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TAXES ON DC FAMILIES REMAIN LOWEST IN THE REGION

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INTRODUCTION

As the center of a fluid, multi-jurisdictional region, the District of Columbia is in constant comparison with its neighbors. Topics of comparison range from housing prices to crime, from amenities to business climate, from services to taxes. This analysis explores this last angle of comparison: taxes paid by individuals in the metropolitan area based on where they live.

Over the last decade, DC has quietly become the lowest-tax jurisdiction in the region. Because of tax decreases in the District and increases in surrounding areas, District residents generally pay taxes that are lower than – or in some cases the same as -- their neighbors in adjacent counties.

This analysis calculates the taxes paid by hypothetical families of different sizes and compositions at three income levels -- \$50,000, \$100,000, and \$200,000 – in the District and in Montgomery, Prince George’s, Fairfax, and Arlington Counties. It includes the major taxes that households pay based on where they live – income and property taxes, including the annual tax on cars in Virginia.

Findings include:

- Taxes paid by DC residents are lower than taxes for Montgomery County and Prince George’s County residents for all incomes and family types included in this analysis. For example, taxes in DC for a single resident earning \$200,000 are 7 percent lower than in Montgomery County, while DC taxes are 48 percent lower than in Prince George’s County for a married couple with two children earning \$100,000
- In most cases, taxes for District residents are lower than taxes for residents of Fairfax and Arlington Counties. For example, taxes for a married couple with two children are about one-third lower in the District than in Virginia. The exceptions are married couples earning

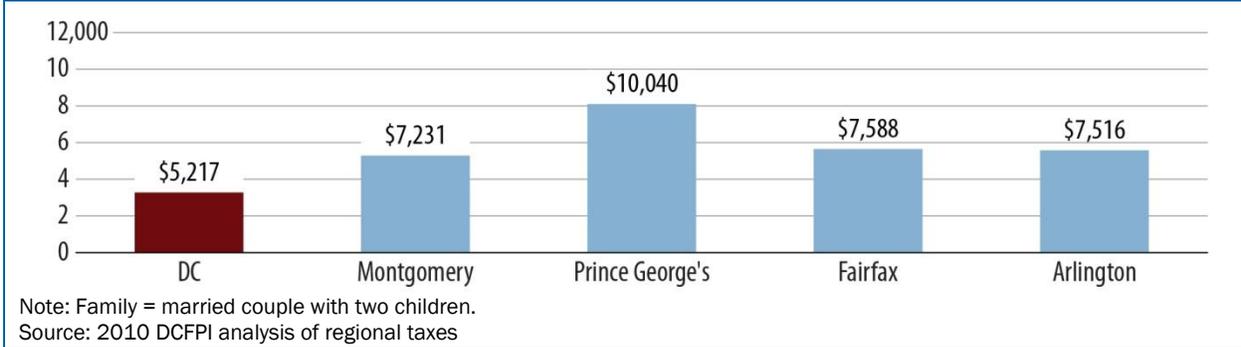
Key Findings

- Combined income and property taxes on most DC residents earning from \$50,000 to \$200,000 are lower than in any adjacent jurisdiction.
- DC’s lowest-in-the-region tax status results mostly from its low property tax. DC has a relatively low property tax rate, a homestead deduction, and a cap on annual increases. No other jurisdiction has all of these.
- DC income taxes on residents with incomes between \$50,000 and \$200,000 are lower than in the Maryland suburbs, but higher than in the Virginia suburbs. However, Virginia is the only area jurisdiction to also levy annual taxes on cars.

\$50,000, and single taxpayers earning \$200,000, for whom taxes are slightly higher in the District. For those family types, District taxes are between 1 percent and 6 percent higher.

- DC's lower overall taxes are primarily due to low property taxes in the District. Not only is the District's property tax rate the lowest in the region, but DC also offers sizable benefits that limit a homeowner's taxable assessment, including a large Homestead Deduction. For homeowners included in this study, property taxes are between 26 percent and 67 percent lower in the District than in surrounding counties. Moreover, Virginia also levies a property tax on cars, while DC and Maryland do not.
- Income taxes for District residents are higher than in Virginia but lower than in Maryland. This is largely due to the differences in marginal tax rates for middle-income earners. Virginia's top marginal rate is the lowest of the three states at 5.75 percent, compared to 8.5 percent for the District and 7.95 percent for Montgomery and Prince George's County residents earning less than \$200,000.

FIG. 1: 2010 Income and Property Taxes in the DC Area for a Family Earning \$100,000



These findings show that for many taxpayers, taxes in the District are the lowest in the region.

While it's good to know how our taxes compare regionally it doesn't mean that DC should aim to be the low-tax leader. This analysis suggests that residents of many jurisdictions, including Montgomery and Fairfax Counties in our region, pay higher taxes because residents value the services that come with greater tax levies. A focus on low taxes, by contrast, could lead to reductions in services that affect the quality of life and economic competitiveness of these counties, such as education and transportation.

Study from DC's Chief Financial Officer Confirms DC's Lower-Tax Status

The DC Chief Financial Officer's most recent comparative tax study confirms this study's findings, that DC taxes are the lowest in the region for middle-income residents. According to the CFO, the District's taxes are the lowest for families at the \$50,000, \$75,000, and \$100,000 income levels. The CFO found that DC taxes also were lower than Maryland's at \$150,000 of income, but they were modestly higher than Virginia's.

