presented in Table 1 (page 3).

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

INCOME LEVEL	WAGES, SALARIES <sup>1/</sup>	INTEREST	LONG-TERM CAPITAL GAIN (3 YEARS)	TOTAL
25,000	17,200	200	0	17,400
	7,400	200	0	7,600
50,000	34,000	500	0	34,500
	15,000	500	0	15,500
75,000	49,000	1,000	1,500	51,500
	21,000	1,000	1,500	23,500
100,000	65,000	1,500	2,000	68,500
	28,000	1,500	2,000	31,500
150,000	97,500	2,500	2,750	102,750
	42,000	2,500	2,750	47,250

Total itemized deductions assumed in this study include medical <sup>2/</sup>, taxes <sup>3/</sup>, interest <sup>4/</sup>, and contributions.

### ITEMIZED DEDUCTION ASSUMPTIONS

GROSS INCOME	MEDICAL <sup>2/</sup>	TAXES	INTEREST <sup>4/</sup>	CONTRIBUTIONS	TOTAL <sup>5/</sup>
25,000	0	<sup>3/</sup>	2,623	1,074	3,697
50,000	0	<sup>3/</sup>	5,377	2,016	7,393
75,000	0	<sup>3/</sup>	7,344	2,959	10,303
100,000	0	<sup>3/</sup>	9,180	3,934	13,114
150,000	0	<sup>3/</sup>	14,164	6,033	20,197

<sup>1/</sup> Represents an approximate 70-30 split between two wage earning spouses. Other income items are assumed to be split evenly.

<sup>2/</sup> Medical deduction amount represents net deduction after subtraction of 7.5 percent of adjusted gross income.

<sup>3/</sup> Tax deductions, where applicable, are based on property tax burdens computed in this study and averaged for the Maryland and Virginia jurisdictions.

<sup>4/</sup> Interest deduction amount represents mortgage interest and miscellaneous deductions.

<sup>5/</sup> Total does not include amount for state and local tax deductions.

**Part I: A Comparison of Tax Burdens in Selected Washington Metropolitan Area Jurisdictions**

**TABLE 1  
INDIVIDUAL INCOME TAX RATES, EXEMPTIONS AND DEDUCTIONS  
CALENDAR YEAR 2003**

<b>NET TAXABLE</b>	<b>DISTRICT</b>	<b>MARYLAND 1/</b>	<b>VIRGINIA 2/</b>
\$ 0-\$ 1,000	5.0%	2.0%	2.0%
\$ 1,001-\$ 2,000	5.0%	\$ 20 + 3.0% of excess over \$1,000	2.0%
\$ 2,001-\$ 3,000	5.0 %	\$ 50 + 4.0% of excess over \$2,000	2.0%
\$ 3,001-\$ 5,000	5.0%	\$90 + 4.75% of excess over \$3,000	\$ 60 + 3.00% of excess over \$3,000
\$ 5,001-\$10,000	5.0%	\$90 + 4.75% of excess over \$3,000	\$120 + 5.00% of excess over \$5,000
\$10,001-\$17,000	\$ 500 + 7.5% of excess over \$10,000	\$90 + 4.75% of excess over \$3,000	\$120 + 5.00% of excess over \$5,000
\$17,001-\$30,000	\$ 500 + 7.5% of excess over \$10,000	\$90 + 4.75% of excess over \$3,000	\$720 + 5.75% of excess over \$17,000
Over \$30,000	\$ 2,000 + 9.3% of excess over \$30,000	\$90 + 4.75% of excess over \$3,000	\$720 + 5.75% of excess over \$17,000
<b><u>PERSONAL EXEMPTIONS AND DEDUCTIONS</u></b>			
Single	\$1,370	\$2,400	\$ 800
Married Filing Separately	\$1,370	\$2,400	\$ 800
Married Filing Jointly	\$2,740	\$4,800	\$1,600
Head of Household	\$2,740	\$2,400	\$ 800
Dependent (additional)	\$1,370	\$2,400	\$ 800
Blind (additional)	\$1,370	\$2,400	\$ 800
Age 65 and over (additional)	\$1,370	\$1,000	\$ 800
Standard	3/	4/	5/

1/ The Washington Metropolitan Area counties levy an income tax as a rate applied to taxable income. Charles County will use an income tax rate of 2.90%, Montgomery County at 2.95%, and Prince George's County at 3.10%. Montgomery County Council increased the rate from 2.95% to 3.20%, effective January 1, 2004.

2/ Additional VA age deduction: age 62-64 - \$6,000; age 65 & over - \$12,000.

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

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

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

Based upon these assumptions, the individual income tax is the major component of the overall area average tax burden. At the \$25,000 income level, the metropolitan area average individual income tax burden represents 1.4 percent of family income; the percentage burden is 3.9 percent at \$50,000; and increases to 4.5 percent at \$75,000; 4.9 percent at \$100,000; and 5.2 percent at \$150,000. The District individual income tax burden exceeds the metropolitan average at every income level. Maryland individual income tax burden exceeds the metropolitan average at every income level except at \$25,000. The District's individual income tax burden ranges from 1.7 percent at the \$25,000 income level to 6.4 percent at \$150,000. For the Virginia area jurisdictions, the individual income tax burden is 2.3 percent at the \$25,000 level, and 4.3 percent at the \$150,000 income level. In Maryland, the burden is 0 percent at \$25,000 income, and 5.9 percent at the \$150,000 income level.

Except for the \$25,000 income level, the Maryland individual income tax tends to be less progressive because the local tax rates are added to the state tax liability. Local tax rates range from 2.90% in Charles County, to 2.95% in Montgomery County and 3.10% in Prince George's County. At the \$25,000 income level, one-half of the federal earned income credit is deducted from state tax liability. In contrast, Virginia's maximum 5.75 percent tax rate is not reached until taxable income exceeds \$17,000, and the District's maximum rate of 9.3 percent is not reached until the \$30,000 taxable income level is exceeded. At the \$25,000 income level, one-fourth the federal earned income credit is deducted from the District's tax liability.

## Real Property Tax Burdens

Real property tax burdens vary substantially across the Washington area jurisdictions, as measured by this study. The 2000 median single family housing value for the Washington metro area compared to the metro median family income for homeowners from the 2000 Census of Population is 3.5; and this study illustrates the property tax burden for a family with income of \$50,000 living in a house valued at 3.5 times its income; the burden for a family with \$75,000 income is also illustrated for a home valued at 3.5 times income. The \$25,000 family is assumed to live in housing valued at 3.75 times income; a \$100,000 family is assumed to own housing valued at 3.25 times income; and a \$150,000 family is assumed to own housing valued at 3.00 times income. Table 4 (page 10) presents the housing values for families at these income levels living in owner-occupied homes of corresponding values in each jurisdiction. **NOTE:** The housing values derived **do not** represent typical or average values for a particular jurisdiction.

Real property tax burdens for District of Columbia residents fall below the area wide averages at all income levels. The real property tax burdens reflect differences among the metropolitan area jurisdictions in both real property tax rates and property tax relief provisions. The metropolitan area average burden for the real property tax is 3.7 percent of income at the \$25,000 level; 3.5 percent at \$50,000 and \$75,000 levels; 3.3 percent at \$100,000; and 3.1 percent at \$150,000.

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

For the District of Columbia, the effective tax rate of \$0.96 is applied to the assessed market value of the home less \$30,000. The \$30,000 is the District's homestead deduction for owner-occupied housing. Therefore, the owner/occupant, with \$75,000 in income would pay tax on \$232,500 of value ( $\$75,000 \times 3.5 - \$30,000$ ). As of January 1, 2004, the homestead deduction has increased to \$38,000.

Because Virginia's property tax relief program is targeted toward the elderly (age 65 or older), and to persons permanently and totally disabled whose incomes do not exceed \$52,000, no adjustments are made in the property tax burdens for the hypothetical family of four in the Virginia jurisdictions.

In calculating Montgomery County's real property tax burden, the tax rate used is \$0.883 and \$1.092 in Prince George's County, which includes the countywide rate, plus the state rate, and including special taxing district rates.

## Sales Tax Burdens

The sales tax burdens differ among the jurisdictions because different items are included under the general sales tax. Sales tax rates for the metropolitan area for calendar year 2003 are presented below.

JURISDICTION	GENERAL RATE	GROCERIES	RESTAURANT MEALS	ALCOHOLIC BEVERAGES
DISTRICT OF COLUMBIA	5.75%	Exempt	10.0%	8%/10%
MARYLAND	5.0%	Exempt	5.0%	5.0%
VIRGINIA	4.5%	4.0%	4.5%-8.5%	4.5%

The estimated sales tax burdens for hypothetical households at each of the five income levels are reported in Table 2, page 8. These burdens are derived from data supplied by the District of Columbia, Maryland and Virginia. Tax officials in each area completed a survey detailing the taxable status and the applicable sales tax rate of a listing of expenditure items. These items represent average consumption expenditures as determined by the U.S. Department of Labor.

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

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

The District has the highest combination of sales tax rates in the area, with its 5.75 percent general rate and higher rates for alcoholic beverages, restaurant meals, parking and hotel rooms. The District, like Maryland, exempts all non-snack food purchased in grocery stores from the general sales tax. Maryland's 5 percent general rate is the second highest in the area, followed by the 4.5 percent combined state and local rate in Virginia jurisdictions. Virginia does levy a 4.0 percent sales tax on all food purchased in grocery stores.

