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THE GOOD NEWS ABOUT DC TAXES: TAXES ON DC HOUSEHOLDS ARE IN LINE WITH SUBURBAN TAXES

By Ed Lazere

It is a common perception that DC families and individuals pay much higher taxes than residents of the Maryland and Virginia suburbs. Some District leaders argue that high taxes discourage families and individuals from moving into the District or from remaining in the District.

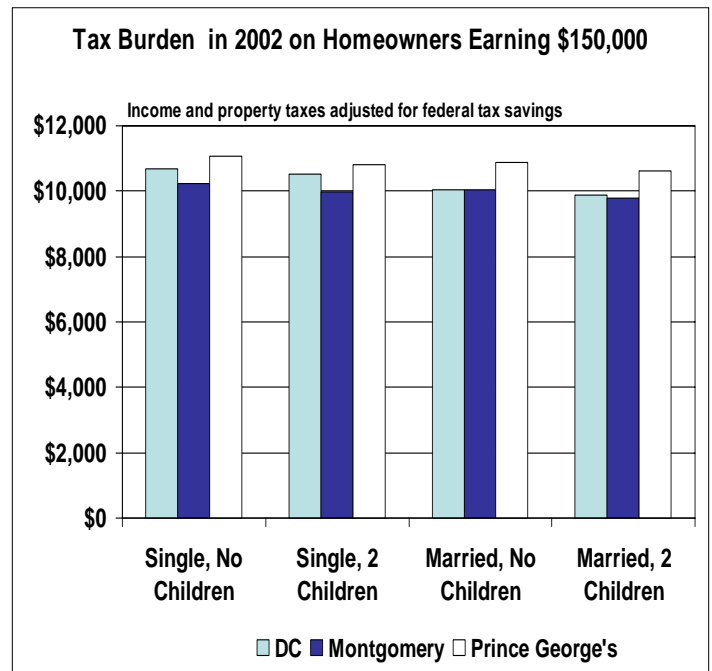
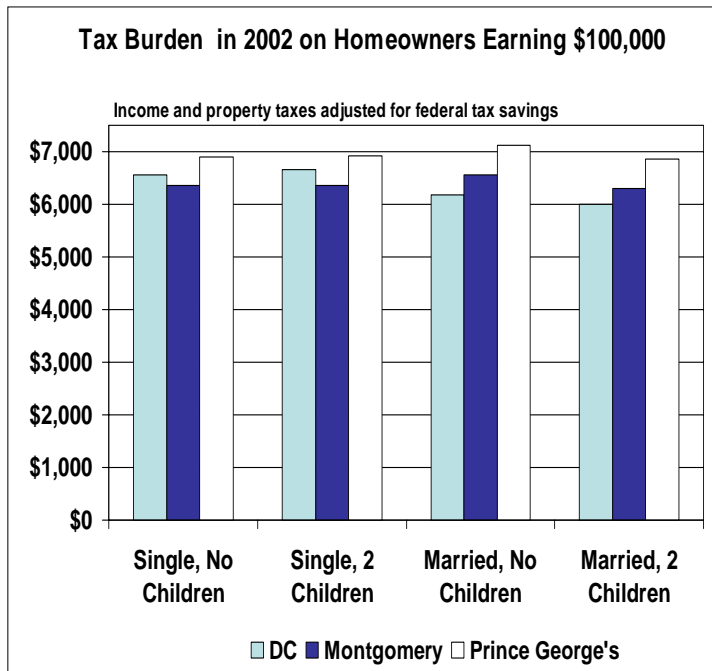
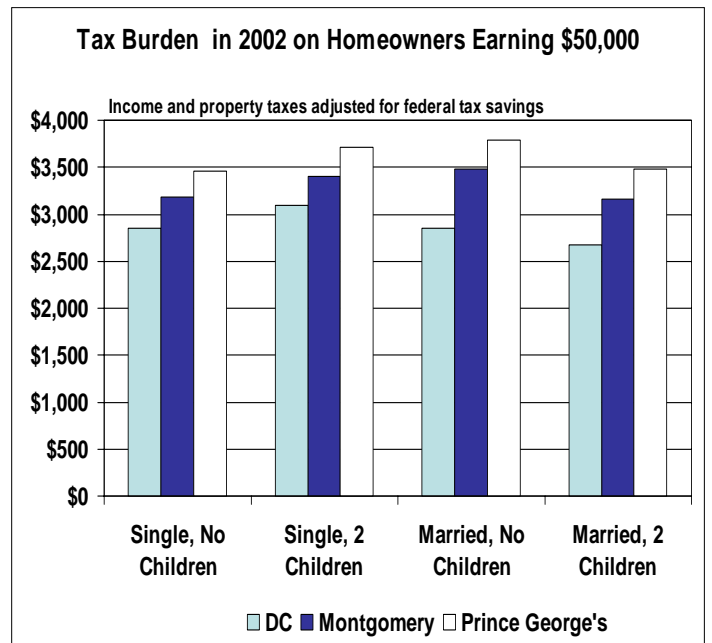
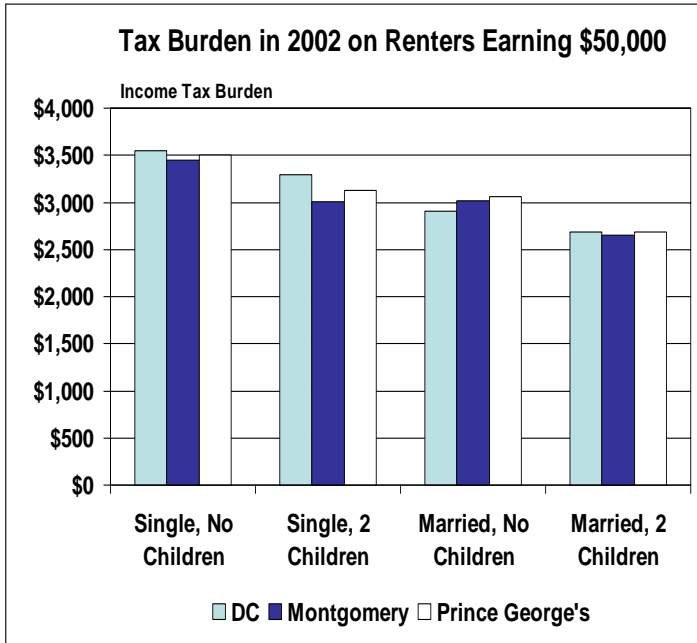
A review of area taxes shows, however, that the perception of extremely high tax burdens is in many ways inaccurate. While the District has a relatively high income tax, it is not substantially higher than the combined state and local income tax burden in Montgomery and Prince George's counties. Moreover, the District has the *lowest* property tax rate in the region. And unlike Virginia, DC does not levy a property tax on cars. When the District's higher income taxes are considered along with its lower property taxes, regional tax burdens appear much more similar.

