
Montgomery County, Maryland

**DECEMBER 2013
REVENUE UPDATE**

Department of Finance



December 10, 2013

Overview

- **Finance provides a full revenue update in December of each year, after the November income tax distribution**
- **At this time, final data about the prior year income tax receipts are known, and updates are available to certain economic factors**
- **Another full update is done for the March budget**

REVENUE UPDATE

FY14 and FY15 Summary

The outlook for the remainder of this fiscal year (FY14) and next year (FY15) suggests an increase in revenues over the two-year period compared to the estimates prepared for the FY14 budget. This increase is solely attributed to revisions to income tax and the transfer and recordation tax revenues. The combined increase in FY14 and FY15 is nearly \$153.439 million higher than previously estimated.

Revenue Update

December revised revenues for FY14 are \$99.339 million above the FY14 Budget estimates. The major contributors are the estimated increase in income and transfer/recording tax revenues.

	FY14 BUDGET - DECEMBER 2013 UPDATE (\$MIL.)		
	FY14 Budget	Dec. Update	Difference
Income	\$1,299.191	\$1,385.698	\$86.507
Property	\$1,504.875	\$1,506.702	\$1.827
Transfer/Recordation	\$142.328	\$152.524	\$10.196
Other Taxes:			
--Admissions	\$3.043	\$3.118	\$0.075
--Fuel/Energy	\$210.728	\$211.341	\$0.613
--Telephone	\$45.126	\$45.393	\$0.267
--Hotel/Motel	\$17.753	\$17.537	(\$0.216)
Investment Income	n.a	n.a	n.a
Highway User Revenue	\$3.439	\$3.510	\$0.071
TOTAL	\$3,226.483	\$3,325.824	\$99.340

