
Montgomery County, Maryland

**NOVEMBER 2009
REVENUE UPDATE**

Department of Finance



December 1, 2009

November 2009 Revenue Update

- **Finance provides a full revenue update in November of each year, after the November income tax distribution**
- **At this time, near final data is known about the prior year income tax receipts, and updates are available to certain economic factors**
- **Another full update is done for the March budget**
- **The revenue outlook for the remainder of this fiscal year (FY10) and next year (FY11) suggests a further decline in revenues compared to the estimates prepared for the FY10 budget**

November revised revenues for FY10 are \$110.1 million below the FY10 Budget. Major contribution is the decline in income tax revenues.

	FY10 BUDGET - NOVEMBER 2009 (\$MIL.)		
	FY10 Budget	Nov. Update	Difference
Income	\$1,214.770	\$1,120.713	(\$94.057)
Property	\$1,440.925	\$1,441.824	\$0.899
Transfer/Recordation	\$123.359	\$112.628	(\$10.731)
Other Taxes	\$185.344	\$183.246	(\$2.098)
Investment Income	\$5.911	\$1.819	(\$4.092)
Highway User Revenue	n.a.	n.a.	n.a.
TOTAL DIFFERENCE			(\$110.079)

November revised revenue estimates for FY11 are \$157.2 million below the March estimates. The major contributors are a decline in estimated income tax and property tax revenues.

	MARCH ESTIMATE - NOVEMBER 2009 (\$MIL.)		
	FY11 Estimate	Nov. Update	Difference
Income	\$1,279.780	\$1,165.510	(\$114.270)
Property	\$1,501.249	\$1,455.241	(\$46.008)
Transfer/Recordation	\$121.999	\$128.592	\$6.593
Other Taxes	\$190.743	\$189.815	(\$0.928)
Investment Income	\$9.146	\$6.576	(\$2.570)
Highway User Revenue	n.a.	n.a.	n.a.
TOTAL DIFFERENCE			(\$157.183)

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Income Tax

- **Income tax revenues for Montgomery County fell 11 percent in tax year (TY) 2008 from TY2007 - the largest decline in over 25 years.**
- **The decline is attributed largely to the decline in wealth (stocks and real estate) and a decrease in income in the high income categories.**
- **Because of the decline in 2008, Montgomery County's share of total State withholdings and estimated payments declined which affected both the November distribution – third quarter TY2009 withholding and estimated payments – and the adjusted final distribution for TY2008.**

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Income Tax – November distribution

(millions)	Actual FY09	Estimated FY10	Actual FY10	Difference
October 15 th Filings and Adjustments	\$146.1	\$57.7	\$9.6	(\$48.1)
Withholdings and Estimated payments for 3 rd Quarter	\$242.7	\$247.7	\$210.6	(\$37.1)
Total November Distribution	\$388.8	\$305.4	\$220.2	(\$85.2)

•Reduction in receipts from October 15th Filings and Adjustments is based on an adjustment to reflect decreased income tax receipts due the County for tax year 2008 as compared to tax year 2007. Overall, the State has indicated that the County's income tax receipts for 2008 are 11% lower than for 2007.

•Reduction in withholdings and estimated payment is due to reduced income tax receipts statewide and a change in the distribution formula, which is updated by the State in November to reflect the overall decrease in prior year income tax receipts.