## AUTOMOBILE TAX BURDENS

The taxes related to ownership of automobiles include the gasoline tax, motor vehicle registration fees, and, where applicable, personal property taxes. The assumptions used to calculate the automobile tax burdens are shown in Table 5, page 11.

Virginia area jurisdictions impose the highest tax burden on owners of automobiles at all income levels, except the \$25,000 income level. This is due to the imposition of a personal property tax on automobiles. Virginia localities are the only area jurisdictions that levy a personal property tax on automobiles. The personal property tax rates for the seven Virginia jurisdictions included in this study vary from \$3.70 to \$4.75 per \$100 of value. Virginia residents tax bill is reduced by a percentage (70.0%) in calendar year 2003, which will remain for calendar year 2004. The basis for assessing the tax also differs among the Virginia area jurisdictions. Alexandria, Fairfax County and Prince William County use the trade-in value; the average loan value is used in Arlington and Loudoun Counties. For both methods, however, values are obtained from the January 2003 National Automobile Dealers Association Used Car Pricing Guide, Eastern Division.

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

The combined state and local registration fees in Virginia are comparable to the sole state rate in Maryland. The highest registration fee in the metropolitan area is imposed in the District of Columbia. For tax year 2003, a vehicle weight of 3,500 pounds or less the fee is \$72. For vehicles weighing 3,501 pounds or more, the District of Columbia imposes a fee of \$115.00.

The District of Columbia gasoline tax rate of 20 cents per gallon at the end of 2003 was the area's second highest. The highest area gasoline tax rate for 2003 was in Maryland, which was 23.5 cents per gallon. The rate in the Northern Virginia localities is higher than the state gasoline tax rate of 17.5 cents per gallon because a special 2 percent sales tax used for transportation is levied by all the Northern Virginia jurisdictions.

## PROGRESSIVITY/REGRESSIVITY OF TAX BURDENS

A tax or tax system is considered progressive if the tax burden, as a percentage of income, increases as the level of income increases. The degree of progressivity or regressivity can be measured by the ratio of the tax burden at the lowest income level to the tax burden at the highest income level. A progressive tax system would be indicated by an index number of less than one, connoting that the percentage tax burden increased as income increased. A proportional tax system would have an index number of one, meaning that the percentage of tax paid remained the same between the lowest and highest income levels. A regressive tax system would show an index value of greater than one, indicating that the percentage tax burden decreased between the lowest and highest income level.

Based upon the assumptions used in this study, the most progressive tax system in the metropolitan area is in Maryland. Montgomery and Prince George's Counties have a progressivity index of 0.560 (See Table 6, page 12.)

District of Columbia families earning \$25,000 paid 6.8 percent of their income in major taxes; those earning \$150,000 paid 10.7 percent of their income in major taxes, with a progressivity index of 0.634. In comparison, the jurisdiction with the least progressive tax system is Fairfax County. With an index of 0.961, Fairfax County families paid 8.9 percent at the \$25,000 income level and 9.3 percent at the \$150,000 income level.

Overall, the Washington Metropolitan Area tax systems are generally progressive, with an average of 7.4 percent of income paid for major taxes at the \$25,000 income level and an average of 9.8 percent of income paid at the \$150,000 income level. The metropolitan area average index is 0.759.

The progressivity indices in Table 6 reflect the assumptions used. Different assumptions concerning housing values, family income levels and other data would result in different values and rankings. This study should be examined in the context of the assumptions and methodology used in its construction. Every attempt has been made to use assumptions and methodology that are consistent for all jurisdictions.

Part I: A Comparison of Tax Burdens in Selected Washington Metropolitan Area Jurisdictions

**TABLE 2  
MAJOR STATE AND LOCAL TAX BURDENS FOR A FAMILY OF FOUR RESIDING  
IN SELECTED WASHINGTON METROPOLITAN AREA JURISDICTIONS  
CALENDAR YEAR 2003**

TAX	DISTRICT OF COLUMBIA	MONTGOMERY COUNTY	PRINCE GEORGE'S COUNTY	ALEXANDRIA	ARLINGTON COUNTY	FAIRFAX COUNTY
<b>\$25,000 INCOME LEVEL</b>						
Income	428	0	0	580	580	580
Real Estate	612	828	1,024	970	928	1,134
Sales and Use	397	371	365	317	316	268
Automobile	265	203	203	256	226	254
<b>TOTAL</b>	<b>1,702</b>	<b>1,402</b>	<b>1,592</b>	<b>2,123</b>	<b>2,051</b>	<b>2,236</b>
<b>RANK</b>	<b>4</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>1</b>
<b>\$50,000 INCOME LEVEL</b>						
Income	2,181	2,279	2,294	1,661	1,667	1,644
Real Estate	1,392	1,545	1,911	1,811	1,733	2,118
Sales and Use	754	702	696	604	603	511
Automobile	245	180	180	298	257	293
<b>TOTAL</b>	<b>4,573</b>	<b>4,707</b>	<b>5,081</b>	<b>4,374</b>	<b>4,259</b>	<b>4,566</b>
<b>RANK</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>4</b>
<b>\$75,000 INCOME LEVEL</b>						
Income	3,908	3,919	3,953	2,851	2,860	2,825
Real Estate	2,232	2,318	2,867	2,717	2,599	3,176
Sales and Use	1,131	1,052	1,044	906	904	766
Automobile	392	295	295	510	437	504
<b>TOTAL</b>	<b>7,664</b>	<b>7,584</b>	<b>8,159</b>	<b>6,984</b>	<b>6,800</b>	<b>7,271</b>
<b>RANK</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>4</b>
<b>\$100,000 INCOME LEVEL</b>						
Income	5,786	5,586	5,641	4,083	4,095	4,051
Real Estate	2,832	2,870	3,549	3,364	3,218	3,933
Sales and Use	1,434	1,337	1,323	1,147	1,145	971
Automobile	420	328	328	657	562	646
<b>TOTAL</b>	<b>10,472</b>	<b>10,120</b>	<b>10,840</b>	<b>9,251</b>	<b>9,019</b>	<b>9,600</b>
<b>RANK</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>4</b>
<b>\$150,000 INCOME LEVEL</b>						
Income	9,626	8,822	8,922	6,488	6,504	6,444
Real Estate	4,032	3,974	4,914	4,658	4,455	5,445
Sales and Use	2,037	1,896	1,879	1,631	1,627	1,379
Automobile	420	343	343	709	603	697
<b>TOTAL</b>	<b>16,115</b>	<b>15,034</b>	<b>16,059</b>	<b>13,485</b>	<b>13,189</b>	<b>13,965</b>
<b>RANK</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>6</b>	<b>4</b>

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

**TABLE 3  
SUMMARY OF AVERAGE MAJOR TAX BURDENS FOR SELECTED WASHINGTON  
METROPOLITAN AREA JURISDICTIONS AND THE DISTRICT OF COLUMBIA  
CALENDAR YEAR 2003**

INCOME	TAX BURDENS		PERCENT OF INCOME	
	AREA AVERAGE	DISTRICT OF COLUMBIA	AREA AVERAGE	DISTRICT OF COLUMBIA
<b>OVERALL BURDEN</b>				
\$ 25,000	1,851	1,702	7.4%	6.8%
\$ 50,000	4,593	4,573	9.2%	9.1%
\$ 75,000	7,410	7,664	9.9%	10.2%
\$100,000	9,884	10,472	9.9%	10.5%
\$150,000	14,641	16,115	9.8%	10.7%
<b>INDIVIDUAL INCOME</b>				
\$ 25,000	361	428	1.4%	1.7%
\$ 50,000	1,954	2,181	3.9%	4.4%
\$ 75,000	3,386	3,908	4.5%	5.2%
\$100,000	4,874	5,786	4.9%	5.8%
\$150,000	7,801	9,626	5.2%	6.4%
<b>REAL ESTATE</b>				
\$ 25,000	916	612	3.7%	2.4%
\$ 50,000	1,752	1,392	3.5%	2.8%
\$ 75,000	2,651	2,232	3.5%	3.0%
\$100,000	3,294	2,832	3.3%	2.8%
\$150,000	4,580	4,032	3.1%	2.7%
<b>SALES AND USE</b>				
\$ 25,000	339	397	1.4%	1.6%
\$ 50,000	645	754	1.3%	1.5%
\$ 75,000	967	1,131	1.3%	1.5%
\$100,000	1,226	1,424	1.2%	1.4%
\$150,000	1,741	2,037	1.2%	1.4%
<b>AUTOMOBILE</b>				
\$ 25,000	235	265	0.9%	1.1%
\$ 50,000	242	245	0.5%	0.5%
\$ 75,000	406	392	0.5%	0.5%
\$100,000	490	420	0.5%	0.4%
\$150,000	519	420	0.3%	0.3%

**TABLE 4**

**FACTORS USED IN HOUSING VALUE ASSUMPTIONS FOR MAJOR  
WASHINGTON METROPOLITAN AREA JURISDICTIONS  
CALENDAR YEAR 2003**