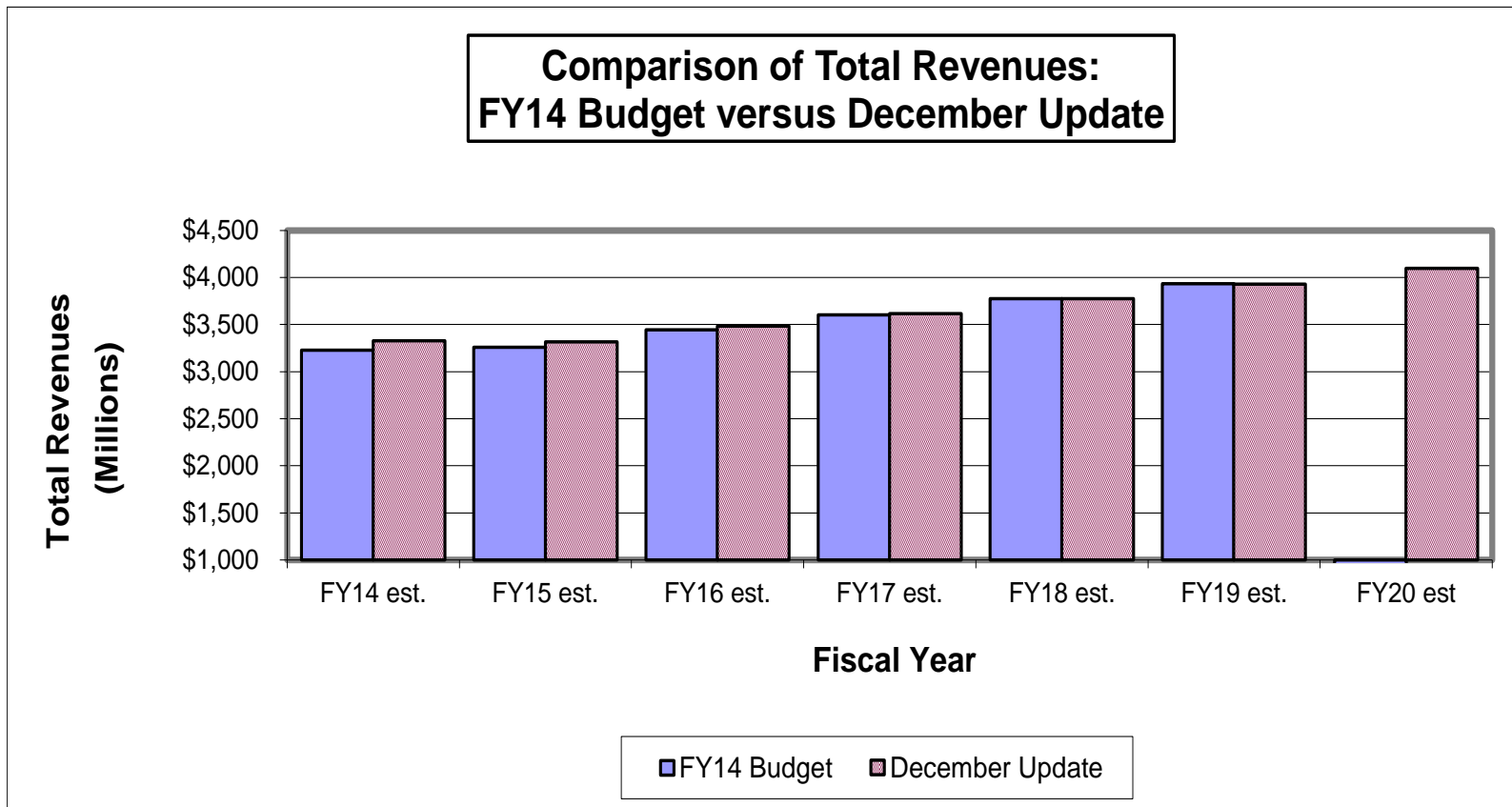
Revenue Update

December revised revenue estimates for FY15 are \$54.099 million above the FY14 Budget estimates. The increase is attributed to income and transfer/recordation tax revenues.

	FY14 BUDGET - DECEMBER 2013 UPDATE (\$MIL.)		
	FY15 Estimate	Dec. Update	Difference
Income	\$1,285.662	\$1,324.142	\$38.480
Property	\$1,544.326	\$1,537.878	(\$6.448)
Transfer/Recordation	\$145.920	\$167.609	\$21.689
Other Taxes:			
--Admissions	\$3.146	\$3.212	\$0.066
--Fuel/Energy	\$214.210	\$214.490	\$0.280
--Telephone	\$44.636	\$45.060	\$0.424
--Hotel/Motel	\$18.212	\$17.793	(\$0.419)
Investment Income	n.a	n.a	n.a
Highway User Revenue	\$3.617	\$3.643	\$0.027
TOTAL	\$3,259.728	\$3,313.827	\$54.099