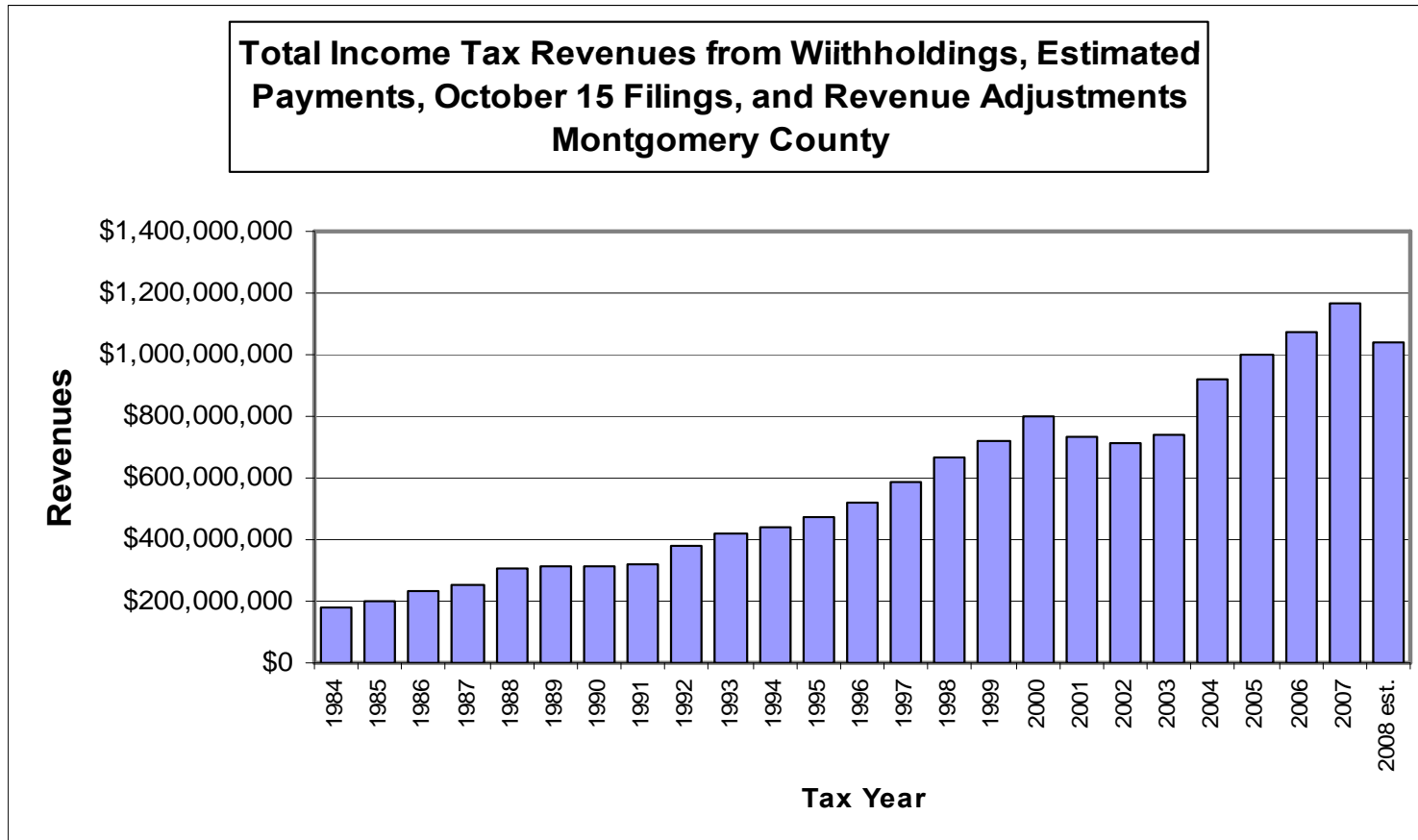
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Income Tax – Economic Factors

- **A steeper decline in resident employment and meager growth next year.**
- **Resident employment expected to decline 2.4 percent (↓2.4%) in calendar year 2009 and increase a meager 0.5 percent (↑0.5%) in 2010 compared to March economic assumptions of 0.3 percent decline in 2009 and an increase of 0.8 percent in 2010.**
- **A decline in wage and salary income this year with modest growth next year**
- **Wage and salary income is expected to decline 0.4 percent (↓0.4%) in 2009 and increase 2.4 percent (↑2.4%) in 2010 compared to March assumptions of a 2.3 percent increase in 2009 and 3.5 percent in 2010.**