This analysis calculates the taxes that would be paid by hypothetical families of different sizes and composition at three income levels — \$50,000, \$100,000, and \$150,000 — in the District and in Montgomery, Prince George's, Fairfax, and Arlington counties in 2002. It includes the major taxes that households pay based on where they live — income and property taxes. The primary findings are:

- **Taxes in the District are comparable to taxes in suburban Maryland.** For almost all income levels and family types, the tax burden is *lower* in DC than in Prince George's County. For example, a married couple with two children and income of \$100,000 paid \$860 less in the District than in Prince George's County in 2002. (See charts on page 2.)

When compared with Montgomery County, the District's tax burden is lower for some families and higher for others. A married couple with no children and income of \$100,000, for example, would pay \$390 less in taxes in DC than in Montgomery County. Even in the family examples where District taxes are higher than in Montgomery County, the differences are modest. A single parent with two children with income of \$100,000 would pay \$290 more in DC than in

Comparison of Household Tax Burdens in DC and Suburban Maryland in 2002



Montgomery County. For all of the family types included in this analysis, the DC tax burden is never substantially higher than in Montgomery County. The largest gap — \$550 for a single parent with two children and income of \$150,000 — equals just 0.4 percent of household income.

- **Taxes in the District are moderately higher than in Northern Virginia.** This analysis finds that the household tax burdens in Northern Virginia generally are lower than in either the District or suburban Maryland. The differences between taxes in the District and Fairfax County are relatively small, typically less than one percent of household income. For example, the tax burden on a married couple with no children and income of \$100,000 is \$470 higher in DC than in Fairfax County, an amount that equals 0.5 percent of household income. (See charts on page 4.)

The gap between taxes in DC and Arlington County is somewhat larger. The tax burden on a single adult with two children and income of \$150,000 in DC, for example, would be \$2,090 higher than in Arlington County, an amount equal to 1.4 percent of household income. As noted, the tax burden in Arlington County also is the lowest of the five jurisdictions in this study.

- **The largest gap between taxes in DC and Northern Virginia is for renters.** This analysis focuses primarily on taxes paid by homeowners, but it also calculates the tax burden for a renter household with income of \$50,000.¹ It makes the conservative assumption that such households pay no real property tax, even though economic literature suggests that landlords pass at least some of the property tax they pay through rental charges. The tax on DC renters at this income level is roughly the same as the tax on renters in suburban Maryland, but it is nearly \$1,000 higher than the tax in either Arlington County or Fairfax County. The difference equals two percent of household income.