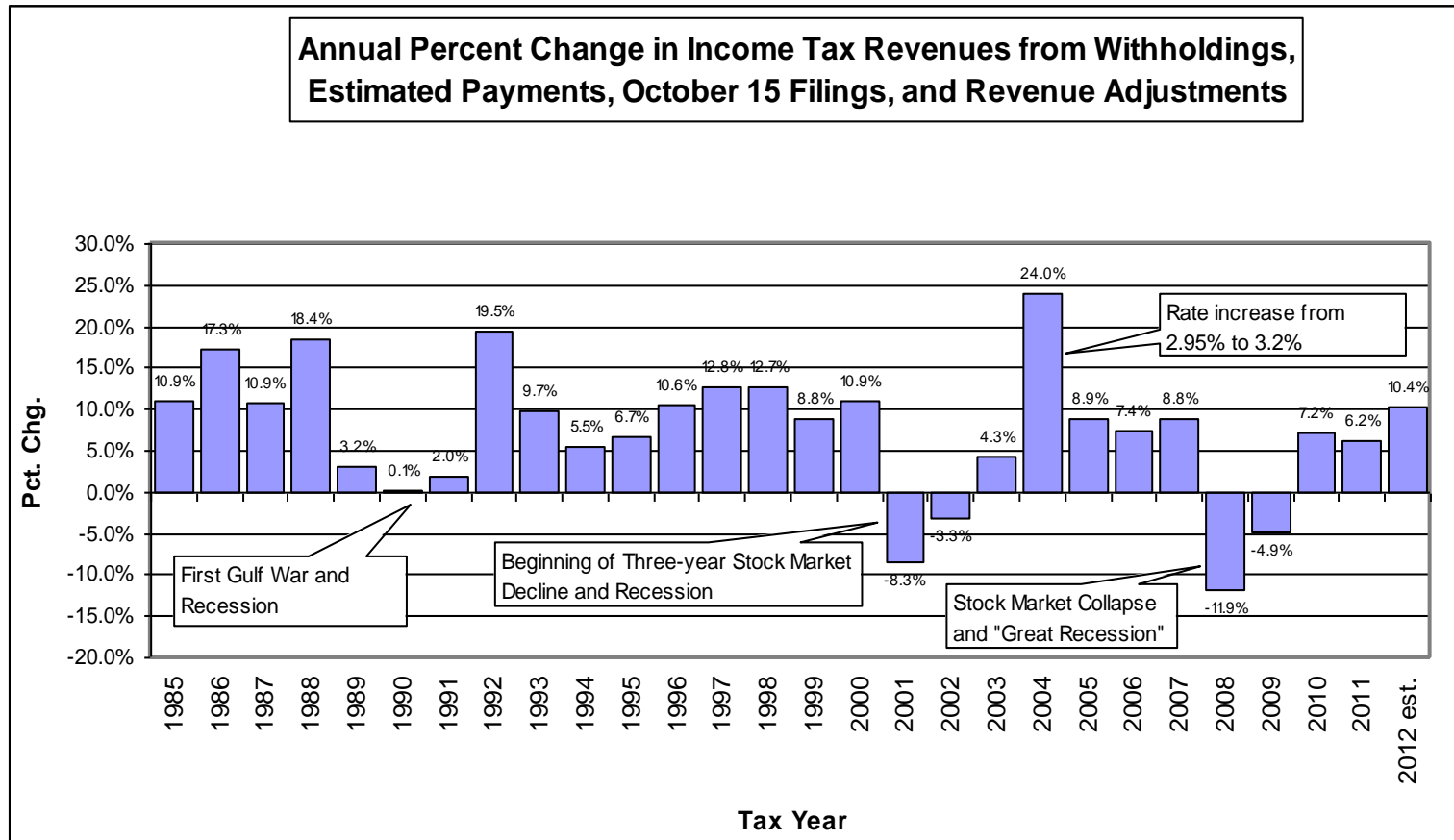
Revenue Trend FY14-19

During the current six year period (FY14-FY19), total revenues are expected to be approximately \$195.9 million above FY14 budget estimates.



Income Tax Volatility

Year-over-year percent changes in the income tax are volatile and sensitive to economic events especially capital gains in Montgomery County.



Income Tax – November Distribution

- **The largest share (five year average of 81.6%) of the County's income tax revenues for any tax year comes in quarterly distributions of withholdings and estimated payments.**
- **The November distribution reflects actual results from the prior tax year (e.g., final tax year 2012 in November 2013) and provides a near final review of last year's tax liability – this provides a base for future projections.**
- **The State Comptroller's Office also adjusts its distribution formula for the current fiscal year based on the prior tax year results (e.g., 2012 tax year final results affect quarterly distributions for this fiscal year).**
- **Income tax revenues represented 47.3 percent of total General Fund tax revenues in FY13 and nearly 45.5 percent of the County's total revenues.**

Income Tax – November distributions

(millions)	Actual FY11	Actual FY12	Actual FY13	Estimated FY14	Actual FY14	Difference
October 15 th Filings and Adjustments	\$17.00	\$134.76	\$144.74	\$122.05	\$167.61	\$45.56
Withholding and Estimated payments for 3 rd Quarter	\$212.90	\$242.79	\$250.76	\$255.81	\$258.47	\$2.66
Total November Distribution	\$229.90	\$377.55	\$395.50	\$377.86	\$426.08	\$48.22

•Increase in receipts from October 15th Filings and Adjustments is based on an adjustment to reflect increased income tax receipts due the County for tax year 2012 as compared to tax year 2011. The State has indicated that the County’s income tax receipts from withholdings and estimated payments for the third quarter of tax year 2013 are 3.1% higher than for TY2012.

