
Montgomery County, Maryland

**DECEMBER 2012
REVENUE UPDATE**

Department of Finance



December 11, 2012

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**

FY12 and FY13 Summary

The outlook for the remainder of this fiscal year (FY13) and next year (FY14) suggests a modest increase in revenues over the two-year period compared to the estimates prepared for the FY13 budget. This increase is solely attributed to revisions to income tax revenues. The combined increase in FY13 and FY14 is nearly \$22.1 million higher than previously estimated.

Revenue Update

December revised revenues for FY13 are \$30.9 million above the FY13 Budget estimates. The major contributor is the estimated increase in income tax revenues.

	FY13 BUDGET - DECEMBER 2012 UPDATE (\$MIL.)		
	FY13 Budget	Dec. Update	Difference
Income	\$1,263.586	\$1,309.177	\$45.591
Property	\$1,462.239	\$1,459.518	(\$2.721)
Transfer/Recordation	\$136.597	\$136.094	(\$0.504)
Other Taxes:			
--Admissions	\$2.501	\$2.625	\$0.124
--Fuel/Energy	\$233.770	\$224.730	(\$9.040)
--Telephone	\$48.749	\$46.122	(\$2.627)
--Hotel/Motel	\$19.052	\$19.188	\$0.136
Investment Income	n.a	n.a	n.a
Highway User Revenue	\$3.324	\$3.270	(\$0.054)
TOTAL	\$3,169.817	\$3,200.722	\$30.905