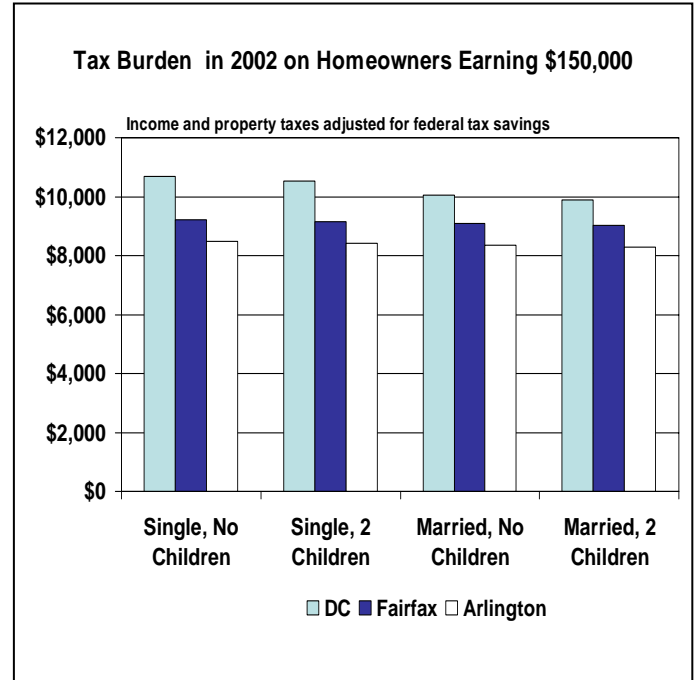
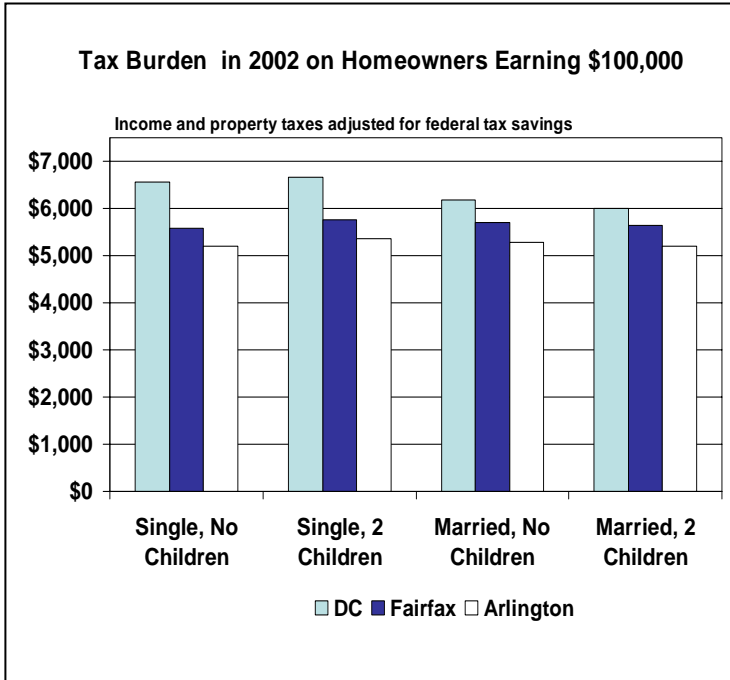
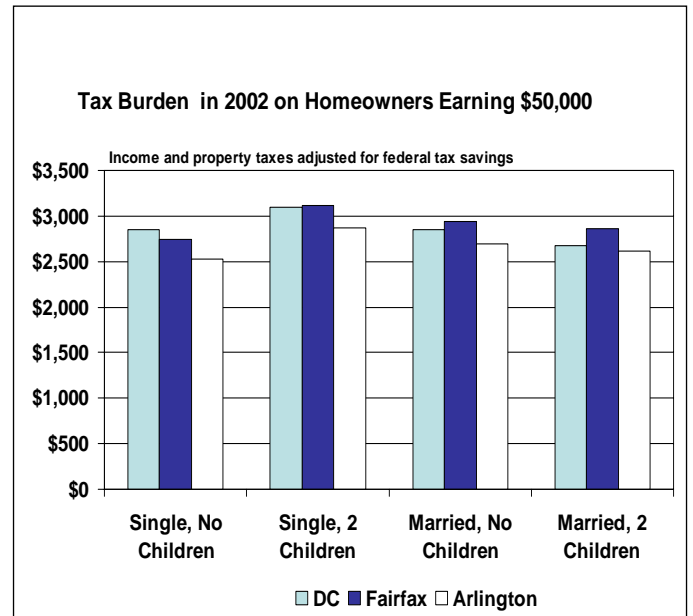
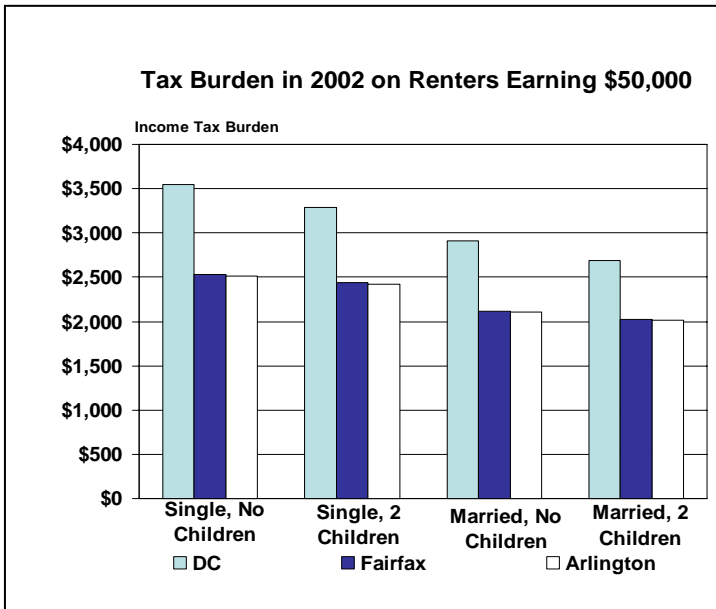
In short, the notion that taxes on DC families are uniformly higher than in other jurisdictions is untrue. While the District is not the lowest taxing jurisdiction in the region, it also is not the highest taxing jurisdiction. In many cases, differences in tax burdens between the District and the suburbs are non-existent or modest.