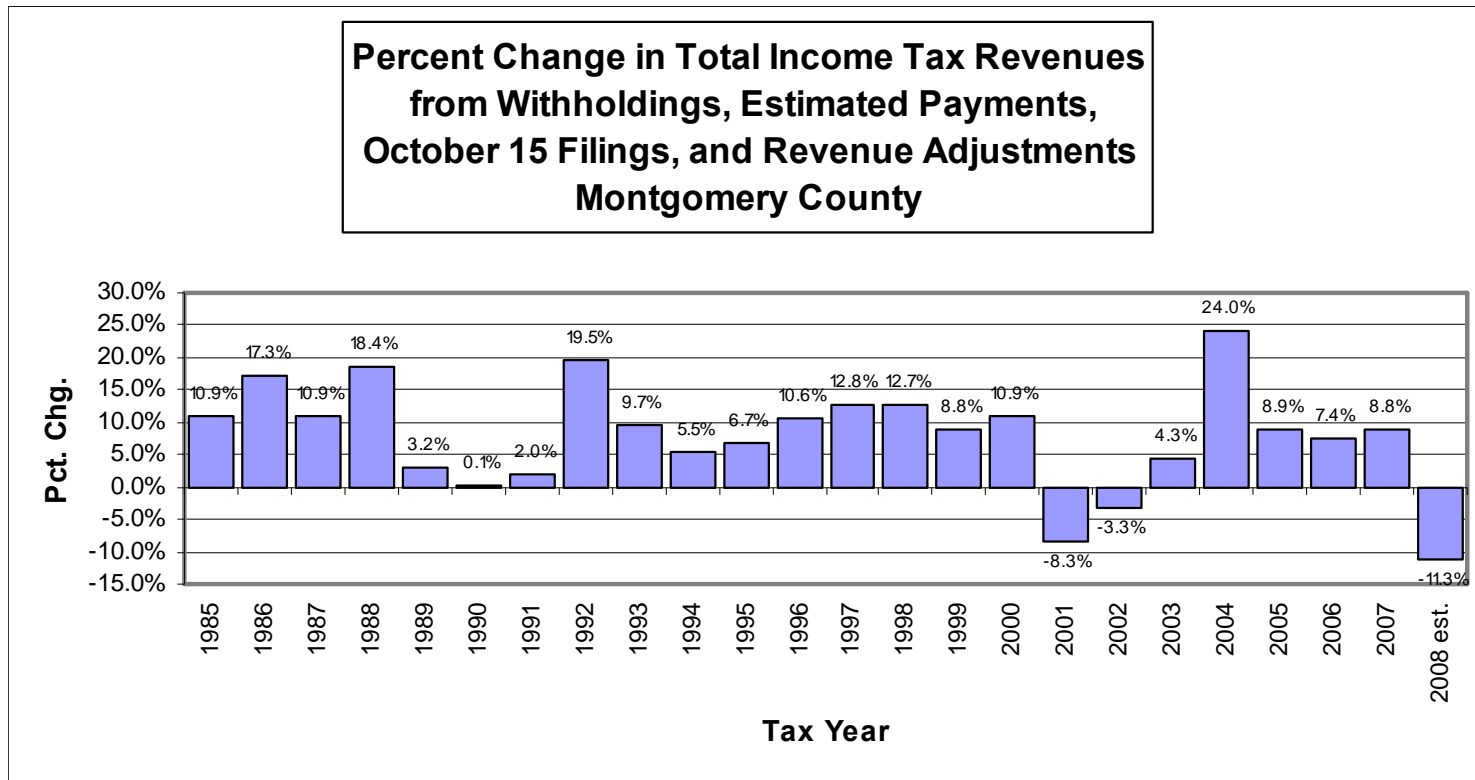
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Income Taxes