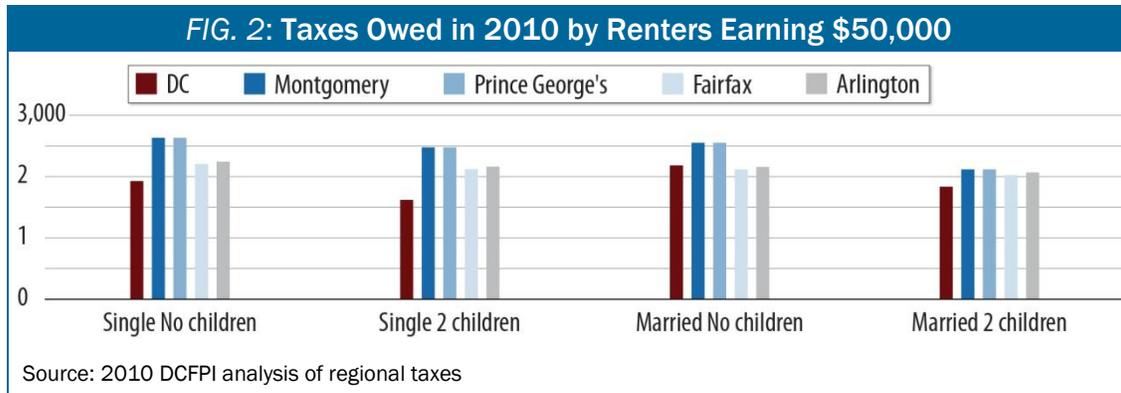
Actual tax totals vary significantly among the two studies, due to some key differences in methodology, some of which are listed below. In particular, the CFO's study does not take into account the impact of the District's annual 10 percent cap on increases in taxable assessments under the property tax. If the CFO's study were to take that into account, it likely would show that DC taxes are lower than all jurisdictions at all income levels they study.

DCFPI Study	CFO Study
Assumes that taxpayers earning \$50,000 rent homes	Assumes that taxpayers earning \$50,000 own homes
Includes income tax, real property tax, and Virginia's car tax	Also incorporates sales tax and car registration fees
Uses actual property tax bills to determine average property taxes paid	Calculates property taxes using a jurisdiction's stated assessment ratio and tax rate
Calculates itemized deductions using IRS Statistics of Income tables by state from 2003, converted to 2009 dollars	Uses own assumptions for itemized deductions
Uses home values from 2008 American Community Survey data	Uses home values from 2004 American Community Survey data

TAX LIABILITIES FOR FAMILIES EARNING \$50,000

For most renters earning \$50,000, taxes in DC are lower than in either the Maryland or Virginia suburbs.

- Single renters earning \$50,000 in income pay considerably less than similar renters in suburban Maryland or Virginia. A single renter with no children pays \$1,900 per year in taxes in the District, compared to \$2,200 in Virginia's Fairfax and Arlington counties and \$2,600 in Maryland's Montgomery and Prince George's counties. A single renter with two children pays \$1,600 in DC, \$2,100 in the Virginia suburbs, and \$2,500 in Maryland suburbs.

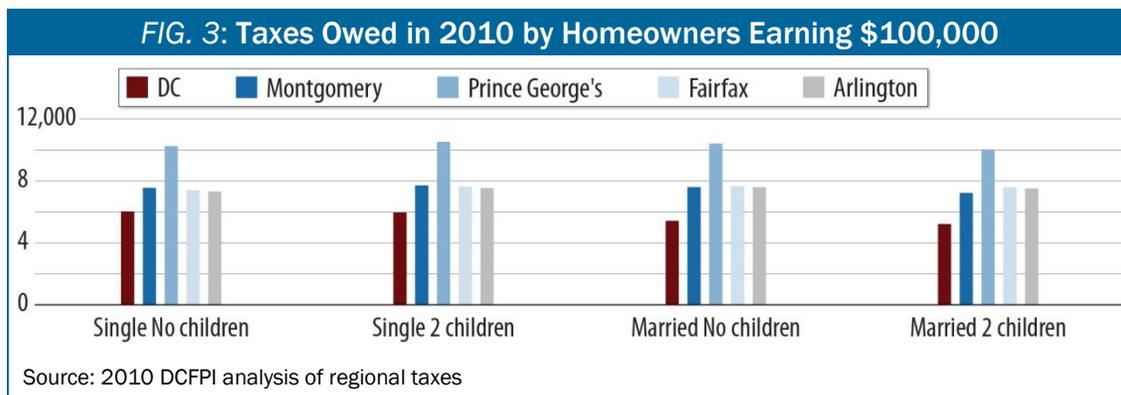


- Married renters earning \$50,000 pay the same or less than similar families in the suburbs. A married couple with no children pays \$2,200 in DC, roughly equal to the \$2,100 paid by Fairfax County couples and \$2,150 for Arlington County couples, but less than the \$2,550 paid by couples in Montgomery and Prince George’s counties.