These findings also suggest that taxes are unlikely to play a major role in the decisions families and individuals make about where to live in the Washington region. There are, of course, numerous factors that affect these decisions — such as schools, housing costs, crime rates, or access to retail services. Available evidence suggests that taxes are not discouraging families from living in DC.

- An analysis conducted in the late 1990s by the DC Tax Revision Commission found no evidence that the District was losing residents to the suburbs as a result of its tax burden. A survey of families that moved out of the District in the early

¹ Since most households at higher income levels own their homes, this analysis does not consider renters at higher income levels.

Comparison of Household Tax Burden in DC and Northern Virginia in 2002



1990s found that departures were not motivated by a desire to seek lower taxes. Moreover, the analysis found that two-thirds of the people who moved out of the District in the early 1990s went to the Maryland suburbs, particularly Prince George's County, which appears to be the highest-tax jurisdiction in the region.²

- The District has a substantial high-income population. The 2000 census shows that 11.5 percent — one of nine — District families has incomes of \$150,000 or more. This proportion is the third highest among large U.S. cities, higher than in every major city except San Francisco and San Jose. The census data also indicate that the proportion of DC families with incomes above \$150,000 is nearly as high as in the Washington suburbs, where 12.7 percent of families have incomes this high. In most other metro areas, by contrast, the percentage of residents with very high incomes is much smaller in the central city than in the suburbs.³ Thus, it is reasonable to conclude that the District tax burden on higher-income families is not discouraging such families from living in the District.
- The District has experienced a substantial influx of single-person households. The number of non-elderly single households in the District increased by 8,000 — or 11 percent — in the 1990s, while the total number of households in DC declined slightly in this period. Census data show that most single households are renters and have incomes below \$50,000. As noted earlier, Virginia taxes are somewhat for lower moderate-income renters, but the number of such renters appears nevertheless to be rising in the District.

The remainder of this analysis provides more details on household tax burdens in the Washington metro area.

Methods and Assumptions

This analysis calculates the combined property and income tax burdens for hypothetical families in the District and in two jurisdictions in each of the Maryland and Virginia 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 and property tax for families at three income levels: \$50,000, \$100,000, and \$150,000.
- At each income level, taxes are determined for four family types: a single person, a single parent with two children, a married couple with no children, and a married couple with two children.

² District of Columbia Tax Revision Commission, *Taxing Simply, Taxing Fairly: Full Report*, Chapter A.

³ These findings will be explored in more detail in a later DCFPI report.

- For married couples, this analysis assumes one adult earns two-thirds of the household income, and the other adult earns one-third.
- For homeowners, the assessed home value is assumed to be \$125,000 for a family earning \$50,000, \$250,000 for a family earning \$100,000, and \$400,000 for a family earning \$150,000.
- 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 \$150,000 that pays \$1,000 in state and local income and property taxes would receive \$305 in tax savings from the federal deduction, reducing the effective state and local tax burden to \$695.
- 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 \$150,000 own two cars. Assumptions about the car values are described later.

DC Tax Burdens Are Comparable to Tax Burdens in Suburban Maryland

The charts on page 2 compare the taxes paid by DC families with those paid by families in Montgomery County and Prince George's County. (More detailed figures are included in Appendix Table I.)

The charts show that at nearly every income level and for every family type, the tax burden in the District is *lower* than in Prince George's County. In some cases, the gap is relatively large. For example, a DC married couple with income of \$50,000 that owns their home and has no children pays \$942 less in tax than a similar family in Prince George's. This difference equals 1.9 percent of income. The only case in which the tax burden is higher in the District is for single renters earning \$50,000, but the gap for this group is less than \$170.

The comparison with Montgomery County provides a more mixed picture. In some cases, the tax burden is higher in the District, while in other cases the tax burden is higher in Montgomery County. In all cases, however, the differences are relatively modest.

- For homeowners earning \$50,000, taxes are lower in DC by roughly \$300 to \$600, depending on family type. For renters at this income level, the tax burdens in the District and Montgomery County are virtually the same.

Why Sales Taxes Are Not Included in this Analysis

This report's comparison of tax burdens in the Washington metro area focuses only on income and property taxes. Since it is intended to address whether tax burdens affect decisions families make about where to live in the metro area, it is reasonable to consider only major taxes.