ASSUMED HOUSING VALUES							
FAMILY INCOME	HOUSING RATIO	DISTRICT OF COLUMBIA	MONTGOMERY COUNTY	PRINCE GEORGE'S COUNTY	ALEXANDRIA	ARLINGTON COUNTY	FAIRFAX COUNTY
\$ 25,000	3.75	\$ 93,750	\$ 93,750	\$ 93,750	\$ 93,750	\$ 93,750	\$ 93,750
\$ 50,000	3.50	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
\$ 75,000	3.50	\$262,500	\$262,500	\$262,500	\$262,500	\$262,500	\$262,500
\$100,000	3.25	\$325,000	\$325,000	\$325,000	\$325,000	\$325,000	\$325,000
\$150,000	3.00	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000

**Part I: A Comparison of Tax Burdens in Selected Washington Metropolitan Area Jurisdictions**

**TABLE 5  
AUTOMOBILE TAX ASSUMPTIONS  
CALENDAR YEAR 2003**

INCOME LEVEL	DESCRIPTION OF AUTO	ENGINE SIZE LITERS 1/	WEIGHT 1/	YEAR	MARKET VALUE			ESTIMATED MILEAGE PER GALLON 2/	ESTIMATED ANNUAL GASOLINE USAGE 3/
					RETAIL PRICE 1/	TRADE-IN VALUE 1/	LOAN VALUE 1/		
\$ 25,000	Sedan, 4 Door 4 Cylinder, Automatic	2.0	3,051 lbs.	2000	\$ 5,850	\$ 4,125	\$ 3,709	20	750 Gallons
\$ 50,000	Sedan, 4 Door 4 Cylinder, Automatic	2.2	3,131 lbs.	1999	\$10,450	\$ 8,400	\$ 7,493	23	652 Gallons
\$ 75,000	Sedan, 4 Door 6 Cylinder, Automatic	3.0	3,274 lbs.	2002	\$13,975	\$11,525	\$10,269	21	714 Gallons
	Coupe, 2 Door 4 Cylinder Automatic	1.9	2,422 lbs.	1998	\$ 4,275	\$ 3,050	\$ 2,763	24	313 Gallons
\$100,000	Sedan, 4 Door 6 Cylinder, Automatic	2.8	3,495 lbs.	2000	\$23,120	\$20,050	\$17,804	19	789 Gallons
	Sedan, 4 Door 6 Cylinder, Automatic	3.0	3,359 lbs.	1998	\$ 4,250	\$ 2,950	\$ 2,640	20	375 Gallons
\$150,000	Sedan, 4 Door 8 Cylinder, Automatic	4.0	3,890 lbs.	2000	\$27,225	\$23,050	\$20,192	19	789 Gallons
	Sedan, 4 Door 6 Cylinder, Automatic	3.8	3,362 lbs.	1994	\$ 4,422	\$ 2,722	\$ 2,431	17	441 Gallons

1/ National Automobile Dealers Association Used Car Guide.

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

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

<b>TABLE 6</b>				
<b>PROGRESSIVITY-REGRESSIVITY INDICES FOR WASHINGTON METROPOLITAN AREA JURISDICTIONS CALENDAR YEAR 2003</b>				
<b>JURISDICTION</b>	<b>\$25,000</b>	<b>\$150,000</b>	<b>PROGRESSIVITY INDEX <sup>1/</sup></b>	<b>RANK</b>
<b>DISTRICT OF COLUMBIA</b>	6.8%	10.7%	0.634	3
<b>MARYLAND</b>				
Montgomery County	5.6%	10.0%	0.560	1
Prince George's County	6.4%	10.7%	0.560	2
<b>VIRGINIA</b>				
Alexandria	8.5%	9.0%	0.945	5
Arlington County	8.2%	8.8%	0.933	4
Fairfax County	8.9%	9.3%	0.961	6
<b>AREA AVERAGE</b>	<b>7.4%</b>	<b>9.8%</b>	<b>0.759</b>	

<sup>1/</sup> A progressive tax system is indicated by an index of less than one. A proportional tax system is indicated by an index number equal to one. A regressive tax system is indicated by an index number greater than one.

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

**Part I: A Comparison of Tax Burdens in Selected Washington Metropolitan Area Jurisdictions**

**TABLE 7  
SELECTED STATE AND LOCAL TAX RATES IN THE WASHINGTON METROPOLITAN AREA  
Fiscal Year 2003 - 2004**

TAX	DISTRICT OF COLUMBIA	CHARLES COUNTY 1/	MONTGOMERY COUNTY 1/	PRINCE GEORGE'S COUNTY 1/	ALEXANDRIA	ARLINGTON COUNTY	FAIRFAX COUNTY	FALLS CHURCH	LOUDOUN COUNTY	PRINCE WILLIAM COUNTY
<b>REAL ESTATE</b>										
Nominal Rate	\$0.96	\$0.916	\$0.751	\$0.960	\$1.035	\$0.99	\$1.21	\$1.13	\$1.08	\$1.16
Assessment Level 2/	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Effective Rate	\$0.96 3/	\$0.916	\$0.751	\$0.960	\$1.035	\$0.99	\$1.21	\$1.13	\$1.08	\$1.16
<b>SALES AND USE</b>										
General Rate	5.75%	5.0%	5.0%	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
<b>INDIVIDUAL INCOME</b>	5% - 9.3%	4.9% - 7.65%	4.95% - 7.7%	5.1% - 7.85%	2% - 5.75%	2% - 5.75%	2% - 5.75%	2% - 5.75%	2% - 5.75%	2% - 5.75%
<b>PERSONAL PROPERTY 4/</b>	\$3.40	\$2.38	\$1.878	\$2.40	\$4.75 5/	\$4.40 6/	\$4.57 5/	\$4.71 5/	\$4.20 6/	\$3.70 5/
<b>AUTO REGISTRATION</b>										
3,499 lbs. Or less	\$72.00	\$27.00	\$27.00	\$27.00	\$56.50 7/	31.00 7/	\$51.00 7/	\$51.00 7/	\$50.00 7/	\$53.50 7/
3,500 lbs. – 3,700 lbs.	\$115.00	\$27.00	\$27.00	\$27.00	\$56.50 7/	31.00 7/	\$51.00 7/	\$51.00 7/	\$50.00 7/	\$53.50 7/
3,701 lbs. – 4,000 lbs.	\$115.00	\$40.50	\$40.50	\$40.50	\$56.50 7/	31.00 7/	\$51.00 7/	\$51.00 7/	\$50.00 7/	\$58.50 7/
Over 4,000 lbs.	\$115.00	\$40.50	\$40.50	\$40.50	\$61.50 7/	35.00 7/	\$55.00 7/	\$55.00 7/	\$54.00 7/	\$58.50 7/
<b>GASOLINE TAX</b>										
(Cents Per Gallon)	20.0	23.5	23.5	23.5	17.5 8/	17.5 8/	17.5 8/	17.5 8/	17.5	17.5 8/

1/ Rates shown do not include the 13.2 cents per \$100 of assessed value Maryland state real property tax rate and special service area taxes.

2/ Statutorily Prescribed.

3/ There is a \$30,000 homestead exemption for property that is owner-occupied.

4/ Effective rate per \$100. Applicable to private autos in Northern Virginia jurisdictions. Also, boats, trailers and motorcycles. For 2003, the Virginia personal property tax relief was 70% for qualifying vehicles.

5/ Based on NADA Used Car Guide trade-in value.

6/ Based on NADA Used Car Guide average loan value.

7/ Includes \$31.50 state registration fee for vehicles 4,000 pounds or less; \$36.50 for vehicles over 4,000 pounds; and \$27.50 for cycles.

8/ Plus a 2 percent sales tax on the total sales price.

## **Part II**

### **A Comparison of Tax Rates in the Washington Metropolitan Area as of January 1, 2004**

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## ALCOHOLIC BEVERAGE TAX

### District of Columbia

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

### Maryland

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

### Virginia

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

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

1/ Sales at ABC Stores are subject to the 4.5% sales tax rate in addition to the rate below.

2/ Additionally, a state tax of 4 percent of the price charged is imposed on wine sold to persons other than licensees.

## CIGARETTE TAX

### District of Columbia

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

### Maryland

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

### Virginia

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

RATE PER 20 CIGARETTES			
JURISDICTION	STATE	LOCAL	COMBINED RATE
<b>District of Columbia</b>	\$1.00	----	\$1.00
<b>Maryland</b>	\$1.00	----	\$1.00
<b>Virginia</b>	\$0.025	----	----
<i>Alexandria</i>		\$0.50	\$0.525
<i>Arlington County</i>		\$0.05	\$0.075
<i>Fairfax</i>		\$0.30	\$0.325
<i>Fairfax County</i>		\$0.05	\$0.075
<i>Falls Church</i>		\$0.25	\$0.275
<i>Prince William County</i>		----	\$0.025

## FINANCIAL INSTITUTION TAXES

### **District of Columbia**

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

### **Maryland**

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

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

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

### **Virginia**

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

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

# INCOME TAXES

## CORPORATE FRANCHISE

### **District of Columbia**

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

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

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

### **Maryland**

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

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

### **Virginia**

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

# INCOME TAXES

## INDIVIDUAL INCOME

### District of Columbia

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

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

A credit to relieve property tax burdens is provided under the D.C. income tax law. This credit authorizes qualified homeowners and renters to claim a credit against their income tax liability, or a refund if no tax is due, for a portion of property taxes or rent paid when these payments exceed a certain percentage of household income. Renters use 15 percent of rent paid as a property tax equivalency figure. To qualify for the credit or refund, the homeowner or renter must have lived in the District during the entire taxable year, and the household income cannot exceed \$20,000. The maximum real property tax credit is \$750. Table 8 on page 21 presents the percentage at specified income levels for determining these credits.