TAX LIABILITIES FOR FAMILIES EARNING \$100,000

District homeowners earning \$100,000 pay significantly lower taxes than residents of all suburban counties included in this analysis.

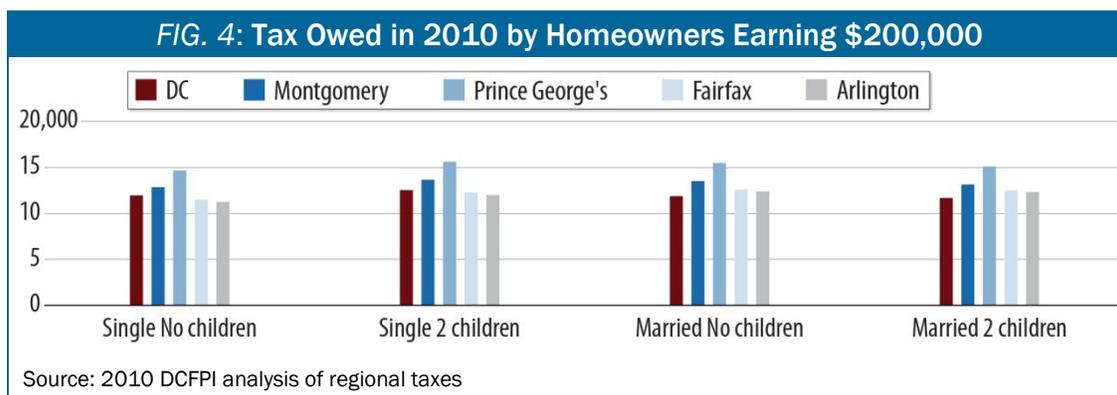
- District homeowners earning \$100,000 pay roughly half the taxes paid by residents of Prince George’s County. For example, a married couple with no children at that income level owes \$10,400 in taxes in Prince George’s county, compared with \$5,400 in the District.
- District homeowners pay from \$1,500 to \$2,200 less than homeowners at the same income level in Montgomery County. For example, a single homeowner with two children earning \$100,000 pays \$6,000 in the District, but \$7,700 in Montgomery County.
- Tax liability of DC homeowners earning \$100,000 can be from \$1,200 to \$2,300 less than that of equivalent homeowners in Virginia suburbs.



TAX LIABILITIES FOR FAMILIES EARNING \$200,000

For most District homeowners earning \$200,000, overall taxes owed are lower or equal to those of similar families in Montgomery, Prince George's, Fairfax, and Arlington counties.

- When compared with Prince George's County, taxes on DC homeowners at \$200,000 vary from \$2,700 lower for a single person with no children to \$3,600 lower for a married couple with no children.
- District taxes also are lower than Montgomery County's, ranging from \$900 to \$1,600 less for homeowners at this income level.
- Total taxes owed in DC are nearly equal to taxes in adjacent Virginia counties, ranging from \$850 lower for a married couple with two children to \$700 higher for a single resident with no children.



WHY TAXES FOR MANY DC HOUSEHOLDS ARE THE LOWEST IN THE REGION

The primary driver behind the District's relatively low taxes is its low property taxes for homeowners. The District's residential property taxes were lowered during the economic boom of the 2000s, when the District cut property tax rates and increased the value of the homestead deduction. Because of this, the District's homeowner property taxes are far lower than in any adjacent county.

Income tax liabilities in the District also are lower than in suburban Maryland for most families and income levels included in this analysis. This stems from the District's adoption of lower income tax rates in the early 2000s and a recent increase in the standard deduction, as well as Maryland's restructuring of its tax brackets in 2008. DC's income taxes are higher than suburban Virginia's.

Finally, Virginia's annual car tax puts an increased liability on residents of Arlington and Fairfax Counties. Neither the District nor Maryland collects such a tax.

These taxes are discussed in more detail below.

REAL PROPERTY TAX

This analysis examined property tax bills for a sample of homes in the Washington area with recent sales prices of roughly \$500,000, \$600,000, and \$700,000. For the purposes of this analysis, average property values for families of equal income levels vary by jurisdiction. For example, an average family earning \$200,000 owns a home worth \$500,000 in Prince George's County, \$600,000 in Fairfax and Montgomery Counties, and \$700,000 in Arlington County and the District. Property values are based on average home values from 2008 county-level census data.

Property Tax Bills in 2010* for Homes in the Washington Area (Average bills for a sample of recently-sold homes)**				
	\$100,000 Income		\$200,000 Income	
	Home Value	Property Tax	Home Value	Property Tax
DC	\$500,000	\$2,674	\$700,000	\$4,106
Montgomery County	\$500,000	\$4,444	\$600,000	\$5,466
Prince George's County	\$500,000	\$8,190	\$500,000	\$8,190
Fairfax County	\$500,000	\$4,951	\$600,000	\$5,982
Arlington County	\$600,000	\$4,734	\$700,000	\$5,520

*2010 property assessment records for Fairfax County were not available at the time of this analysis. In their place, 2010 property tax rates were applied to assessments from the second half of 2009.