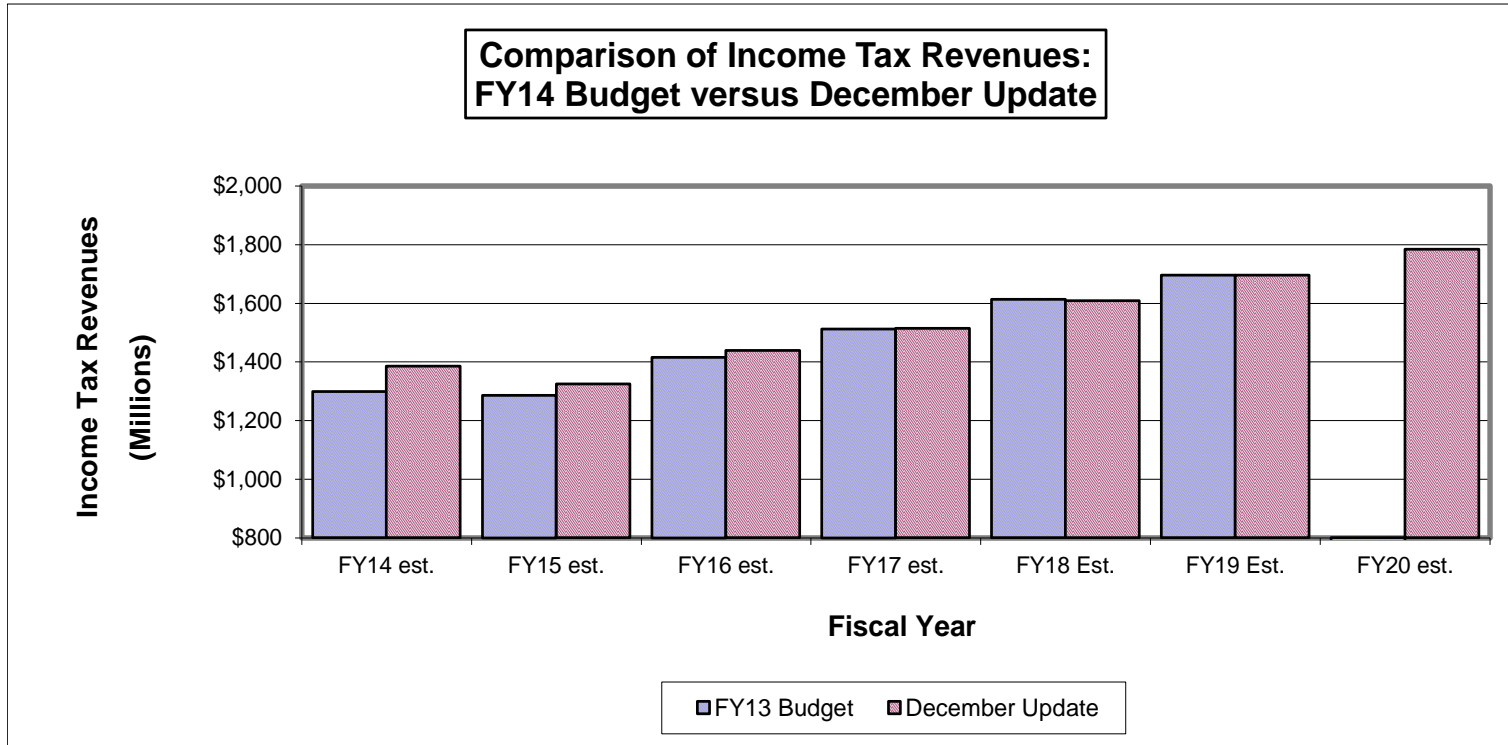
•Increase in withholdings and estimated payments is due to an increase in income tax receipts statewide and a change in the distribution formula, which is updated by the State in November to reflect the overall increase in prior year income tax receipts.

Income Tax – Economic Factors

- Resident employment is expected to increase 1.0 percent in CY2013 and increase 1.3 percent in CY2014. This is a slight decrease compared to March economic assumptions of 1.2 percent increase in CY2013 and 1.6 percent in CY2014. The lower employment growth is based on the State’s Board of Revenue Estimates’ recent assumption of sequestration in its September forecast that lowered employment growth in the State.**
- Personal income is estimated to increase 1.8 percent in CY2013 and 4.4 percent in CY2014.**
- Wage and salary income is expected to increase 2.2 percent in CY2013 and increase 4.3 percent in CY2014.**