This analysis does omit one major set of taxes, however, namely 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 — 5.75 percent in DC, 5.0 percent in Maryland, and 4.5 percent in Virginia. Despite the prominence of this tax, it is not factored into this analysis for two reasons.

- 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 four percent), while DC and Maryland do not.
- The sales tax is not based on where someone lives, but instead where they make purchases. 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 tax burdens for residents of various area jurisdictions.

The difficulty in determining sales tax burdens in the area is exemplified by the District's annual regional tax comparison. The study notes that the sales tax burden is higher for District residents than for suburban residents in part because the District levies a much higher tax rate on hotel stays than its neighboring jurisdictions.* Yet it is unlikely that many DC residents rent hotel rooms in the District, which means that the higher tax rate has almost no effect on residents' tax burdens.

* District of Columbia Office of the Chief Financial Officer, *Tax Rates and Tax Burdens: Washington Metropolitan Area, 2001 edition*, August 2002, p. 5 (<http://cfo.dc.gov/services/studies/index.shtm>)

- At an income of \$100,000, the taxes paid by married couples are modestly lower in DC than in Montgomery County, while the taxes for families headed by a single adult are somewhat higher in the District. For all of the family types included in this analysis, the largest difference between DC and Montgomery County tax burdens at this income level is less than \$400, or 0.4 percent of household income.
- For families earning \$150,000, the tax burden in DC is virtually the same as in Montgomery County for married couples and slightly higher for families headed by a single adult. The largest difference — \$550 for a single parent with two children — equals just 0.4 percent of family income.

Factors behind Tax Differences in DC and Suburban Maryland

As shown in Appendix Table 1, the DC income tax burden is lower than in suburban Maryland for a family earning \$50,000, roughly the same for a family earning \$100,000, and somewhat higher for a family earning \$150,000. The property tax burden in the District, on the other hand, is consistently lower than in both Prince George's and Montgomery County.

A comparison of the DC and Maryland income taxes shows that the top income tax rate in the District — 9.3 percent — is somewhat higher than the top tax rate of 7.67 percent in Montgomery County (a 4.75 percent state rate plus a 2.92 percent county rate) and the top rate of 7.79 percent in Prince George's County (the 4.75 percent state rate plus a 3.04 percent county rate). At the same time, the District's top income tax rate does not apply until taxable income exceeds \$30,000 for single-earner families and \$60,000 for two-earner families, while the top tax rate applies to income above \$3,000 in Maryland. In addition, the District provides a substantial tax benefit to two-earner families. While Maryland also provides some tax benefits for two-earner families, they are much more modest than in DC. (The details of the Maryland and DC income taxes are included in Appendix Table II.)

For these reasons, the income tax burdens for lower income households and for married couples tend to be lower in DC than in suburban Maryland. As income rises, and the impact of the top tax rate becomes more significant, the DC income tax burden is higher than in Maryland.

Property tax liabilities are far lower in the District than in both Prince George's and Montgomery County. This largely reflects the fact that the District's property tax rate of \$0.96 per \$100 of assessed value is the lowest in the region.

- In Montgomery County, the property tax rate in 2002 — which includes a state property tax, a basic county tax, and a variety of “special area” taxes — was \$1.105 per \$100 of assessed value for residents in unincorporated areas, where most residents live. In other parts of Montgomery County, the property tax rate is much higher. For example, the combined property tax rate in Kensington was \$1.265 per \$100 of assessed value in 2002.
- In Prince George's County, the combined county, state, and special service property tax in 2002 was \$1.37 per \$100 of assessed value in unincorporated areas, where most residents live. Residents living in incorporated areas — such as Hyattsville or Greenbelt — pay additional property taxes to cover the costs of municipal services.

In addition to having a lower rate, the District property tax includes a \$30,000 “homestead exemption” for all owner-occupied homes. The first \$30,000 of a home's assessed value is deducted before the tax is calculated. For example, a home assessed at \$150,000 would be taxed at a value of \$120,000. The homestead exemption reduces each homeowner's property tax bill by \$288. Maryland's property tax does not include a homestead exemption.

The combined effect of DC's low property tax rate and the homestead deduction results in District property tax burdens that are far lower than in Montgomery or Prince George's.

- The property tax bill for a Montgomery resident with a home worth \$250,000 would be \$2,763 if the home were in an unincorporated area of the county. This is \$650, or 31 percent higher than the \$2,112 tax paid on a similarly valued home in the District. If the family lived in Kensington, its property tax bill would be \$3,162, or 52 percent higher than if the home were in the District.
- A home worth \$250,000 in an unincorporated portion of Prince George’s County would have a property tax of \$3,425, or 62 percent higher than in the District.

It is the combination of DC’s somewhat higher income taxes and significantly lower property taxes, especially when compared with Prince George’s County, that leads to the results highlighted above — namely, that District taxes generally are comparable with taxes on families in suburban Maryland.

DC Tax Burdens Are Moderately Higher than in Suburban Virginia

The figures on page 4 and in Appendix Table I compare the taxes paid by DC families with those paid by families in Fairfax County and Arlington County. These figures show that the taxes paid by Northern Virginia residents are somewhat lower than in either DC or suburban Maryland.