** See page 3 for a description of the methodology

At each of the income levels evaluated, property taxes were far lower in the District than in surrounding jurisdictions. For example, among homes worth \$500,000, the average 2010 property tax bill in DC is \$2,674. This is roughly 40 percent lower than in Montgomery County and Fairfax County, and is close to one-third of the level of property tax bills in Prince George's County.

The differences in real property taxes among the five jurisdictions reflect a variety of factors, including a number of changes to tax policy in the last decade.

- Tax rates** – The real property tax rate in the District is now lower than all adjacent suburbs. The rate fell from \$0.96 per \$100 in assessed value in 2000 to \$0.85 today in 2008. This is slightly lower than Arlington County and significantly lower than Fairfax County rates, which are \$0.865 and \$1.09, respectively. DC's property tax rate is also lower than the Prince George's County rates, which range from \$0.96 for unincorporated areas to \$1.90 in Colmar Manor, and Montgomery County rates, which range from \$0.946 in unincorporated areas to \$1.39 in Takoma Park.
- Caps on Annual Increases in Taxable Assessments** – The District places a cap on the annual increase in a property's taxable assessment. Regardless of the increase in market value of a

2010 Property Tax Rates in the Washington Area	
District of Columbia	\$0.85
Fairfax County	1.09
Arlington County	0.87
Montgomery County	
Unincorporated areas	0.95
Gaithersburg	1.07
Rockville	1.22
Prince George's County	
Unincorporated areas	0.96
Greenbelt	1.69
Upper Marlboro	1.17

home, the taxable assessment for that home cannot increase by more than 10 percent from one year to the next—unless the home changes ownership. Maryland also uses assessment increase caps at the local, county, and state level, ranging from 0 to 10 percent in 2010. Virginia does not have a property tax cap.

Caps on annual assessment increases have the greatest effect in times when assessments are rising rapidly, as they were in the DC area for most of the last decade. During that time, DC's assessment cap was reduced from 25 percent to its current 10 percent, further limiting taxes owed by many homeowners. The impact of such a cap is lesser in years like 2010, when market values are staying constant or shrinking. Despite the slowdown in the housing market, taxable assessments remain lower than full market value for most DC homeowners.

Why Prince George's County Taxes are So High

Taxes on residents of suburban Maryland have been higher than taxes on DC and Northern Virginia residents for a number of years, due to relatively high income- and property tax rates. During the Great Recession, though, Prince George's County has emerged as the highest tax jurisdiction in the region for a variety of reasons, including:

- **Rapidly declining home sales prices.** In 2009, the average property assessment was equal to 112 percent of its sales price. This means that homeowners in Prince George's County paid property taxes on an amount greater than the market value of their home. In comparison, the Virginia suburbs had assessment ratios of 91 and 92 percent.
- **Rolling three year assessments.** Maryland assesses one third of residential properties each year, meaning that each home is reassessed every three years. In a time of dramatic changes in the real estate market, this means that assessments can be considerably higher—or lower—than market values for many homes.
- **High property tax rates.** Prince George's County's property tax rates range from \$0.96 to \$1.90 per \$1,000 of assessed value. In comparison, property tax rates in surrounding jurisdictions range from \$0.85 to \$1.39.
- **DC Homestead Deduction** – A homestead deduction is an amount that all homeowners deduct from their home's assessed value before the property tax rate is applied. The District has a homestead deduction, but Maryland and Virginia do not. The DC Homestead Deduction has risen steadily over time, beginning at \$30,000 in 1990, and increasing to \$38,000 in 2005, \$60,000 in 2006, and \$67,500 in 2009. Factoring in the DC Homestead Deduction, a home assessed at \$500,000 would be taxed at a value of \$432,500.

Due to the District's lower property tax rate, cap on taxable assessments, and substantial homestead deduction, the District's property tax bills for homeowners are lower than in adjacent counties. Even compared to jurisdictions where the rate is only slightly higher than DC's rate, like Arlington County, property tax bills for DC residents will be lower due to the homestead deduction and cap on increases in taxable assessments.

Why Sales Taxes are Not Included in This Analysis

This report's comparison of taxes in the Washington metro area focuses only on income and property taxes; it does not include sales taxes. Sales tax revenue represents a substantial share of revenues in DC, Maryland, and Virginia, and most residents are aware of at least the basic sales tax rates in the area – 6 percent in DC, 6 percent in Maryland, and 5 percent in Virginia. Despite the prominence of this tax, it is not factored into this analysis for two reasons:

- **Different rates, different applications.** While it is easy to estimate income and property taxes based on assumed income and home values, it is not easy to estimate the amount of purchases subject to sales tax that are made by a family at a given income level. This is complicated by the fact that the sales tax is applied to different things in different jurisdictions. Perhaps most notably, Virginia applies a sales tax to grocery purchases (at a rate of 2.5 percent), while DC and Maryland do not.
- **Sales tax is based on where you shop.** The sales tax is not based on where someone lives, but instead where one shops. Suburban residents who commute to work in the District or who visit the District for cultural events pay the DC sales tax for meals and other purchases they make. District residents who shop in suburban malls pay Virginia or Maryland sales taxes. The fact that area residents buy things throughout the metro area means that differences in sales tax rates do not translate directly into differences in sales taxes paid by residents of the various area jurisdictions.