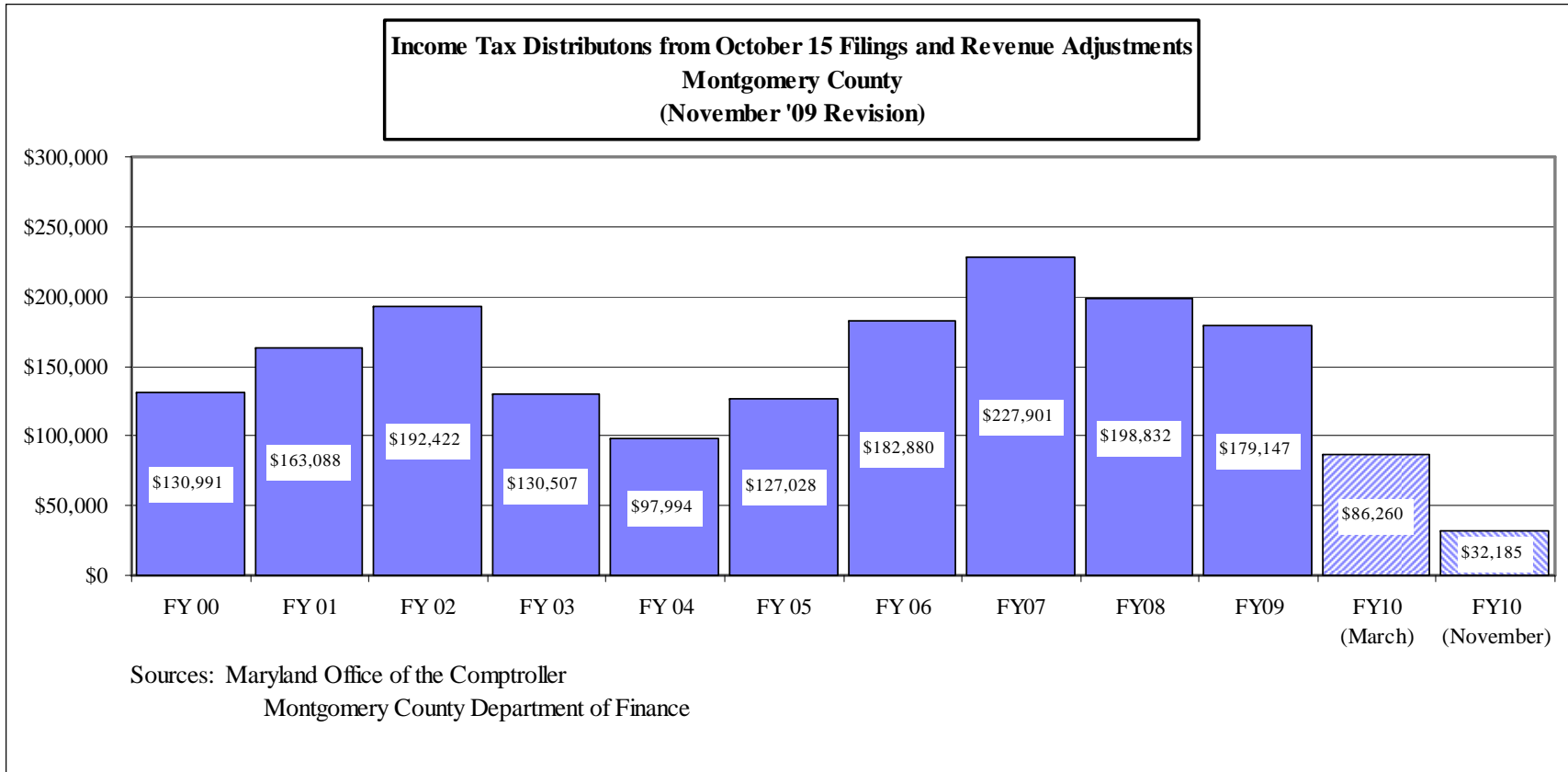
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Income Taxes