When taxes on DC homeowners are compared with those on homeowners in Fairfax County, the differences in tax burdens are relatively small.

- For homeowners earning \$50,000, tax liability in the District is roughly equal to the tax liability in Fairfax County. Except for single adults with no children, the taxes at this income level are lower in DC.
- At \$100,000, married families in DC and married families pay less than \$500 more than married families in Fairfax. The difference is less than 0.5 percent of household income. For single adults, with or without children, DC taxes are nearly \$1,000 higher — representing about one percent of household income.
- At \$150,000, married couples in DC pay roughly \$1,000 more in income and property taxes than similar families in Fairfax County, or about 0.7 percent of household income. For single adults at this income level, the difference is less than \$1,500 — or one percent of household income.

The differences between combined income and property tax burdens on homeowners in DC and Arlington County are somewhat larger. Taxes in Arlington County are the lowest among the five jurisdictions included in this analysis. For homeowners of various family types at the different income levels, DC taxes exceed Arlington County taxes by a maximum of 1.5 percent of income.

The figures also show that the gap in tax burdens between moderate-income *renters* in the District and Northern Virginia range from \$660 to \$1,020. These amounts equal 1.3 percent

and 2.0 percent of household income, which are among the larger differences found in this analysis.

Factors behind Tax Differences in DC and Suburban Virginia

Both DC and Virginia have an income tax, and all counties in Virginia levy a property tax. In addition, Virginia counties levy a personal property tax on cars, but the District does not.

As shown in Appendix Table I, DC's income tax is notably higher than in Virginia at all income levels and for all family types included in this analysis. This results largely from the fact that DC's top income tax rate of 9.3 percent is higher than the top tax rate of 5.75 percent in Virginia. There are other differences between the income tax in DC and Virginia, but they are minor compared with the difference in the tax rates. (The details of the Virginia and DC income taxes are included in Appendix Table II.)

DC's higher income tax is offset somewhat by its lower property tax. The tax rate of \$0.96 for DC homeowners is lower than the \$1.19 rate in Fairfax County and the \$0.993 rate in Arlington County. In addition, the District's property tax includes a \$30,000 homestead exemption, but there is no such exemption in the Fairfax or Arlington property taxes. As a result, the property taxes paid by DC homeowners are lower than in Northern Virginia.

Virginia is the only area jurisdiction to impose an annual property tax on vehicles for personal use. The "car tax" (officially known as the personal property tax) is a local tax, as is the real property tax on homes. Thus different jurisdictions within Virginia use different tax rates and methods of calculating the tax.

In the late 1990s, legislation was enacted to reduce the car tax — and to reduce the tax entirely for cars worth less than \$20,000. As of 2002, some 70 percent of the reduction had been implemented. Further implementation of the tax cut has been suspended due to Virginia's budget problems.

This analysis assumes that a family earning \$50,000 has one car and that families at the higher income levels have two cars. This assumption and assumptions about the car values are the same as those used in the annual analysis of regional tax burdens conducted by the District's Chief Financial Officer.⁴

Using these assumptions, it is estimated that the car tax in Fairfax County is \$132 for a family earning \$50,000, \$340 for a family earning \$100,000, and \$950 for a family earning \$150,000. For families in Arlington County, the car tax is \$115 for a family earning \$50,000, \$295 for a family earning \$100,000, and \$748 for a family earning \$150,000.

As suggested above, the higher homeowner property tax and the car tax in Northern Virginia do not outweigh the lower income tax paid by Virginians. As a result, the combined tax burden in both Fairfax County and Arlington County is somewhat lower than in DC.

⁴ District of Columbia Office of the Chief Financial Officer, *Tax Rates and Tax Burdens: Washington Metropolitan Area, 2001 edition*, August 2002 <http://cfo.dc.gov/services/studies/index.shtml>

Appendix Table IA
Net Taxes in the Washington Region on Renter Earning \$50,000, in 2002

	Income Tax	Car Tax*	Net Tax
Single, No children			
DC	\$3,547		\$3,547
Montgomery	\$3,445		\$3,445
Prince George's	\$3,500		\$3,500
Fairfax	\$2,399	\$132	\$2,531
Arlington	\$2,399	\$115	\$2,514
Single, 2 children			
DC	\$3,292		\$3,292
Montgomery	\$3,077		\$3,077
Prince George's	\$3,126		\$3,126
Fairfax	\$2,307	\$132	\$2,439
Arlington	\$2,307	\$115	\$2,422
Married, No children			
DC	\$2,906		\$2,906
Montgomery	\$3,016		\$3,016
Prince George's	\$3,064		\$3,064
Fairfax	\$1,987	\$132	\$2,119
Arlington	\$1,987	\$115	\$2,102
Married, 2 children			
DC	\$2,689		\$2,689
Montgomery	\$2,647		\$2,647
Prince George's	\$2,690		\$2,690
Fairfax	\$1,895	\$132	\$2,027
Arlington	\$1,895	\$115	\$2,010