INCOME TAX

At all income levels included in this study, income taxes paid by DC residents are lower than or equal to taxes paid by residents of Prince George's and Montgomery Counties. For example, a married couple with no children earning \$100,000 would pay \$4,600 in the District, but \$5,700 in Maryland. At higher-income salaries, DC's taxes are roughly in line with Maryland. A single parent with two children earning \$200,000 would pay \$13,300 in the District, compared to \$13,500 in Maryland.

In contrast, Virginia's income taxes are lower than the District's – and Maryland's -- in nearly all scenarios included in this study. DC residents and families earning \$50,000 pay as much as \$600 more than equivalent taxpayers in Virginia. At higher income levels, the difference grows: DC taxpayers earning \$200,000 pay between \$2,700 and \$3,900 more than Virginia taxpayers.

The difference in income tax liabilities largely stems from differences in tax brackets and tax rates in DC, Maryland, and Virginia.

- DC's top marginal income tax rate is 8.5 percent, and applies to all income over \$40,000 for individuals or \$80,000 for married couples.

- Montgomery and Prince George’s County’s top marginal rate is 9.45 percent, which includes a 6.25 percent state tax rate and a 3.2 percent county rate. However, the top rate only affects income over \$1,000,000, and the top rate will expire at the end of 2010. Montgomery and Prince George’s County taxpayers earning less than \$150,000 for an individual or \$200,000 for a couple pay a top marginal rate of 7.95 percent, which is slightly lower than the District’s highest rate. Still, the District’s top rate of 8.5 percent does not kick in until \$40,000, while Maryland’s higher rate starts at taxable income of \$3,000. For most families, this means that income taxes in the District are the same or somewhat lower than in the Maryland suburbs.
- Virginia’s top marginal income tax rate is 5.75 percent, and applies to income over \$17,000. This is far lower than the top marginal rates in either the District or in Montgomery and Prince George’s Counties.

Changes in Income Tax Brackets & Rates as a Result of the Tax Parity Act			
Before Tax Parity Act (1998)		Current	
Under \$10,000	6%	Under \$10,000	4%
\$10,000 to \$20,000	8%	\$10,000 to \$40,000	6%
\$20,000 and above	9.5%	\$40,000 and above	8.5%

In recent years, the District, Maryland, and Virginia have all made adjustments to their income tax rates and brackets. In the last decade the District cut all income tax rates and shifted the top bracket upward, from \$10,000 to \$40,000. Maryland enacted a new tax bracket and rate structure in 2008 that increased income taxes for residents at higher income levels. Under the prior structure, all taxpayers paid a flat rate on any income over \$3,000. The new structure includes four new brackets, slightly raising income taxes for earners making more than \$150,000, though the effects are small for taxpayers earning less than \$350,000.

The District and Virginia both made adjustments to their standard deductions and personal exemptions. In 2009, the District added a separate deduction for joint filers, moving from a \$2,500 deduction for everyone to a \$2,000 and \$4,000 deduction for single and married filers, respectively. In 2008, DC increased its personal exemption from \$1,500 to \$1,675, and Virginia increased its personal exemption from \$900 to \$930.

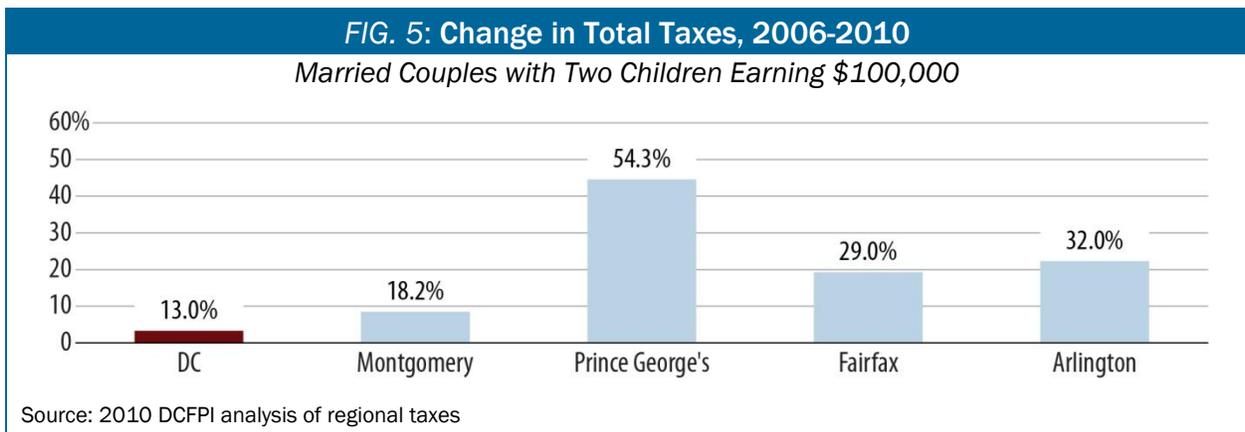
CAR TAX

Virginia is the only jurisdiction in the region to collect an annual tax on private vehicles. The “car tax” is an annual property tax on personal-use vehicles, and is levied at the local level. Because the tax is established at the county level, Arlington and Fairfax Counties use different rates and methods of calculation for the car tax.