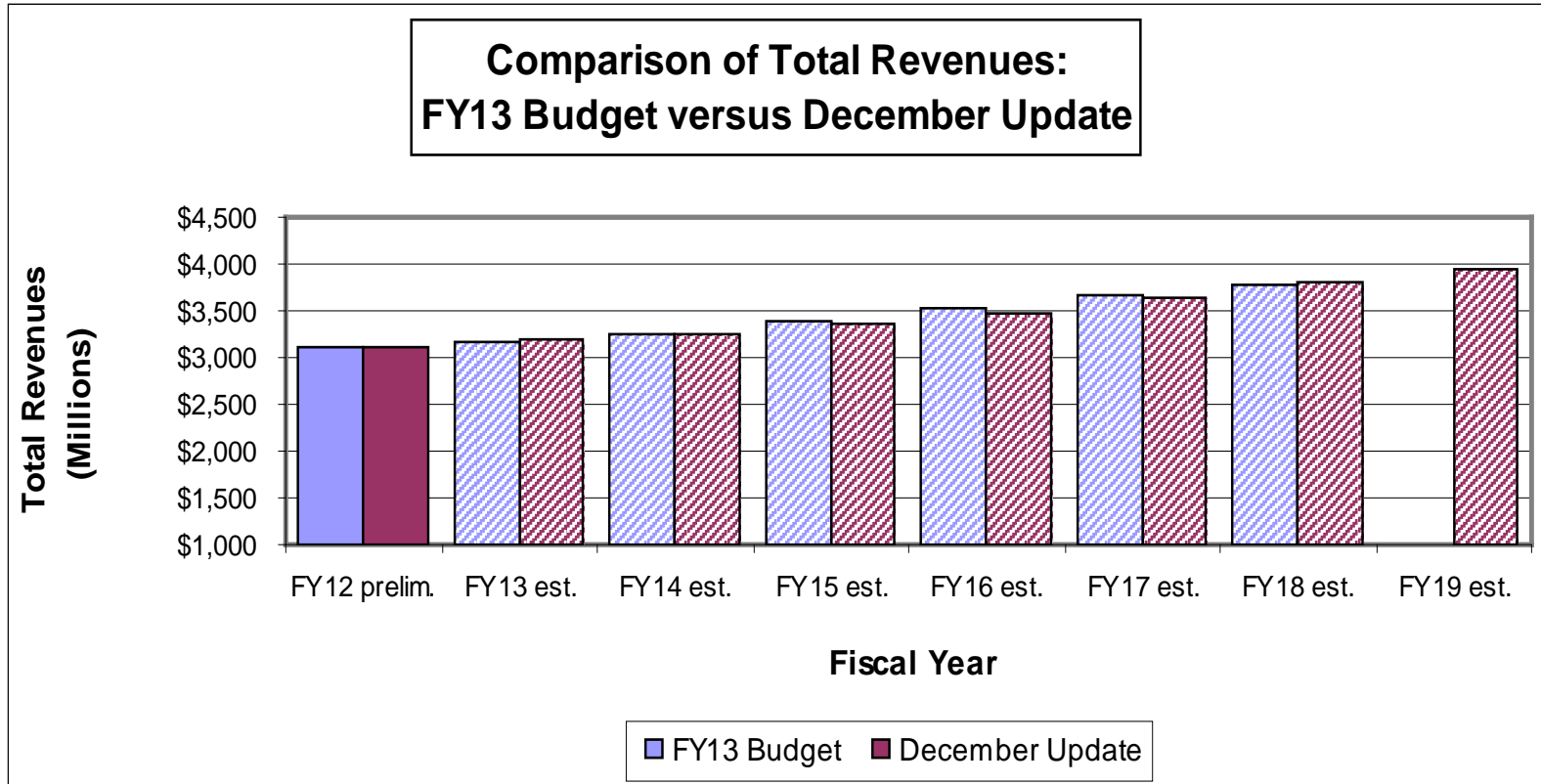
Revenue Update

December revised revenue estimates for FY14 are \$8.9 million below the FY13 Budget estimates. The decrease is mainly attributed to declines in the property tax, fuel/energy tax, and telephone tax revenues.

	FY13 BUDGET - DECEMBER 2012 UPDATE (\$MIL.)		
	FY14 Estimate	Dec. Update	Difference
Income	\$1,296.556	\$1,302.961	\$6.405
Property	\$1,505.764	\$1,499.757	(\$6.007)
Transfer/Recordation	\$140.506	\$142.328	\$1.822
Other Taxes:			
--Admissions	\$2.596	\$2.702	\$0.106
--Fuel/Energy	\$236.850	\$228.030	(\$8.820)
--Telephone	\$49.419	\$47.416	(\$2.003)
--Hotel/Motel	\$19.571	\$19.272	(\$0.300)
Investment Income	n.a	n.a	n.a
Highway User Revenue	\$3.496	\$3.439	(\$0.057)
TOTAL	\$3,254.758	\$3,245.904	(\$8.854)