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
Net Taxes in the Washington Region on Homeowners Earning \$50,000, in 2002

	Income Tax	Property Tax*	Car Tax**	Total before federal offset	Federal Offset	Net Tax
Single, No children						
DC	\$2,989	\$912		\$3,901	\$1,053	\$2,847
Montgomery	\$2,985	\$1,381		\$4,366	\$1,179	\$3,187
Prince George's	\$3,032	\$1,713		\$4,745	\$1,281	\$3,464
Fairfax	\$2,112	\$1,513	\$132	\$3,756	\$1,014	\$2,742
Arlington	\$2,112	\$1,241	\$115	\$3,467	\$936	\$2,531
Single, 2 children						
DC	\$2,734	\$912		\$3,646	\$547	\$3,099
Montgomery	\$2,617	\$1,381		\$3,998	\$600	\$3,398
Prince George's	\$2,658	\$1,713		\$4,371	\$656	\$3,715
Fairfax	\$2,020	\$1,513	\$132	\$3,664	\$550	\$3,114
Arlington	2,020	\$1,241	\$115	\$3,375	\$506	\$2,869
Married, No children						
DC	\$2,445	\$912		\$3,357	\$503	\$2,853
Montgomery	\$2,709	\$1,381		\$4,090	\$613	\$3,476
Prince George's	\$2,752	\$1,713		\$4,464	\$670	\$3,795
Fairfax	\$1,815	\$1,513	\$132	\$3,459	\$519	\$2,940
Arlington	\$1,815	\$1,241	\$115	\$3,170	\$476	\$2,695
Married, 2 children						
DC	\$2,239	\$912		\$3,151	\$473	\$2,678
Montgomery	\$2,341	\$1,381		\$3,722	\$558	\$3,164
Prince George's	\$2,378	\$1,713		\$4,090	\$614	\$3,477
Fairfax	\$1,723	\$1,513	\$132	\$3,367	\$505	\$2,862
Arlington	\$1,723	\$1,241	\$115	\$3,079	\$462	\$2,617
* assumed home value is \$125,000						
* assumes family owns one car. See Appendix Table III for details of tax calculation.						

Appendix Table IC
Net Taxes in the Washington Region on Homeowners Earning \$100,000, in 2002

	Income Tax	Property Tax*	Car Tax*	Total before federal offset	Federal Offset	Net Tax
Single, No children						
DC	\$7,267	\$2,112		\$9,379	\$2,813	\$6,565
Montgomery	\$6,329	\$2,763		\$9,091	\$2,727	\$6,364
Prince George's	\$6,429	\$3,425		\$9,854	\$2,956	\$6,898
Fairfax	\$4,711	\$3,025	\$240	\$7,975	\$2,393	\$5,583
Arlington	\$4,711	\$2,483	\$231	\$7,424	\$2,227	\$5,197
Single, 2 children						
DC	\$7,012	\$2,112		\$9,124	\$2,463	\$6,660
Montgomery	\$5,961	\$2,763		\$8,723	\$2,355	\$6,368
Prince George's	\$6,055	\$3,425		\$9,480	\$2,560	\$6,920
Fairfax	\$4,619	\$3,025	\$240	\$7,883	\$2,129	\$5,755
Arlington	\$4,619	\$2,483	\$231	\$7,333	\$1,982	\$5,359
Married, No children						
DC	\$6,349	\$2,112		\$8,461	\$2,285	\$6,177
Montgomery	\$6,237	\$2,763		\$8,999	\$2,430	\$6,570
Prince George's	\$6,335	\$3,425		\$9,760	\$2,635	\$7,125
Fairfax	\$4,452	\$3,025	\$340	\$7,817	\$2,111	\$5,706
Arlington	\$4,452	\$2,483	\$295	\$7,229	\$1,952	\$5,277
Married, 2 children						
DC	\$6,094	\$2,112		\$8,206	\$2,216	\$5,991
Montgomery	\$5,869	\$2,763		\$8,631	\$2,230	\$6,301
Prince George's	\$5,961	\$3,425		\$9,386	\$2,534	\$6,852
Fairfax	\$4,360	\$3,025	\$340	\$7,725	\$2,085	\$5,640
Arlington	\$4,360	\$2,483	\$295	\$7,138	\$1,927	\$5,210
* assumed home value is \$250,000						
* assumes family owns two cars. See Appendix Table III for details of tax calculation.						