How Does Tax Growth Compare to the Suburbs?

Since this study was last updated in 2006, taxes for District residents have grown far more slowly than for taxpayers in neighboring counties. At the \$100,000 income level, the average single DC resident pays 11 percent more in total taxes than in 2006, mostly due to rising property taxes, and married couples pay 13 percent more in 2010 than in 2006. This is equivalent to an increase of approximately 3 percent per year. In comparison, taxes for neighboring jurisdictions have grown from 19 percent in Montgomery County to 53 percent in Prince George's County over the same four-year time period.

In other words, the gap between taxes paid by DC residents and their neighbors has grown substantially. DC taxpayers earning \$100,000 now pay between 18 percent and 48 percent *less* in taxes than their neighbors. In 2006, the relative taxes paid were much closer: DC residents paid from 5 percent to 29 percent less than equivalent residents of surrounding jurisdictions.



This analysis assumes that individuals and families earning \$50,000 own one car, all families headed by a single adult own one car, and married couples earning \$100,000 and \$200,000 own two cars. This assumption and the assumptions about the car values are taken from the annual comparison of tax rates and burdens in the Washington Metropolitan Area conducted by the District's Chief Financial Officer.

Using these assumptions, the car tax on a two-parent family in Fairfax County is \$550 for a family earning \$50,000, \$1,280 for a family earning \$100,000, and \$1,960 for a family earning \$200,000. For Arlington County families, the car tax is \$600 for a family earning \$50,000, \$1,400 for a family earning \$100,000, and \$2,150 for a family earning \$200,000.

What about Taxes Paid by Low-Income Families?

For most low-income families, taxes in the District are slightly higher than in the Maryland suburbs but similar to or lower than in the Virginia suburbs. For the purposes of this report, it is assumed that low-income families rent apartments or houses and may not own cars, so tax comparisons are based on income tax exclusively.

Low-income, single DC individuals pay similar taxes to residents of Maryland and Virginia suburbs.

- At \$15,000 in income, a single individual would pay \$500 in DC, \$400 in Maryland, and \$600 in Virginia.
- Low-income, single DC parents of two children receive a smaller refund than comparable families in the Maryland suburbs, whereas similar Virginia families do not receive refunds.
- A one-parent family with two kids earning \$25,000 receives a \$400 refund in the District, compared to \$1,800 in Montgomery County and \$1,000 in Prince George's County. Virginia families pay \$200 in taxes.
- The same size family earning \$15,000 receives a \$1,000 refund in DC, compared to \$1,500 and \$2,300 in Prince George's and Montgomery Counties, respectively. Virginia families at this income level pay no taxes, but receive no refund either.

State and local Earned Income Tax Credits (EITCs) play an important role in reducing the amount of tax owed for low-income households, particularly parents with children. The DC EITC is twice as high as Virginia's, but slightly lower than Maryland's. Montgomery County also has a local-level EITC, which provides additional relief to low-income families. It is also worth noting that while the District's and Maryland's EITC rules allow refunds to households, Virginia's EITC does not. This explains why low-income DC and Maryland residents may receive refunds on their state and local taxes, but Virginia taxpayers do not.

CONCLUSION

This analysis finds that the District enacted a series of tax cuts during the 2000s, and that as a result, combined income and property taxes are lower than in the suburbs for most families between \$50,000 and \$200,000 of income. Given the significant amount of attention paid to DC's competitive position with its neighbors on a range of issues, it is important to understand the District's mark on the regional tax yardstick. The fact that many still believe DC's taxes are comparatively high also makes this research worthwhile.

At the same time, being the low-tax leader should not be the main factor in crafting sound tax policy or in making DC a strong regional competitor. Families and businesses consider many factors in determining where to settle, including the quality of services, investments in public infrastructure, and the overall quality of life, in addition to taxes. This research suggests that residents of DC suburbs are willing to pay higher taxes in return for services they receive. Businesses also choose where to locate based on broader criteria: despite relatively high business

taxes, DC has a lower office vacancy rate than neighboring suburbs. An emphasis on maintaining low taxes, by contrast, could limit the ability to invest in services that matter to residents and businesses, and could ultimately hurt DC's strength in the Washington area.

METHODS AND ASSUMPTIONS

This analysis calculates the combined real property, income and car taxes for hypothetical families in the District and four jurisdictions in the suburbs – Montgomery and Prince George’s counties in Maryland, and Fairfax and Arlington counties in Virginia. The analysis includes the following methods and assumptions.