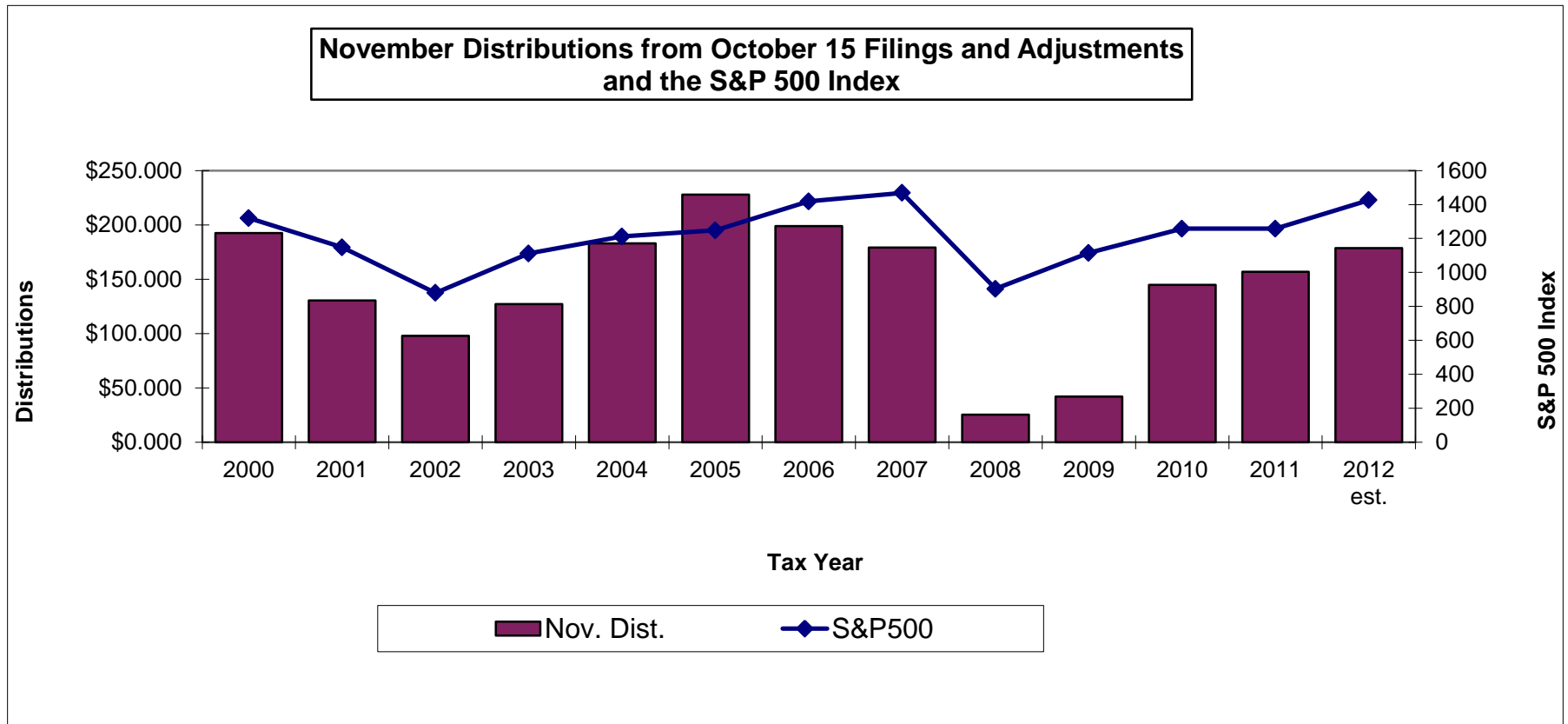
Income Tax FY14-19

Over the current six year period (FY14-FY19), income tax revenues are expected to be approximately \$144.3 million above FY14 budget estimates.



Income Tax

The amount of revenues from the November distribution is correlated to the stock market (S&P 500 Index)