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

In addition, the District instituted an earned income tax credit. For tax year 2003, this credit is 25 percent of the federal credit.

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

## Maryland

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

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

In addition to the state individual income tax, Charles, Montgomery, Prince George's and other Maryland counties impose a local income tax. Until tax year 1998, this local tax (piggyback) was a share of the state tax. However, effective for tax year 1999, counties levy a tax using an income tax rate and state taxable income. The local rate generally ranges between 2.9 percent in Charles County to 3.1 percent in Prince George's County.

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

## Virginia

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

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

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

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

Table 8, page 21 compares tax rates, personal exemption amounts and deduction amounts for the District, Maryland and Virginia in calendar year 2004.

<b>TABLE 8</b>			
<b>INDIVIDUAL INCOME TAX RATES EXEMPTIONS AND DEDUCTIONS CALENDAR YEAR 2004</b>			
<b>PERSONAL EXEMPTIONS</b>	<b>(CREDITS)</b>	<b>TAXABLE INCOME</b>	<b>RATES</b>
<b>DISTRICT OF COLUMBIA</b>			
Single	\$1,370	\$0 - \$10,000 \$10,000-\$30,000 Over \$30,000	5.0% \$ 500 + 7.0% of excess > \$10,000 \$2,000 + 9.3% of excess > \$30,000
Married Filing Separately	\$1,370		
Married Filing Jointly	\$2,740		
Head of Household	\$2,740		
Dependent (additional)	\$1,370		
Blind (additional)	\$1,370		
Age 65 and over (additional)	\$1,370		
Standard	1/		
<b>MARYLAND</b>			
Single	\$2,400	\$0 - \$1,000 \$1,001-\$2,000 \$2,001-\$3,000 Over \$3,000	2.0% \$20 + 3.00% of excess > \$1,000 \$50 + 4.00% of excess > \$2,000 \$90 + 4.75% of excess > \$3,000
Married Filing Separately	\$2,400		
Married Filing Jointly	\$4,800		
Head of Household	\$2,400		
Dependent (additional)	\$2,400		
Blind (additional)	\$1,000		
Age 65 and over (additional)	\$1,000		
Standard	2/		
<b>VIRGINIA</b>			
Single	\$ 800	\$0 - \$3,000 \$3,001-\$5,000 \$5,001-\$17,000 Over \$17,000	2.0% \$ 60 + 3.00% of excess > \$ 3,000 \$ 120 + 5.00% of excess > \$ 5,000 \$ 720 + 5.75% of excess > \$17,000
Married Filing Separately	\$ 800		
Married Filing Jointly	\$1,600		
Head of Household	\$ 800		
Dependent (additional)	\$ 800		
Blind (additional)	\$ 800		
Age 65 and over (additional) 3/	\$ 800		
Standard	4/		

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

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

3/ There is an additional age related deduction for: age 62-64 - \$6,000; age 64 and over - \$12,000.

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

# INCOME TAXES

## UNINCORPORATED BUSINESS FRANCHISE

### **District of Columbia**

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

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

### **Maryland**

Unincorporated business income is taxed under the individual income tax.

### **Virginia**

Unincorporated business income is taxed under the individual income tax.

Several Virginia jurisdictions also levy a license tax on the gross receipts derived from various businesses. Table 9, page 23 details the business license tax rates for metropolitan area jurisdictions imposed per \$100 on several occupations.

**Part II: A Comparison of Tax Rates in the Washington Metropolitan Area as of January 1, 2004**

**TABLE 9  
UNINCORPORATED BUSINESS FRANCHISE  
AND BUSINESS LICENSE TAXES**

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

1/ Categories shown are not a comprehensive listing.

2/ Less than \$10,000 gross receipts-no tax; greater than \$10,000, but less than \$100,000-\$50.00 minimum.

3/ Rates apply to businesses having gross receipts exceeding \$100,000. Businesses having gross receipts less than \$10,000 owe no tax; businesses grossing between \$10,001-\$50,000 pay \$30.00; businesses grossing between \$50,001 and \$100,000 pay \$50.00.

4/ If the license tax computes to less than \$10 and/or gross receipts are less than \$10,000, the license will be issued without payments.

5/ Less than \$10,000 gross receipts-no tax; \$10,000-\$50,000 pay \$30.00.

6/ \$30 fee when gross receipts are under \$200,000. The rate applies to total of gross receipts.

7/ A 9.975% of taxable income on businesses, if not incorporated, with gross receipts over \$12,000. A 30% salary allowance for owners and a \$5,000 exemption are deductible from net income to arrive at taxable income.

8/ No separate category for federal contractors, they are taxed according to service provided.

9/ Financial only.

# INHERITANCE AND ESTATE TAXES

## INHERITANCE TAX

### **District of Columbia**

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

### **Maryland**

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

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

### **Virginia**

Virginia does not levy an inheritance tax. However, Virginia does levy a tax on the probate of wills and grants of administration, equal to 10 cents per \$100 of the value of the estate in excess of \$5,000.

## ESTATE TAX

### **District of Columbia**

The District Estate Tax is no longer in conformity with the Federal Estate Tax. Except for raising the filing threshold from \$600,000 to \$675,000 (effective January 1, 2003), the District's Inheritance and Estate Tax Act of 2002, retains all aspects of the District Estate Act, as it existed on January 1, 1986. Hence, the District Estate Tax is decoupled from recent and forthcoming Federal Estate Tax law changes as stipulated in the Federal Economic Growth and Tax Relief reconciliation Act (EGTRRA) of 2001.

### **Maryland and Virginia**

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

# INSURANCE PREMIUMS TAX

## **District of Columbia**

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

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

## **Maryland**

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

## **Virginia**

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

<b>TABLE 10</b>			
<b>INSURANCE PREMIUMS TAX RATES</b>			
<b>TAX</b>	<b>DISTRICT OF COLUMBIA <sup>1/</sup></b>	<b>MARYLAND</b>	<b>VIRGINIA <sup>2/</sup></b>
Life Insurance Companies	1.70%	2.00%	2.25% <sup>3/</sup>
Life Insurance Special Benefits	1.70%	2.00%	2.75%
Domestic Mutual Companies	1.70%	2.00%	1.00%
Industrial Sick Benefit Companies	1.70%	2.00%	1.00%
Workman's Compensation	1.70%	2.00%	2.50%
Legal Service Insurance Companies	---	---	2.25%
Other	1.70% <sup>4/</sup>	1.70% <sup>5/</sup>	2.25%

1/ The District levies an additional fee of 0.30 percent to offset the administrative costs of regulation.

2/ To offset the administrative cost of regulating each line of insurance, an additional fee up to .375 percent for providers of workmen's compensation insurance and 0.1 percent for other insurers may be levied.

3/ 2.75 percent on premiums paid for special or additional benefits.

4/ 2 percent on surplus line brokers.

5/ 3 percent on unauthorized insurers, and surplus line brokers.

## MOTOR VEHICLE TAXES

### MOTOR VEHICLE EXCISE

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

#### **District of Columbia**

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

#### **Maryland**

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

#### **Virginia**

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

### MOTOR VEHICLE REGISTRATION

Annual registration fees for the District of Columbia, Maryland and Virginia are presented in Table 11, page 28.

<b>TABLE 11</b>		
<b>ANNUAL REGISTRATION FEES FOR PASSENGER CARS</b>		
<b>JURISDICTION</b>	<b>WEIGHT</b>	<b>FEES</b>
<b>DISTRICT OF COLUMBIA</b> <sup>1/2/</sup>	0 to 3,499 pounds	\$ 72.00
	3,500 pounds or more	\$115.00
<b>MARYLAND</b>	3,700 pounds or less	\$ 27.00
	Over 3,700 pounds	\$ 40.50
<b>VIRGINIA</b> (State)	4,000 pounds or less	\$ 31.50
	Over 4,000 pounds	\$ 36.50
	Motorcycles	\$ 27.50
Alexandria	Vehicles <sup>3/</sup>	+\$ 25.00
	Motorcycles	+\$ 15.00
Arlington County	Vehicles <sup>3/</sup>	+\$ 24.00
	Motorcycles	+\$ 24.00
Fairfax	Vehicles <sup>3/</sup>	+\$ 25.00
	Motorcycles	+\$ 15.00
Fairfax County <sup>4/5/</sup>	All passenger vehicles	+\$ 25.00
	Passenger vehicles used for compensation	+\$ 23.00
	Motorcycles	+\$ 18.00
Falls Church	Vehicles <sup>3/</sup>	+\$ 25.00
	Motorcycles	+\$ 15.00
Loudoun County	Vehicles <sup>3/</sup>	+\$ 25.00
	Motorcycles	+\$ 16.00
Prince William County <sup>5/</sup>	Vehicles <sup>3/</sup>	+\$ 24.00
	Motorcycles	+\$ 12.00

+ In addition to state rate.

1/ The fee for motorized bicycles is \$10.00.

2/ An additional fee of \$10.00 is charged for vehicle inspection.

3/ Flat rate applied regardless of weight.

4/ Businesses and citizens residing in the towns of Vienna, Herndon and Clifton pay vehicle registration fees set by those jurisdictions in lieu of the Fairfax County fee.

5/ Taxpayers who satisfy certain household gross income and net worth limitations (these requirements are the same as those applicable to the county's real property tax relief program; see page 38) may exempt one vehicle from the annual registration fee.