- The analysis calculates the income, property and car tax for renters with an income of \$50,000, and homeowners earning \$100,000 and \$200,000.
- At each income level, taxes are determined for four family types: a single person, a single parent with two children, a married couple, and a married couple with two children.
- For married couples, this analysis calculates income taxes with the assumption that one adult earns two-thirds of the household income, and the other adult earns one-third.
- The analysis uses income tax rules for 2010.
- For homeowners, the analysis assumes that residents earning \$100,000 own homes worth \$500,000 or \$600,000, depending on jurisdiction. Residents earning \$200,000 are assumed to own homes worth \$500,000, \$600,000 or \$700,000.
- Average property values by jurisdiction were determined using mean home value data from the 2008 American Communities Survey. For each group of statistical areas (“Public Use Microdata Area,” or PUMA) representing a jurisdiction in this analysis, the mean home value for taxpayers earning \$85,000 to \$115,000 and \$185,000 to \$215,000 was rounded to the nearest \$100,000.
- Home values for each jurisdiction¹ and income level² were determined using conservative estimates from the Census Bureau’s 2008 American Communities Survey data.
- The property tax figures in this analysis reflect average 2010 tax bills for a sample of homes that recently sold at the values included in this analysis. For each home value in each jurisdiction, a sample of 50 recently-sold homes was used. For example, the property tax for DC homes worth \$500,000 reported in this analysis reflects the average 2010 tax bill among 50 homes that sold for roughly \$500,000 in 2010 (except Fairfax County, which did not have 2010 property sales available – sales from the second half of 2009 were used instead). The homes were selected randomly from on-line property tax databases from each jurisdiction. The use of actual property tax bills for recently-sold homes eliminates problems that can occur in comparing property taxes among jurisdictions that have different standards and practices of assessment. The use of actual bills also allows for the accurate capture of the effect of property tax caps on property taxes.
- The property taxes in both DC and Maryland include a cap on the extent to which taxable assessments can rise each year. The cap does not apply, however, in the first year that a home is

¹ Geographical areas were based on Public Use Microdata Areas (PUMAs) from the Census Bureau.

² For each income level, a \$30,000 range was included. For example, home values for the \$100,000 level includes data for homeowners earning between \$85,000 and \$115,000.

purchased. Newly purchased homes are taxed based on the full assessed value for the first year, with the cap then applied in future years. This analysis includes homes owned for a range of years, and thus it reflects the impact of the taxable assessment caps. For this reason, it is likely that taxes paid by new homeowners are somewhat higher than the figures shown in this analysis. It is worth noting that new homeowners benefit from the cap over time.

- This analysis assumes that homeowners itemize deductions on their income taxes, and that renters use the standard deduction. Average itemized deduction amounts for each income level and state were calculated from 2008 IRS data.
- The analysis takes into account the reduction in the *federal* income taxes households receive based on the state and local income and property taxes they pay. Households that itemize deductions on their federal taxes are allowed to deduct the full amount of state and local income and property taxes from their federal taxable income. This has the effect of reducing the *net* effect of the state and local taxes. For example, a family with an income of \$100,000 that pays \$1,000 in state and local income and property taxes would receive \$250 in tax savings from the federal deduction, reducing the effective state and local tax liability to \$750.
- For the purposes of estimating Virginia's car tax, this analysis assumes that a family earning \$50,000 owns one car, that all families headed by a single adult own one car, and that married couples with incomes of \$100,000 or \$200,000 own two cars. Assumptions about the car trade-in values are from DC's regional tax study.³

³ District of Columbia Office of the Chief Financial Officer, Tax Rates and Tax Burdens – Washington Metropolitan Area, 2008 edition, September 2009, http://cfo.dc.gov/cfo/frames.asp?doc=/cfo/lib/cfo/ora/093009_2008_tax_rates_and_burdens.pdf

Appendix Table IA
2010 Net Taxes in the Washington Region on Renters Earning \$50,000

	Income Tax	Car Tax	Net Tax
Single, No children			
DC	\$2,568		\$1,926
Montgomery	\$3,509		\$2,632
Prince George's	\$3,509		\$2,632
Fairfax	\$2,392	\$547	\$2,204
Arlington	\$2,392	\$599	\$2,243
Single, 2 children			
DC	\$2,158		\$1,619
Montgomery	\$3,304		\$2,478
Prince George's	\$3,304		\$2,478
Fairfax	\$2,284	\$547	\$2,123
Arlington	\$2,284	\$599	\$2,162
Married, No children			
DC	\$2,568		\$2,182
Montgomery	\$3,000		\$2,550
Prince George's	\$3,000		\$2,550
Fairfax	\$1,940	\$547	\$2,114
Arlington	\$1,940	\$599	\$2,158
Married, 2 children			
DC	\$2,158		\$1,834
Montgomery	\$2,492		\$2,118
Prince George's	\$2,492		\$2,118
Fairfax	\$1,833	\$547	\$2,023
Arlington	\$1,833	\$599	\$2,067

Note: This table does not include property taxes, which renters do not pay directly. It assumes that renters at this income level do not itemize deductions on their federal tax return and thus do not receive a reduction in federal income taxes based on the state/local income and property taxes they pay.