Property Tax

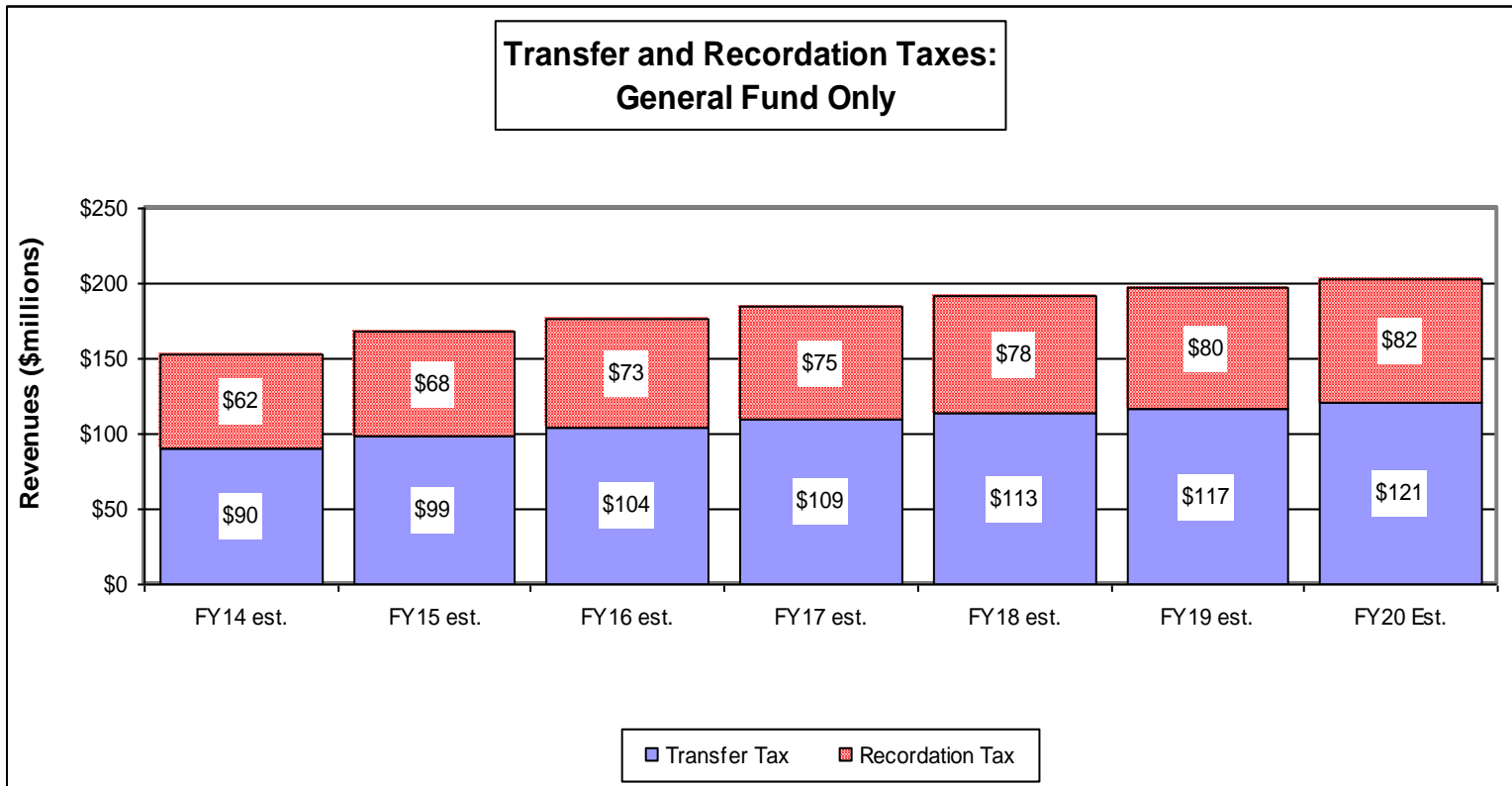
- **The inflation rate is expected to be 1.5 percent in calendar year 2013, which follows a 2.2 percent increase in CY12 and 3.4 percent in CY11. Inflation is used to estimate real property tax under the Charter Limit excluding new construction.**
- **The reassessment rates for real property for Group Two in fiscal year 2015 are expected to be released by the Maryland State Department of Assessments and Taxation (SDAT) at the end of this month. Preliminary indications are that this group may experience an increase in the real property tax base.**

Transfer and Recordation Taxes

- Home sales are expected to increase 11.6 percent in CY13 and median prices are also anticipated to increase 8.2 percent. Based on collections to date, the non-residential real estate market is estimated to experience a decrease in FY14.**
- Because of the estimated increase in home sales in CY13, Finance estimates that the number of residential transfers may increase 9.2 percent in FY14 nearly the same as the increase in home sales.**
- Because of collections to date, the average transfer tax amount on a residential sale is expected to increase 5.8 percent in FY14.**
- Because of the expected decrease in the average transfer tax on non-residential transactions, non-residential transfer tax revenues are estimated to decrease 29.3 percent in FY14.**

Transfer and Recordation Taxes

Since reaching \$241.7 million in FY06, transfer and recordation taxes declined to \$127.3 million in FY12. By FY20, transfer and recordation taxes are estimated to reach \$202.8 million – \$38.9 million below the FY06 peak.



Other Tax Revenues

Other tax revenues are estimated to increase a modest 0.2 percent in FY14 over budget estimates due to modest increases in fuel and energy, and telephone tax revenues. Over the current six-year period (FY14-FY19), total other tax revenues are estimated to be \$11.1 million above FY14 budget estimates.