## MOTOR VEHICLE FUEL TAX

### District of Columbia

This tax is imposed on every importer or user of motor vehicle fuels, including gasoline, diesel fuel, benzol, benzene, naphtha, kerosene, heating oils, all liquefied petroleum gases and all combustible gases and liquids suitable for the generation of power for motor vehicles. Fuel exported from the District is exempt.

### Maryland

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

### Virginia

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

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

RATE PER GALLON		
DISTRICT	MARYLAND	VIRGINIA
20 cents	23.5 cents <small><sup>1/</sup></small>	17.5 cents <small><sup>2/</sup></small>

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<sup>1/</sup> Tax on special fuels (diesel/kerosene) used as a motor fuel is 24.25 cents per gallon.

<sup>2/</sup> Additional 2 percent local tax applied in the Northern Virginia jurisdictions of Alexandria, Arlington County, Fairfax, Fairfax County, Falls Church, Manassas, Loudoun County, Prince William County and Stafford County.

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# PROPERTY TAXES

## REAL PROPERTY

### District of Columbia

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

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

Unimproved (vacant) property that abuts and has identical ownership with a Class One Property also shall be considered Class One Property. A \$30,000 homestead exemption for property that is owner-occupied. As of January 1, 2004, the homestead exemption increased to \$38,000.

- (b) **Class Two Property** - improved commercial property that houses transients. Hotels, motels, and inns are included in this class.
- (c) **Class Three Property** - vacant real property, that is next to and has common ownership with property classified as Class Two Property.

All property in the District is assessed at a statutory level of 100 percent of its estimated market value. Beginning in 1998 the District of Columbia operated under a triennial assessment system. Properties in the District are divided into three triennial groups (Tri-Groups) – each containing roughly one-third of the total taxable value of all real property in the District. Under the District's triennial system only properties in one Tri-Group have been reassessed each year. Increases in assessed value are phased-in over a three-year cycle. Reductions in assessed value are realized immediately in the effective tax year.

With the completion of reassessments for properties in Tri-Group 3 in FY 2000 for FY 2001 billing, the District completed one full triennial cycle. Beginning in FY 2002, the District will transition back to annual assessment. Property owners in all Tri-Groups, however, will receive the full benefit of triennial assessment, as the reversion to annual assessment will be phased-in over a three-year period. In FY 2002, properties in Tri-Group 1 will return to annual assessment. This will be followed by a return to annual assessment for properties in Tri-Group 2 in FY 2003, and properties in Tri-Group 3 in FY 2004 at which point all taxable property in the District will be assessed annually.

In an effort to limit the increase of real property taxes for homeowners, eligible homeowners will be provided an Assessment Cap Credit. Assessment Cap Credit provides that a real property tax bill will not increase by more than 12 percent above the prior year's real property tax bill. The credit only applies to the principal residence of the property owner (homestead property) and is based on the total assessment for the dwelling and land associated with the dwelling.

## **Maryland**

The state property tax rate of 13.2 cents per \$100 of assessed market value applies to real property only. It is imposed annually on all taxable land and improvements. The tax is applied to an assessed value.

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

Residential property owners are entitled to an assessment limitation tax credit. For state tax purposes, this is a credit against property taxes equal to the tax rate, times that part of the 2003 total assessment greater than 110 percent of the 2002 assessment. County and municipal governments may choose a percentage amount lower than 110 percent of assessment.

## **Virginia**

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

Tax rates for the jurisdictions of the Washington Metropolitan Statistical Area are presented in Table 12, page 32.

**TABLE 12**  
**REAL PROPERTY TAX RATES**  
**PROPERTY TAX YEAR 2003 – 2004** <sup>1/2/</sup>

JURISDICTION	ASSESSMENT LEVEL NOMINAL RATE	(% OF MARKET VALUE)	EFFECTIVE RATE
<b>DISTRICT OF COLUMBIA</b>	Class One \$0.96	100%	\$0.96 <sup>3/</sup>
	Class Two \$1.15	100%	\$1.15
	Class Three \$1.85	100%	\$1.85
<b>MARYLAND</b> <sup>4/</sup>			
Charles County	\$1.048 (\$0.320-\$1.148)	100%	\$1.048
Montgomery County	\$0.883 (\$0.008-\$0.642) <sup>5/</sup>	100%	\$0.883
Prince George's County	\$1.092 (\$0.785-\$0.954) <sup>6/</sup>	100%	\$1.092
<b>VIRGINIA</b>			
Alexandria	\$1.035	100%	\$1.035
Arlington County	\$0.990	100%	\$0.990
Fairfax	\$0.920	100%	\$0.920
Fairfax County	\$1.210 <sup>7/8/9/</sup>	100%	\$1.210
Falls Church	\$1.130	100%	\$1.130
Loudoun County	\$1.080 <sup>8/10/11/13/</sup>	100%	\$1.080
Prince William County	\$1.160 <sup>12/</sup>	100%	\$1.160

1/ The real property tax year in the Virginia area jurisdictions is on a calendar year basis. In the District of Columbia the 2003-2004 real property tax year is October 1, 2003 - September 30, 2004. For the Maryland area jurisdictions, the 2003-2004 real property tax year is July 1, 2003 to June 30, 2004. The rates presented are those in effect for that time period.

2/ Rate per \$100 of value. Special area rates in effect are shown in parentheses.

3/ There is a \$30,000 homestead deduction on owner-occupied property. The deduction increased to \$38,000 for tax year 2004.

4/ Local rates shown include the state rate of \$0.132 per \$100 of assessed value.

5/ Rates shown exclude the municipal and special taxing district taxes. Tax rates for these incorporated areas range between \$0.008-\$0.642.

6/ County and state rate in non-incorporated areas is \$1.046. County and state rates in incorporated areas range from \$0.878 to \$1.041. The \$1.046 rate includes the State's \$0.084 levy.

7/ Relatively few residential properties in three areas pay an additional 2.0 cents, 2.8 cents and 5.2 cents per \$100 of assessed value for community centers. Those in tax districts with a special assessment for leaf collection pay an additional 1-cent per \$100 of assessed value.

8/ Loudoun County and Fairfax County have a Route 28 taxing district. Residents of this district are subject to an additional 20 cents per \$100 of assessed value.

9/ There is a flat \$210 refuse collection fee on some properties.

10/ Loudoun County also has a Broad Run service district. Residents of this district are subject to an additional \$0.14 cents per \$100 of assessed value.

11/ Loudoun County also has an Aldie service district. Residents of this district are subject to an additional \$0.27 per \$100 of assessed value.

12/ Rates ranging from 0.02 cents to 28 cents are applied in special tax districts for recreation, and roads improvements.

13/ Hamilton sewer district-\$0.30.

## PROPERTY TAX RELIEF PROGRAMS

### **District of Columbia**

Class One (owner-occupied residential) property owners may obtain a homestead deduction. D.C. Law 4-129, effective July 24, 1982, requires the filing of the homestead deduction application once every five years. This deduction eliminates property taxes on the first \$30,000 of assessed value for homeowners. As of January 1, 2004, the homestead deduction has increased to \$38,000. In addition to the homestead deduction, senior citizens age 65 or older with total household adjusted gross income below \$100,000 may have their real property tax payments reduced by half.

The District provides two "circuit-breaker" property tax relief programs for qualified homeowners and renters who live in the District during the entire taxable year. A credit can be claimed against their individual income tax liability (a refund if the credit exceeds any tax due) for a portion of the property taxes paid or rent paid constituting property taxes that exceeds a stated percentage of household income. The specific percentages are presented on page 35.

In addition, the District has a tax deferral program. All owner-occupied residential property taxpayers may apply to defer real property taxes that exceed 110 percent of the previous year's liability. Deferred real property taxes may not exceed 12 percent of the current year's assessed value.

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

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

### **Maryland**

The Maryland homeowner's property tax credit program is designed to provide relief for property tax burdens in excess of a certain percentage of income (see Table 13, page 35). The maximum assessment that can be used to calculate the credit is \$150,000. Applications must be filed by September 1 of each year.

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

The Renter's Tax Credit Program is independent of the state individual income tax. Applications must be filed by September 1 of each year. The applicant must, however, submit a copy of his most recent Federal Tax Form 1040 and all the accompanying forms with the 1997 renter's tax credit application.

Montgomery County has two additional tax relief items in fiscal year 2003: 1) a county supplemental to the State Homeowner Tax Credit Program; and 2) a new business tax credit.

## **Virginia**

Fairfax and Prince William Counties, and Falls Church provide an exemption from, or deferral of, real property taxes on dwellings owned and occupied by persons who are age 65 or older, or who are permanently and totally disabled and whose income are not more than \$52,000 (Fairfax County) and \$52,900 (Prince William County). Income of \$7,500 may be excluded by an applicant who is permanently and totally disabled. Household gross income includes the income of all relatives residing therein. From this amount, the homeowner excludes the first \$8,500 of income for each relative residing in the household other than the spouse of the owner. The combined financial net worth of the owner and spouse cannot exceed \$190,000 (Fairfax County) and \$195,000 (Prince William County), excluding the value of the home and up to one acre of land.