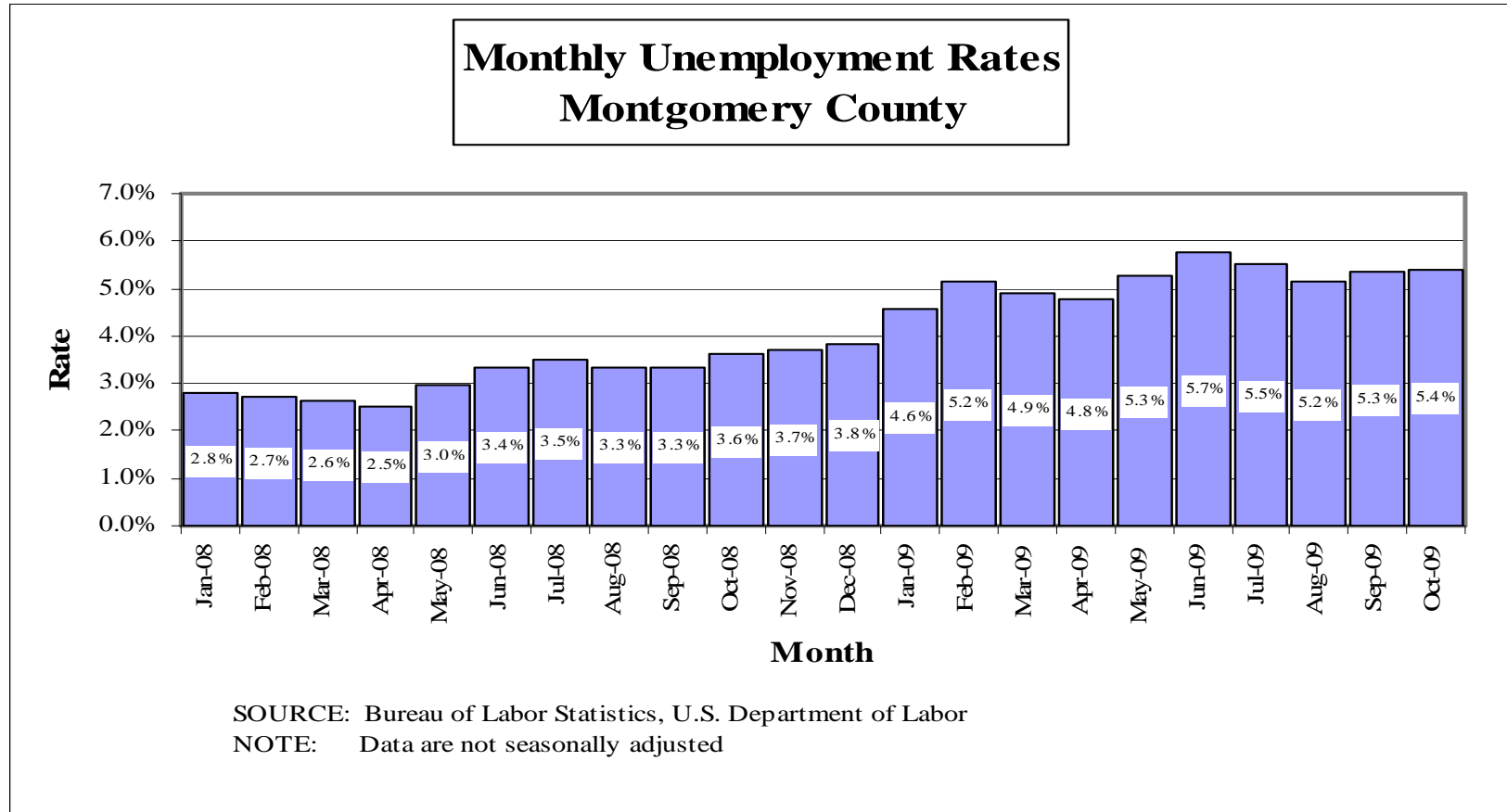
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Income Taxes



November 2009 Revenue Update

Income Taxes



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Property Tax

- **The inflation rate is expected to be zero in calendar year 2009, thereby keeping real property tax revenues nearly constant in FY2011 under the Charter Limit excluding new construction and personal property.**
- **The reassessment rates for real property for Group 1 in fiscal year 2011 are expected to decline 14 percent for residential property but increase 3 percent for commercial property.**