Appendix Table ID
Net Taxes in the Washington Region on Homeowners Earning \$150,000 in 2002

	Income Tax	Property Tax*	Car Tax*	Total before federal offset	Federal Offset	Net Tax
Single, No children						
DC	\$11,731	\$3,552		\$15,283	\$4,585	\$10,698
Montgomery	\$10,195	\$4,420		\$14,615	\$4,384	\$10,230
Prince George's	\$10,355	\$5,480		\$15,835	\$4,750	\$11,084
Fairfax	\$7,517	\$4,840	\$832	\$13,188	\$3,956	\$9,232
Arlington	\$7,517	\$3,972	\$645	\$12,133	\$3,640	\$8,493
Single, 2 children						
DC	\$11,476	\$3,552		\$15,028	\$4,508	\$10,519
Montgomery	\$9,826	\$4,420		\$14,246	\$4,274	\$9,973
Prince George's	\$9,981	\$5,480		\$15,461	\$4,638	\$10,823
Fairfax	\$7,425	\$4,840	\$832	\$13,096	\$3,929	\$9,167
Arlington	\$7,425	\$3,972	\$645	\$12,041	\$3,612	\$8,429
Married, No children						
DC	\$10,813	\$3,552		\$14,365	\$4,309	\$10,056
Montgomery	\$9,919	\$4,420		\$14,339	\$4,302	\$10,037
Prince George's	\$10,075	\$5,480		\$15,555	\$4,666	\$10,888
Fairfax	\$7,212	\$4,840	\$950	\$13,001	\$3,900	\$9,101
Arlington	\$7,212	\$3,972	\$748	\$11,931	\$3,579	\$8,352
Married, 2 children						
DC	\$10,558	\$3,552		\$14,110	\$4,223	\$9,877
Montgomery	\$9,550	\$4,420		\$13,970	\$4,191	\$9,779
Prince George's	\$9,701	\$5,480		\$15,181	\$4,554	\$10,626
Fairfax	\$7,120	\$4,840	\$950	\$12,910	\$3,873	\$9,037
Arlington	\$7,120	\$3,972	\$748	\$11,840	\$3,542	\$8,297
* assumed home value is \$400,000						
* assumes family owns two cars. See Appendix Table III for details of tax calculation.						

**Appendix Table II
Income Tax Parameters in DC, Maryland, and Virginia in 2002**

	DC	Maryland	Virginia
Tax Rates (apply to income after deductions)	1 st \$10,000: 5% \$10,000 to \$30,000: 7.5% above \$30,000: 9.3%	<u>State income tax</u> 1 st \$1,000: 2% \$1,000 to \$2,000: 3% \$2,000 to \$3,000: 4% above \$3,000: 4.75% <u>County income tax:</u> Montgomery: 2.92% Prince George's: 3.04%	1 st \$3,000: 2% \$3,000 to \$5,000: 3% \$5,000 to \$17,000: 5% above \$17,000: 5.75%
Standard Deduction	\$2,000	Married: \$4,000 Single: \$2,000 Head of Household: \$2,000	Married: \$4,000 Single: \$2,000 Head of Household: \$2,000
Personal Exemption	\$1,370	\$2,400	\$800

**Appendix Table III
Property Tax Rates and Burdens in the DC Metropolitan Area, 2002**

	Property Tax Rate*	Tax on \$125,000 Home	Tax on \$250,000 Home	Tax on \$400,000 Home
DC**	\$0.96	\$912	\$2,112	\$3,552
Montgomery County				
Unincorporated areas	\$1.105	\$1,381	\$2,763	\$4,420
Bethesda	\$1.121	\$1,401	\$2,802	\$4,484
Silver Spring	\$1.135	\$1,419	\$2,838	\$4,541
Prince George's County				
Unincorporated areas	\$1.37	\$1,713	\$3,425	\$5,480
Bowie	\$1.508	\$1,885	\$3,770	\$6,032
Hyattsville	\$1.72	\$2,150	\$4,300	\$6,880
Fairfax County	\$1.19	\$1,513	\$3,025	\$4,840
Arlington County	\$0.993	\$1,241	\$2,483	\$3,972

* Property tax rates are expressed as amount per \$100 assessed value.

** The DC tax rate is applied to a home's assessed value less a \$30,000 homestead deduction.

**Appendix Table IVA
Estimated Car Taxes
in Fairfax County, 2002**

Income Level	Trade-in Value*	Tax**
\$50,000		
Car 1	\$9,625	\$132
\$100,000		
Car 1	\$17,500	\$240
Car 2	\$7,325	\$100
Total tax		\$340
\$150,000		
Car 1	\$32,200	\$832
Car 2	\$8,625	\$118
Total tax		\$950

* assumptions of trade-in values are from DC's regional tax study. See footnote 3.
 ** tax equals 30 percent of the stated 4.57% rate on the first \$20,000 in car value and 100% of the 4.57% rate on the value in excess of \$20,000.

**Appendix Table IVB
Estimated Car Taxes
in Arlington County, 2002**

Income Level	Loan Value*	Tax**
\$50,000		
Car 1	\$8,685	\$115
\$100,000		
Car 1	\$15,731	\$208
Car 2	\$6,627	\$87
Total tax		\$295
\$150,000		
Car 1	\$28,652	\$645
Car 2	\$7,791	\$103
Total tax		\$748

* assumptions of trade-in values are from DC's regional tax study. See footnote 3.
 ** tax equals 30 percent of the stated 4.57% rate on the first \$20,000 in car value and 100% of the 4.57% rate on the value in excess of \$20,000.