Loudoun County provides a tax relief program that exempts real property taxes on the dwelling and up to 1 acre of land on which the dwelling is situated. The dwelling must be owned and occupied as the full-time residence of the applicant(s) seeking tax relief. Applications must be 65 years or older or certified permanently and totally disabled by January 1<sup>st</sup> of the current tax year. Loudoun County's gross household income limitation is \$62,000. The first \$7,500 of disability income may be excluded by applicants who are permanently and totally disabled. Not including the spouse of the applicant, the first \$6,500 of income of each relative residing in the dwelling may be excluded when computing gross household income. Loudoun County's net worth limitation is \$240,000, which does not include the value of the dwelling and up to one acre of land on which the dwelling is situated. The value of land in excess of one acre is included in the net worth computation and is not eligible for tax relief.

The city of Alexandria provides real estate tax relief for the elderly and permanently totally disabled which allows for both exemption and deferral of real estate taxes. To qualify for an exemption, the total combined income of applicants cannot exceed \$62,000 for the calendar year immediately preceding the taxable year. For combined incomes up to \$40,000 taxes are exempted in full. For combined incomes between \$40,000 and \$50,000, up to 50 percent of the applicant's real estate tax bill is exempted. For combined incomes between \$50,001 and \$62,000 up to 25 percent of the applicant's real estate tax bill is exempt. The first \$8,500 in income of any relative (not a spouse) living on the property is excluded. The first \$7,500 in income of any applicant or owner residing on the property, who is permanently disabled, is also excluded.

To qualify for a deferral, the total combined income of applicants cannot exceed \$62,000 for the calendar year immediately preceding the taxable year. The date of deferral of taxes is the date the taxes would ordinarily be due.

**TABLE 13  
PROPERTY TAX RELIEF PROGRAMS,  
PROPERTY TAX YEAR 2003**

HOUSEHOLD GROSS INCOME	TAX CREDIT EQUALS: <sup>1/</sup>			
<b>DISTRICT OF COLUMBIA</b>				
\$ 0-\$ 2,999	95% of property tax exceeding 1.5% of household income – up to \$750			
\$ 3,000-\$ 4,999	95% of property tax exceeding 2.0% of household income – up to \$750			
\$ 5,000-\$ 6,999	95% of property tax exceeding 2.5% of household income – up to \$750			
\$ 7,000-\$ 9,999	95% of property tax exceeding 3.0% of household income – up to \$750			
\$10,000-\$14,999	95% of property tax exceeding 3.5% of household income – up to \$750			
\$15,000-\$19,999	95% of property tax exceeding 4.0% of household income – up to \$750			
<b><u>Age 62 and Over, Blind or Disabled Circuit-Breaker Relief</u></b>				
\$ 0-\$ 4,999	1.0% of household gross income – up to \$750			
\$ 5,000-\$ 9,999	1.5% of household gross income – up to \$750			
\$10,000-\$14,999	2.0% of household gross income – up to \$750			
\$15,000-\$19,999	2.5% of household gross income – up to \$750			
JURISDICTION	HOUSEHOLD GROSS INCOME LESS THAN:	NET WORTH LESS THAN:	RELIEF AMOUNT: <sup>2/</sup>	TAX LIMIT: <sup>3/</sup>
<b>MARYLAND</b>				
<b><u>Regular Rates</u></b>				
Charles County	\$30,000	\$200,000	\$1,620	\$1,740
Montgomery County <sup>4/</sup>	\$30,000	\$200,000	\$1,740	\$2,616
Prince George's County	\$30,000	\$200,000	\$1,500	\$1,920

1/ Renters use 15 percent of rent paid as a property tax equivalency.

2/ The maximum tax credit for the first \$50,000 of the assessed value of the property.

3/ For each additional \$1,000 of income, add \$90 to \$1,880 to find the amount that the tax must exceed.

4/ In addition to the state circuit breaker, Montgomery County introduced a county supplement, effective in 1999. This supplement allows for an additional credit for a taxpayer with no more than \$40,000 of income (versus \$30,000 at state level).

**TABLE 13- Continued**  
**PROPERTY TAX RELIEF PROGRAMS FOR ELDERLY AND DISABLED**  
**PROPERTY TAX YEAR 2003**

JURISDICTION	HOUSEHOLD GROSS INCOME LESS THAN:	NET WORTH LESS THAN:	RELIEF AMOUNT:
<b>VIRGINIA</b>			
	<b>Regular Rates:</b>		
Alexandria 5/8/9/	\$62,000	\$240,000	5/
Arlington County 6/	\$40,000	\$195,000	7/
Fairfax 8/9/	\$52,000	\$150,000	10/
Fairfax County 8/9/	\$52,000	\$190,000	11/
Falls Church	\$40,000	\$150,000	12/
Loudoun County 8/9/	\$62,000	\$240,000	13/
Prince William County	14/	\$195,000	14/

- 5/ Household income less than \$40,000 receives full exemption, income \$40,001 to \$62,000 receives partial exemption, \$62,000 can receive deferral of tax. In 2003, the total combined income for calendar year immediately preceding the taxable year of an applicant for an exemption may not exceed \$62,000. Such income of an applicant for a deferral may not exceed \$62,000.
- 6/ For deferrals, net worth cannot exceed \$195,000; for deferrals with interest, income cannot exceed \$52,000; for deferrals without interest, income cannot exceed \$47,000; for exemptions, net worth cannot exceed \$100,000 and income cannot exceed \$20,000.
- 7/ Amounts are determined every year; based on income and amount of tax due.
- 8/ Excludes up to \$7,500 of disability income and the first \$6,500 of income of each relative other than a spouse residing in the household.
- 9/ Excludes home and one acre of land from net worth calculation.
- 10/ Maximum exemption for incomes of \$30,000 and below is 100%; declines on a sliding scale to 25% at \$40,000.
- 11/ Residents 65 years and older or 100 percent disabled with gross income up to \$40,000 for 100 percent tax exemption; \$40,001 to \$46,000 for 50 percent exemption; and \$46,001 to \$52,000 for 25 percent exemption.
- 12/ Incomes as low as \$0 up to \$15,000, receive a 100% tax relief, subject to a \$1,500 cap, with a 100% deferral; up to \$30,000 and assets up to \$150,000, receive a 15% tax relief, subject to a \$900 cap, with a full deferral of the balance; \$30,001 up to \$40,000 receive no tax relief, with a full deferral.
- 13/ Total exemption is granted for home and up to one acre.
- 14/ Total exemption of the tax on a home and up to one acre of land it occupies is granted to applicants whose gross household income does not exceed \$36,500 annually. Partial exemption of the tax on a home and up to one acre of land it occupies is granted to applicants whose gross household income is greater than \$36,500, but does not exceed \$52,900.

# PROPERTY TAXES

## TANGIBLE PERSONAL PROPERTY

### **District of Columbia**

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

### **Maryland**

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

### **Virginia**

The tax on tangible personal property is a local tax in Virginia. The rates shown on the following page are nominal. Counties and cities impose different rates on tangible personal property and classify certain items separately from other tangible personal properties. Virginia jurisdictions are the only ones in the Washington Metropolitan Area that tax automobiles (as well as motorcycles, recreational vehicles, boats, airplanes and trailers) under the tangible personal property tax. However, in Prince William County, the tax rate for recreational vehicles, boats, and airplanes are taxed at \$0.00001 per \$100 of assessed value, resulting in no tax liability. Mobile homes are taxed at the real property tax rate. Motor vehicles must be listed separately and are assessed at trade-in value according to the January 1 (of each year) National Automobile Dealers Association handbook in Alexandria, Falls Church, Fairfax City, Fairfax County, and Prince William County. The average loan value is the basis used in Arlington County and Loudoun County. All Northern Virginia jurisdictions included in the report prorate vehicle personal property taxes based on the length of time the vehicle is in their locality. Beginning in 1998, Virginia adopted a personal property tax relief program on the first \$20,000 of a vehicle's assessed value. For calendar year 2003, personal property taxes paid by citizens were reduced by 70 percent, with the state reimbursing the locality for that reduced assessment amount. Owners of vehicles valued at less than \$1,000 pay no tax (the state pays 100%).

Fairfax and Prince William Counties also allow an exemption of personal property taxes on one automobile per household for the low-income elderly and the permanently and totally disabled. County tax relief applicants who meet the income and net worth requirements may qualify for a reduced tax rate and relief from the vehicle license decal fee on one vehicle per qualifying applicant. The 2003 tax rate for tax relief applicants was \$0.00001 per \$100 per assessed value. Qualifications for personal property tax relief for the low-income elderly and disabled are as follows:

- Gross income of the applicant may not exceed \$52,900.
- The combined net assets of the applicant and spouse may not exceed \$195,000 (excluding the value of the residence and up to one acre of land).
- Personal property relief for this program is limited to one vehicle. A free county decal is issued for these vehicles.

Loudoun County provides an alternative personal property tax rate on one vehicle per qualified applicant who is age 65 or over or declared permanently and totally disabled by January 1<sup>st</sup> of the current year. The vehicle must be used primarily by or for the applicant, and if co-owned, the gross income limitation includes income from all sources of the owners of the vehicle and the spouse of the applicant. The gross income limit for the alternative tax rate is \$52,000. The applicant's net worth cannot exceed \$195,000, which may exclude the value of the applicant's Loudoun County residence and up to one acre of land on which it is situated. The alternative tax rate is established annually by the Board of Supervisors. The 2003 rate is \$2.10 per \$100 of assessed value for qualified applicant's vehicles.