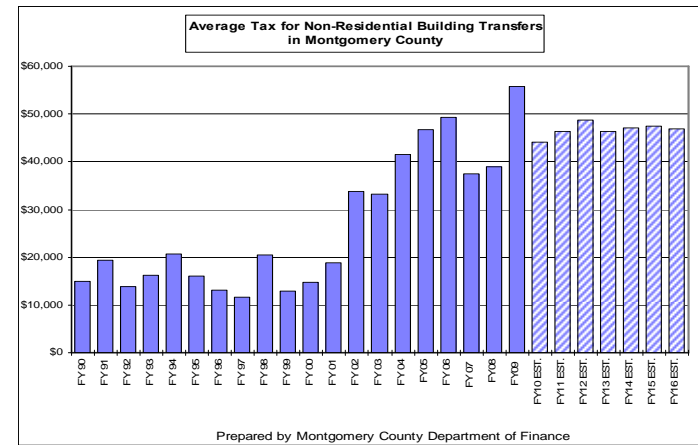
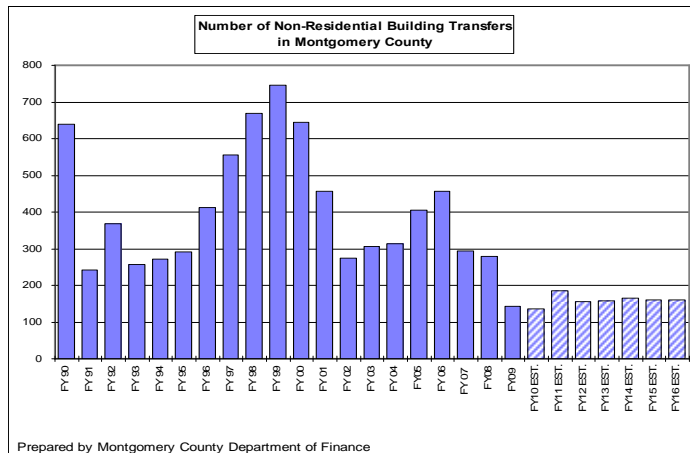
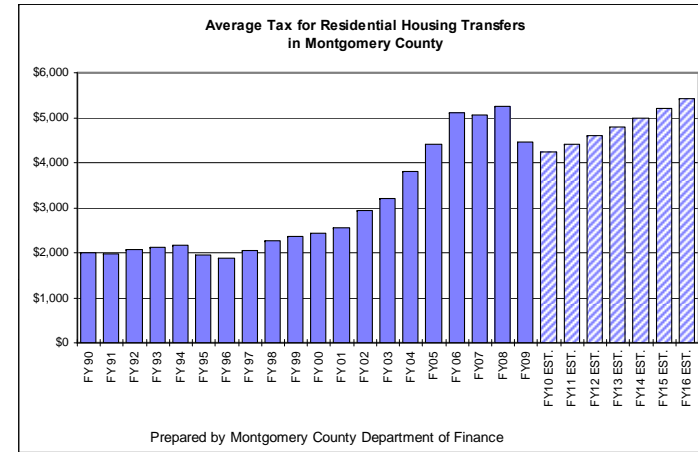
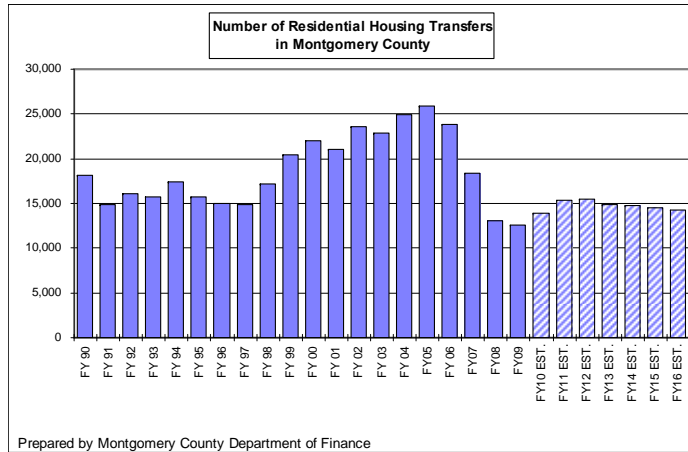
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Transfer and Recordation Taxes

- Home sales are expected to continue to increase largely attributed to the first-time homebuyers credit while prices are anticipated to increase modestly in 2010. However, the non-residential real estate market is estimated to decline further in FY10 contributing to weak growth in transfer tax revenues.
- Because of the projected increase in home sales in 2009 and 2010, Finance estimates that the number of residential transfers may increase 11.0 percent in FY10 and 9.7 percent in FY11.
- However, because the average home sales price is expected to decline 15.6 percent in 2009 but increase 5.0 percent in 2010, the average residential transfer tax is expected to decrease 5.2 percent in FY10.
- Because of the expected decline in the number of non-residential transactions and the average tax rate attributed to a decline in the value of commercial sales, non-residential transfer tax is estimated to decrease 24.6 percent in FY10.

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Transfer and Recordation Taxes



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Investment Income

- **The Federal Reserve is expected to maintain its low interest rate policy through the remainder of this fiscal year (0.00-0.25%).**
- **Because of current policy and expected future policy of the Federal Reserve of no increase in the targeted federal funds rate through the remainder of this year and into the first quarter of next year, the investment yield is expected to decline from 1.71 percent in FY2009 to 0.35 percent in FY2010. The budget estimate was 1.10 percent.**