
Montgomery County, Maryland

**FY2014 THIRD QUARTER REVENUE
UPDATE**

Presentation to the Montgomery County Council

Department of Finance



Revenue Update

Three Quarter Fiscal Year Results

Total tax revenues, including investment income, totaled \$2.211 billion and were 5.6% above the same period in FY13 due to revenues from the income tax (↑5.5%), the property tax – General Fund (↑6.4%), transfer tax (↑17.7%), telephone tax (↑20.4%), and investment income (↑438.2%). However, in January 2014, there was a one-time payment of over \$5.525 million in telephone tax revenues from Verizon for underreporting revenues from prior years. Excluding that payment, total tax revenues totaled \$2.205 billion and 5.4% above FY13.

- **Income Taxes:**

- Income tax revenues through March stood at \$830.9 million and approximately \$43.5 million above revenues for the same period in FY13. The increase was partly attributed to higher final payments from taxpayers filing for an extension, and the reconciliation for tax year 2012.

- **Property Taxes:**

- The General Fund (G.F.) portion of property tax collections (including penalties and interest) was \$1.075 billion (↑6.4%) through March compared to the same period in FY13. The increase is primarily due to an increase in the real property tax rate from \$0.724 to \$0.759 per \$100 of assessed value.

Revenue Update

Three Quarter Fiscal Year Results

- **Property Taxes (continued):**
 - After two consecutive yearly declines in real property taxable assessments, real property taxable assessment is estimated to increase 1.0 percent in FY14.
- **Transfer and Recordation Taxes:**
 - Revenues from the transfer tax (excluding condominium conversions) through March of FY14 were nearly \$68.0 million, or 17.7% above the same period last fiscal year.
 - Revenues from the recordation tax (excluding the CIP portion and the rate premium) were \$41.9 million, a decrease of 0.3% over last fiscal year.
 - The increase in the transfer tax is due to an increase in revenues from residential transactions (↑18.1%) and a slight increase in non-residential revenues (↑0.8%). The total volume of transfers, not including condo conversions, was up 13.0% during the three quarters of FY14 compared to the same period last fiscal year. However, the total volume of recordation tax transactions (excluding CIP portion and rate premium) was down 48.5% compared to the three quarters of fiscal year 2013. The increase in the transfer tax transactions were attributed to a rebound in housing sales during the first three quarters of FY14 (↑13.0%) and the reduction in recordation tax transactions is attributed to the significant decline in mortgage refinancing and the increase in the limited exemption for indemnity deed of trust – IDOT (↓59.6%).
 - The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$109.8 million compared to \$99.8 million for the same period last year (↑10.1%).

Revenue Update

Three Quarter Fiscal Year Results

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$194.7 million, which were 0.2% below the three quarters of FY13. The decrease is attributed to the decline in the rates for the fuel/energy tax and a decline of 10.5 percent in hotel-motel tax revenues to date.
- Fuel/energy tax collections totaled \$146.5 million and 3.5% below the same period in FY13. The decline is attributed to the decline in the rates enacted by the County Council in May 2013.
- Revenues from the telephone tax were \$35.9 million and 20.4% above the previous fiscal year. The increase in total revenues is attributed to the one-time payment by Verizon. Excluding that payment, revenues increased 1.9 percent.
- Revenues from the hotel/motel tax were 10.5% below the same period last fiscal year. This decrease is due to the shutdown of the federal government during the fall of 2013 and the impacts of federal sequestration on federal government related travel.
- Revenues from the admissions tax were down 1.8% compared to the same period last fiscal year and largely attributed to receipts from coin-operated arcades (↓13.0%), golf facilities (↓12.5%), and athletic facilities (↓10.3%).

Revenue Summary Sheet

	MAJOR REVENUE COLLECTIONS			
	Fiscal Year 2014	Fiscal Year 2013	Variance FY14-FY13	Percent Change
<u>TAXES:</u>				
Income Tax	\$830,909,008	\$787,401,373	\$43,507,635	5.5%
Property Tax (General Fund only)	\$1,075,136,959	\$1,010,687,956	\$64,449,004	6.4%
Transfer Tax (1)	\$67,993,106	\$57,755,541	\$10,237,565	17.7%
Recordation Tax (2)	\$41,856,778	\$41,998,201	(\$141,422)	-0.3%
Fuel/Energy Tax	\$146,518,886	\$151,781,253	(\$5,262,367)	-3.5%
Telephone Tax (3)	\$35,936,453	\$29,849,870	\$6,086,583	20.4%
Hotel/Motel Tax	\$10,492,979	\$11,727,358	(\$1,234,379)	-10.5%
Admissions Tax	\$1,742,566	\$1,775,232	(\$32,666)	-1.8%
<u>MISCELLANEOUS:</u>				
Investment Income (4)	\$447,982	\$83,232	\$364,750	438.2%
<u>TOTAL</u>	\$2,211,034,717	\$2,093,060,015	\$117,974,702	5.6%

SOURCE: Revenue data excluding income taxes from the County's Oracle eBusiness system.

- NOTES: (1) Excludes revenue from condominium conversions
 (2) Excludes School CIP and tax premium allocation
 (3) Telephone tax includes a one time payment of \$5,525,682.62. Excluding that payment, telephone tax revenues were \$30,410,770 or an increase of 1.9 percent.
 (4) Pooled investment income only