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

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

Eligibility Requirements:

- The vehicle for which the relief is requested must be owned, or partially owned and used by or for the applicant. Lease vehicles do not qualify for tax relief.
- The vehicle for which the tax relief is requested must be currently assessed by the City at less than \$30,000. (Only one vehicle per household shall be granted tax relief.)
- The applicant must be at least 65 years of age, or permanently disabled on or before April 10, 2003. The applicant must provide proof of age or certification of disability if under 65.

Income requirements:

- Total combined income of the applicant and his/her spouse shall not exceed \$20,000 for calendar year 2003.
- The net combined financial worth (all assets, including vehicles) of the applicant and his/her spouse, excluding the value of the principle residence and lot up to one acre in the City, shall not exceed \$75,000 as of December 31, 2003.

<b>TABLE 14 TANGIBLE PERSONAL PROPERTY TAX YEAR 2003 – 2004 <sup>1/</sup></b>	
<b>RATE PER \$100 OF VALUE</b>	
<b>DISTRICT OF COLUMBIA</b>	\$3.40 <sup>2/</sup>
<b>MARYLAND</b>	
Charles County	\$2.38
Montgomery County	\$1.878
Prince George's County	\$2.40 <sup>3/</sup>
<b>VIRGINIA</b>	
Alexandria	\$4.75 <sup>5/</sup> (\$4.50) <sup>8/</sup> (\$3.55) <sup>4/</sup>
Arlington County	\$4.40 <sup>5/</sup>
Fairfax	\$3.29 <sup>5/</sup> (\$1.00) <sup>6/</sup> (\$0.01) <sup>7/</sup>
Fairfax County	\$4.57 <sup>5/</sup> (\$1.21) <sup>6/</sup> (\$0.01) <sup>7/</sup>
Falls Church	\$4.71 <sup>5/</sup>
Loudoun County	\$4.20 <sup>5/</sup> (\$2.75) <sup>8/</sup> (\$4.00) <sup>9/</sup> (\$1.11) <sup>10/</sup>
Prince William County	\$3.70 <sup>5/</sup> (\$2.00) <sup>8/</sup> (\$1.16) <sup>10/</sup> (\$1.25) <sup>11/</sup> (\$1.00) <sup>12/</sup>

1/ The personal property tax year in Virginia area jurisdictions is on a calendar year basis. The rates submitted by Virginia jurisdictions for this report are applicable to calendar year 2003. In the District of Columbia and the Maryland area jurisdictions, the 2003 personal property tax year is July 1, 2002 to June 30, 2003. The rates presented are those in effect for those periods. For 2003, the Virginia personal property tax relief was 70.0% for qualifying vehicles.

2/ First \$50,000 of value is exempt from tax.

3/ Rate applies to non-town businesses. The county rate for incorporated town businesses ranges from \$2.011 to \$2.347. Maryland property tax rate is not levied against personal property.

4/ Vehicles with special equipment designed to aid the handicapped are assessed at a rate of \$3.55 per \$100 of value.

5/ Rate applied to regular individual personal property and business tangible personal property.

6/ Rate applied to mobile homes and public service corporation non-vehicular personal property.

7/ Rate applied to special subclass of vehicles.

8/ Rate applied to machinery and tools.

9/ Rate applied to heavy equipment.

10/ Rate applied to mobile homes.

11/ Rate applied to computer equipment.

12/ Rate applied to research and development.

# PUBLIC UTILITIES TAX

## District of Columbia

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

## Maryland

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

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

## Virginia

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

A special tax not to exceed  $\frac{1}{2}$  of 1 percent is imposed on gross receipts for business done in Virginia.

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

**Part II: A Comparison of Tax Rates in the Washington Metropolitan Area as of January 1, 2004**

**TABLE 15  
PUBLIC UTILITIES TAX TO RESIDENTIAL CONSUMERS  
JANUARY 1, 2004**

JURISDICTION	ELECTRICITY	MAXIMUM MONTHLY TAX	TELEPHONE	MAXIMUM MONTHLY TAX	GAS	MAXIMUM MONTHLY TAX	WATER	MAXIMUM MONTHLY TAX
<b>DISTRICT OF COLUMBIA</b>	---	---	---	---	---	---	---	---
<b>MARYLAND</b>	5.0%	---	---	---	5.0%	---	---	---
Montgomery County	\$ .0031212/kwh 1/	---	\$2.00 2/	---	\$.0281592/ therm 1/	---	---	---
Prince George's County	\$.004946/kwh 1/	---	8%	---	\$.054821/ therm 1/	---	---	---
<b>VIRGINIA</b>								
Alexandria	\$ 1.12 plus \$0.012075/kwh	\$ 2.40	25.0% 3/	---	\$ 1.28 plus \$0.124444/ccf	\$ 2.40	15.0%	---
Arlington County	---	---	---	---	---	---	---	---
Fairfax	\$1.05 plus \$0.01136/kwh	\$2.25 max/mo	15.0%	\$15.00	\$1.05 plus \$0.05709/ccf	\$2.25 max/mo	15.0%	\$15.00
Fairfax County 4/	\$ 0.56 plus \$0.00605/kwh	\$ 4.00	22.2%	\$11.10	\$ 0.56 plus \$0.05259/ccf	\$ 4.00	---	---
Falls Church	10.0%	\$ 5.00 4/	10.0%	\$ 5.00 4/	10.0%	\$ 1.00 4/	10.0%	\$ 5.00 4/
Loudoun County	9.0%	\$ 2.70	9.0%	\$ 2.70	\$0.63 plus \$0.06485/ccf	\$ 2.70	---	---
Prince William County	\$1.40 plus \$0.01509/kwh	\$ 3.00 5/	20.0%	\$ 3.00 5/	\$1.60 plus \$0.06/ccf	\$ 3.00 5/	---	---

- 1/ This energy tax is levied upon every person transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, etc., in Montgomery and Prince George's Counties. Although the tax is levied upon the distributor, it is effectively borne by the consumer.
- 2/ Telephone tax per line and per wireless telephone each month.
- 3/ Rate applies to local service only.
- 4/ Per month maximum shown is for residential consumers only; separate rates are in effect for commercial consumers
- 5/ Maximum monthly tax for commercial consumers is \$100.

<b>TABLE 16</b>			
<b>PUBLIC UTILITIES TAX TO SUPPLIERS</b>			
<b>JANUARY 1, 2004</b>			
<b>JURISDICTION</b>	<b>UTILITIES SUBJECT TO TAX</b>	<b>RATE</b>	<b>BASIS</b>
<b>DISTRICT OF COLUMBIA</b>			
	Gas	11.0%	Gross Receipts
	Electric distribution companies	\$0.007	Per Kilowatt Hour
	Telecommunications	11.0%	Gross Charges
<b>MARYLAND</b>			
	Telegraph, telephone, oil pipeline, electric, or gas companies	2.0%	Gross Receipts
<b>VIRGINIA</b>			
	Railway companies Income tax	6.0%	Net Income
	Electric, gas, heat, light, power and water Up to \$100,000 Over \$100,000	1.125% 2.3%	Gross Receipts
	Pipeline transmission Up to \$100,000 Over \$100,000	1.125% 2.3%	Gross Receipts
	Telecommunications	1.0%	Gross Receipts
	Telephone	1/	Net Income

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

## RECORDATION AND TRANSFER TAXES

### **District of Columbia**

A tax of 1.5 percent of the consideration is imposed on each deed when it is submitted for recording. For owner-occupied property sold under \$250,000, the rate will remain at 1.1%. The minimum recordation tax is \$1.00.

Another tax of 1.5 percent of the consideration paid is imposed on each transferor for each transfer and is payable at the time the deed is submitted for recording. For owner-occupied property sold under \$250,000, the rate will remain at 1.1%. The minimum transfer tax is \$1.00.

Transfers of economic interests in the District of Columbia are subject to a 3.0 percent tax based on consideration paid.

### **Maryland**

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

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

### *Charles County*

The recordation tax in Charles County is 1.00 percent.

### *Montgomery County*

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

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

### *Prince George's County*

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

### **Virginia**

The state recordation tax is \$0.15 per \$100, or fraction thereof, of the consideration of the deed or the actual value of the property conveyed, whichever is greater. In addition, the state allows cities and counties to impose a recordation tax of up to one-third of the state tax. The cities of Fairfax and Falls Church and the counties of Arlington, Fairfax, Loudoun and Prince William impose this tax at the rate of \$0.05 per \$100. Alexandria levies an additional tax of 1/3 of the State's recordation tax.

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

## SALES AND USE TAXES

### District of Columbia

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

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

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

#### FIVE-TIER RATE STRUCTURE IS PRESENTLY IN EFFECT:

- 5.75 percent General rate for tangible personal property and selected services, food and drink sold in vending machines.
- 9 percent Alcoholic beverages sold for off-the-premises consumption.
- 10 percent Restaurant meals, rental vehicles, liquor sold for consumption on the premises.
- 12 percent Parking motor vehicle in commercial lots.
- 14.5 percent Lodgings or accommodations.

## Maryland

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

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

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

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

## Virginia

A 3.5 percent state tax is imposed on retail sales, proceeds from leases and rentals, and proceeds from transient accommodations. Among the exempt items are gas, electricity, home heating fuel, water, alcoholic beverages sold by the state, certain medical supplies and charitable purchases.