Appendix Table IB

2010 Net Taxes in the Washington Region on Homeowners Earning \$100,000

	Income Tax	Property Tax*	Car Tax**	Total before federal offset	Federal Offset	Net Tax
Single, No children						
DC	\$5,701	\$2,674		\$8,375	\$2,345	\$6,030
Montgomery	\$6,055	\$4,444		\$10,499	\$2,940	\$7,560
Prince George's	\$6,055	\$8,190		\$14,246	\$3,989	\$10,257
Fairfax	\$4,304	\$4,951	\$1,037	\$10,292	\$2,882	\$7,410
Arlington	\$4,304	\$4,734	\$1,135	\$10,173	\$2,848	\$7,324
Single, 2 children						
DC	\$5,273	\$2,674		\$7,947	\$1,987	\$5,961
Montgomery	\$5,851	\$4,444		\$10,295	\$2,574	\$7,721
Prince George's	\$5,851	\$8,190		\$14,041	\$3,510	\$10,531
Fairfax	\$4,197	\$4,951	\$1,037	\$10,185	\$2,546	\$7,639
Arlington	\$4,197	\$4,734	\$1,135	\$10,066	\$2,516	\$7,549
Married, No children						
DC	\$4,567	\$2,674		\$7,241	\$1,810	\$5,431
Montgomery	\$5,706	\$4,444		\$10,150	\$2,537	\$7,612
Prince George's	\$5,706	\$8,190		\$13,896	\$3,474	\$10,422
Fairfax	\$3,993	\$4,951	\$1,281	\$10,224	\$2,556	\$7,668
Arlington	\$3,993	\$4,734	\$1,401	\$10,128	\$2,532	\$7,596
Married, 2 children						
DC	\$4,282	\$2,674		\$6,957	\$1,739	\$5,217
Montgomery	\$5,197	\$4,444		\$9,641	\$2,410	\$7,231
Prince George's	\$5,197	\$8,190		\$13,387	\$3,347	\$10,040
Fairfax	\$3,886	\$4,951	\$1,281	\$10,118	\$2,529	\$7,588
Arlington	\$3,886	\$4,734	\$1,401	\$10,021	\$2,505	\$7,516

* based on property taxes in 2010 for homes worth \$500,000 in DC, Montgomery, Prince George's, and Fairfax counties, and \$600,000 in Arlington county.

** assumes a family headed by a single adult owns one car and a family headed by a married couple owns two cars.

Appendix Table IC
2010 Net Taxes in the Washington Region on Homeowners Earning \$200,000

	Income Tax	Property Tax*	Car Tax**	Total before federal offset	Federal Offset	Net Tax
Single, No children						
DC	\$13,723	\$4,106		\$17,829	\$5,884	\$11,945
Montgomery	\$13,705	\$5,466		\$19,171	\$6,326	\$12,845
Prince George's	\$13,705	\$8,190		\$21,895	\$7,225	\$14,670
Fairfax	\$9,862	\$5,982	\$1,276	\$17,120	\$5,650	\$11,470
Arlington	\$9,862	\$5,520	\$1,396	\$16,778	\$5,537	\$11,241
Single, 2 children						
DC	\$13,296	\$4,106		\$17,402	\$4,873	\$12,529
Montgomery	\$13,500	\$5,466		\$18,966	\$5,311	\$13,656
Prince George's	\$13,500	\$8,190		\$21,691	\$6,073	\$15,617
Fairfax	\$9,755	\$5,982	\$1,276	\$17,013	\$4,764	\$12,249
Arlington	\$9,755	\$5,520	\$1,396	\$16,671	\$4,668	\$12,003
Married, No children						
DC	\$12,381	\$4,106		\$16,487	\$4,616	\$11,870
Montgomery	\$13,299	\$5,466		\$18,765	\$5,254	\$13,511
Prince George's	\$13,299	\$8,190		\$21,489	\$6,017	\$15,472
Fairfax	\$9,551	\$5,982	\$1,963	\$17,496	\$4,899	\$12,597
Arlington	\$9,551	\$5,520	\$2,148	\$17,218	\$4,821	\$12,397
Married, 2 children						
DC	\$12,096	\$4,106		\$16,202	\$4,537	\$11,665
Montgomery	\$12,790	\$5,466		\$18,256	\$5,112	\$13,144
Prince George's	\$12,790	\$8,190		\$20,980	\$5,875	\$15,106
Fairfax	\$9,444	\$5,982	\$1,963	\$17,389	\$4,869	\$12,520
Arlington	\$9,444	\$5,520	\$2,148	\$17,112	\$4,791	\$12,320

* based on property taxes in 2010 for homes worth \$500,000 in Prince George's county, \$600,000 in Montgomery and Fairfax counties, and \$700,000 in the District and Arlington county.

** assumes a family headed by a single adult owns one car and a family headed by a married couple owns two cars.

Appendix Table II			
Income Tax Parameters in DC, Maryland, and Virginia in 2010			
	DC	Maryland	Virginia
Tax Rates (apply to income after deductions)	first \$10,000: 4% \$10,000 to \$40,000: 6% above \$40,000: 8.5%	<u>State income tax</u> first \$1,000: 2% \$1,000 to \$2,000: 3% \$2,000 to \$3,000: 4% \$3,000 to \$200,000: 4.75% \$200,000 to \$350,000: 5% \$350,000 to \$500,000: 5.25% \$500,000 to \$1,000,000: 5.5% above \$1,000,000: 6.3% <u>County income tax:</u> Montgomery: 3.2% Prince George's: 3.2%	first \$3,000: 2.0% \$3,000 to \$5,000: 3% \$5,000 to \$17,000: 5.0% above \$17,000: 5.8%
Standard Deduction	\$4,000	Married: \$4,000 Single: \$2,000	Married: \$6,000 Single: \$3,000
Personal Exemption	\$1,675	\$3,200	\$930