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

Vending machine dealers are taxed at 4.5 percent of wholesale purchases. Beginning January 1, 2000, the sales tax rate on groceries was reduced to 4.0 percent. Based on a plan by the Virginia General Assembly, the sales tax rate on groceries will drop 0.5 percent each year until the rate is 2.5 percent; however, the 0.5 percent decrease scheduled for April 1, 2001, did not go into effect because of the decline in state revenues. The present state rate is 3 percent, plus 1 percent local rate on groceries.

**TABLE 17**  
**SALES AND USE TAX RATES**  
**AS OF JANUARY 1, 2004**

JURISDICTION	GENERAL RATE		ADMISSIONS		TRANSIENT ACCOMMODATIONS		RESTAURANT MEALS	
	STATE	LOCAL	STATE	LOCAL	STATE	LOCAL	STATE	LOCAL
<b>DISTRICT OF COLUMBIA</b>	5.75%	---	---	---	14.5%	---	10.0%	---
<b>MARYLAND</b>	5.0%	---	---	---	5.0%	---	5.0%	---
Charles County	---	---	---	+5-10%	---	+5.0% 1/	---	---
Montgomery County	---	---	---	+5-7% 2/	---	+7.0% 3/	---	---
Prince George's County	---	---	---	+5-10%	---	+5.0%	---	---
<b>VIRGINIA 4/</b>	3.5%	---	---	---	3.5%	---	3.5%	---
Alexandria	---	+1.0%	---	---	---	+5.5% 4/	---	+3.0%
Arlington County	---	+1.0%	---	---	---	+5.25% 5/	---	+4.0%
Fairfax	---	+1.0%	---	---	---	+4.0%	---	+2.0%
Fairfax County	---	+1.0%	---	---	---	+2.0%	---	---
Falls Church	---	+1.0%	---	---	---	+6.0%	---	+5.0%
Loudoun County	---	+1.0%	---	---	---	+5.0%	---	---
Prince William County 6/	---	+1.0%	---	---	---	+5.0%	---	---

- 1/ Permanent residents of 120 days or more are exempt from the tax.  
 2/ Rates are generally 7%, but are limited to 5% when the state sales tax is applied, since the combination of the two taxes may not exceed 10%.  
 3/ A 3.5% is allocated to Montgomery County Conference and Visiting Bureau, and Convention Center.  
 4/ Rates range from 5 percent to 10 percent.  
 5/ Plus an additional \$1.00 per night change.  
 6/ Tax not imposed on residents of more than 90 consecutive days.  
 6/ A 40% tax is devoted to tourism and travel promotions.

## WATER AND SEWERAGE USER CHARGES (RESIDENTIAL)

Charges for water and sanitary sewerage and basic rates for each jurisdiction are presented in Table 18, page 49. Average cost per 1,000 gallons is the common standard used. Special charges for service connections, availability, demand and account service and frontfoot (a foot measured along the front of a piece of property) assessments are not included in Table 18 (page 49).

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

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

<b>TABLE 18</b>			
<b>WATER AND SEWERAGE USER CHARGES (RESIDENTIAL)</b>			
<b>JURISDICTION</b>	<b>WATER</b>	<b>SEWERAGE</b>	<b>MINIMUM</b>
<b>DISTRICT OF COLUMBIA</b>	\$1.74/1,000 gal.	\$2.63/1,000 gal.	None
<b>MARYLAND</b>			
Charles County	\$1.84/1,000 gal.	\$3.33/1,000 gal.	\$4.18
Montgomery County	Low \$1.75/1,000 gal. Usage 49 gal. less/day  High \$4.06/1,000 gal. Usage 9,000 gal./day or more	\$2.03/1,000 gal. 49 gal. or less/day  \$5.18/1,000 gal. Usage 9,000 gal./day or more	None
Prince George's County	Low \$1.75/1,000 gal. Usage 49 gal. or less/day  High \$4.06/1,000 gal. Usage 9,000 gal./day or more	\$2.03/1,000 gal. 49 gal. or less/day  \$5.18/1,000 gal. 9,000 gal./day or more	None
<b>VIRGINIA</b>			
Alexandria 1/	\$24.03 flat fee up to 6,000 gal./qtr.  \$1.3306/1,000 gal. Over 6,000 gal./qtr.	\$3.72/1,000 gal. plus \$4.00/bill	None
Arlington County	\$2.10/1,000 gal.	\$2.60/1,000 gal.	None
Fairfax 2/	\$1.10/1,000 gal. over 5,000 gal.	162% of water charge	\$5.85 water \$9.48 sewer

<b>TABLE 18-continued</b>			
<b>WATER AND SEWERAGE USER CHARGES (RESIDENTIAL)</b>			
<b>JURISDICTION</b>	<b>WATER</b>	<b>SEWERAGE</b>	<b>MINIMUM</b>
Fairfax County <sup>3/</sup>	<u>Old Customers:</u> \$1.30/1,000 gal. plus \$5.25 service charge  <u>New Customers:</u> \$1.45/1,000 gal. plus \$5.25 service charge	\$3.03/1,000 gal.	None
Falls Church <sup>2/</sup>	\$1.59/1,000 gal.	\$3.91/1,000 gal.	None
Loudoun County <sup>4/5/6/7/</sup>	<u>Old Customers:</u> \$1.64/1,000 gal.  <u>New Customers:</u> \$1.76/1,000 gal.	\$2.59/1,000 gal.	\$18.93 water \$16.62 sewer
Prince William County <sup>6/8/</sup>	\$2.05/1,000 gal.	\$3.75/1,000 gal.	None

- 1/ The water in Alexandria is supplied by "Virginia American Water Company", a private company.
- 2/ Fairfax County water and sewerage services are primarily provided by the Fairfax County Water Authority and Fairfax County, respectively. A small number of County residents on an exception- only basis receive their water and sewerage services from one of the following: Fairfax City, Falls Church, Herndon and Vienna. These residents pay the rates set by the supplier, which may differ from the rates set forth above.
- 3/ Established customers are subject to a peak usage rate of \$2.20/1,000 gallons during the summer quarters on water consumption that exceeds winter quarter usage by 6,000 gallons or 30 percent, whichever is higher.
- 4/ Rates shown include the Sterling area and the Town of Leesburg. The water and sewer rates for Leesburg are \$2.67 per 1,000 gallons and \$3.21 per 1,000 gallons, respectively, plus a \$8.00 each billing charge. The water and sewer rates for Sterling are \$1.64 per 1,000 gallons and \$2.59 per \$1,000 gallons respectively.
- 5/ Rates are the same for residential and commercial users.
- 6/ Peak use charges at \$2.46/1,000 gallons.
- 7/ Town of Leesburg (out of town rates); \$3.99/1000 gallons (water); \$4.80/1000 gallons (sewer); and \$8.00 service charge. (Residents who live outside of the town limits, but are on town water and sewer.)
- 8/ Additional service fee of \$4.75 (water \$2.25; sewerage \$2.50). Some water service is provided by the Virginia American Water Company.

## MISCELLANEOUS TAXES

### District of Columbia

#### Uniform Disposition of Unclaimed Property

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

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

#### Other Miscellaneous Taxes

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

### Maryland

#### Uniform Disposition of Abandoned Property

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

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

#### Montgomery County Room Rental Transient Tax

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

#### Other Miscellaneous Taxes

<i>Montgomery County:</i>	
911 Emergency	\$0.60 per line per month
Telephone Service	\$0.50 to county
Charge	\$0.10 to state trust fund

### Other Miscellaneous Taxes-continued

<i>Prince George's County:</i>	
911 Emergency	\$1.00 per line per month
Telephone Service	\$0.75 to county
Charge	\$0.25 to state trust fund

<i>Charles County:</i>	
911 Emergency	\$0.60 per line per month
Telephone Service	\$0.50 to county
Charge	\$0.10 to state trust fund

## Virginia

### Business Litter Tax

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

### Uniform Disposition of Unclaimed Property

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

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

### Other Miscellaneous Taxes

<i>Alexandria:</i>	
Daily Rental Tax	1% on the gross proceeds of a short-term rental business
E-911 Emergency Telephone Service Tax	\$0.50 per line per month
Public Rights-of-Way Use Fee	\$0.60 per line per month
<i>Arlington County:</i>	
Short-term Rental Tax	1% on the gross proceeds of a short term rental receipts.
E-911 Emergency Telephone Service Tax	\$1.75 per month per telephone line

### Other Miscellaneous Taxes-continued

*Arlington County-continue:*

E-911 Emergency Wireless Surcharge	\$0.75 per month
Solid Waste & Recycling Fee	\$228.00 per year

*Fairfax:*

E-911 Emergency Telephone Service Tax	\$0.88 per line per month
Local Mobile	10% on first \$30 of telephone bill

*Fairfax County:*

E-911 Emergency Telephone Service Tax	\$2.50 per line per month
Short Term Daily Rental	1% on the gross proceeds of a short term rental business
Local Mobile Telecommunications Tax	10% on first \$30 of telephone bill

*Falls Church:*

Bowling Tax	5 cents per lane of bowling
Short Term Rental	1% on gross proceeds of a short term rental business
E-911 Emergency Telephone Service Tax	\$1.00 per line per month

*Loudoun County:*

Rental Tax	1% of daily rate
E-911 Emergency Telephone Service Tax	\$2.00 per line per month
Consumer Utility Tax on wireless service	9% pf 1 <sup>st</sup> \$30.00 Max \$2.70 per month

*Prince William County:*

Daily Rental Tax	1% daily rental tax
E-911 Emergency	\$1.18 per line per month

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