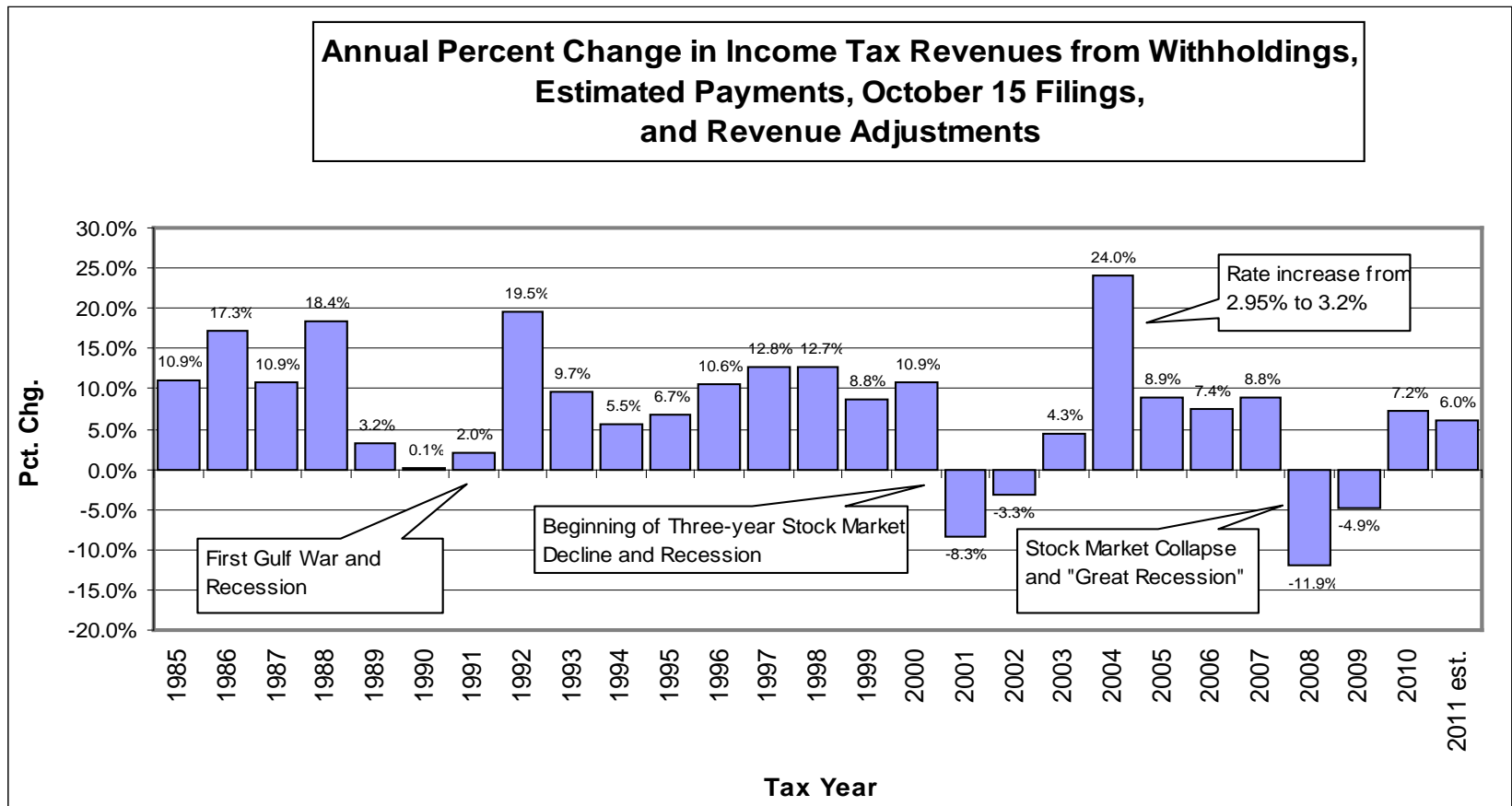
Revenue Trend FY13-18

During the current six year period (FY13-FY18), total revenues are expected to be approximately \$73.8 million below FY13 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 2011 in November 2012) and provides a near final review of last year's tax liability – this provides a base for future projections.**
- **The Comptroller's Office also adjusts its distribution formula for the current fiscal year based on the prior tax year results (e.g., 2011 tax year final results affect quarterly distributions for this fiscal year).**
- **Income tax revenues represented 46.2 percent of estimated total tax-supported revenues in FY12 and nearly 44.7 percent of the County's total revenues.**

Income Tax – November distributions

(millions)	Actual FY10	Actual FY11	Actual FY12	Estimated FY13	Actual FY13	Difference
October 15 th Filings and Adjustments	\$9.60	\$17.00	\$134.76	\$111.21	\$144.74	\$33.53
Withholding and Estimated payments for 3 rd Quarter	\$210.60	\$212.90	\$242.79	\$256.51	\$250.76	(\$5.75)
Total November Distribution	\$220.20	\$229.90	\$377.55	\$367.71	\$395.50	\$27.79

•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 2011 as compared to tax year 2010. The State has indicated that the County’s income tax receipts from withholdings and estimated payments for 2011 are 6.8% higher than for 2010.

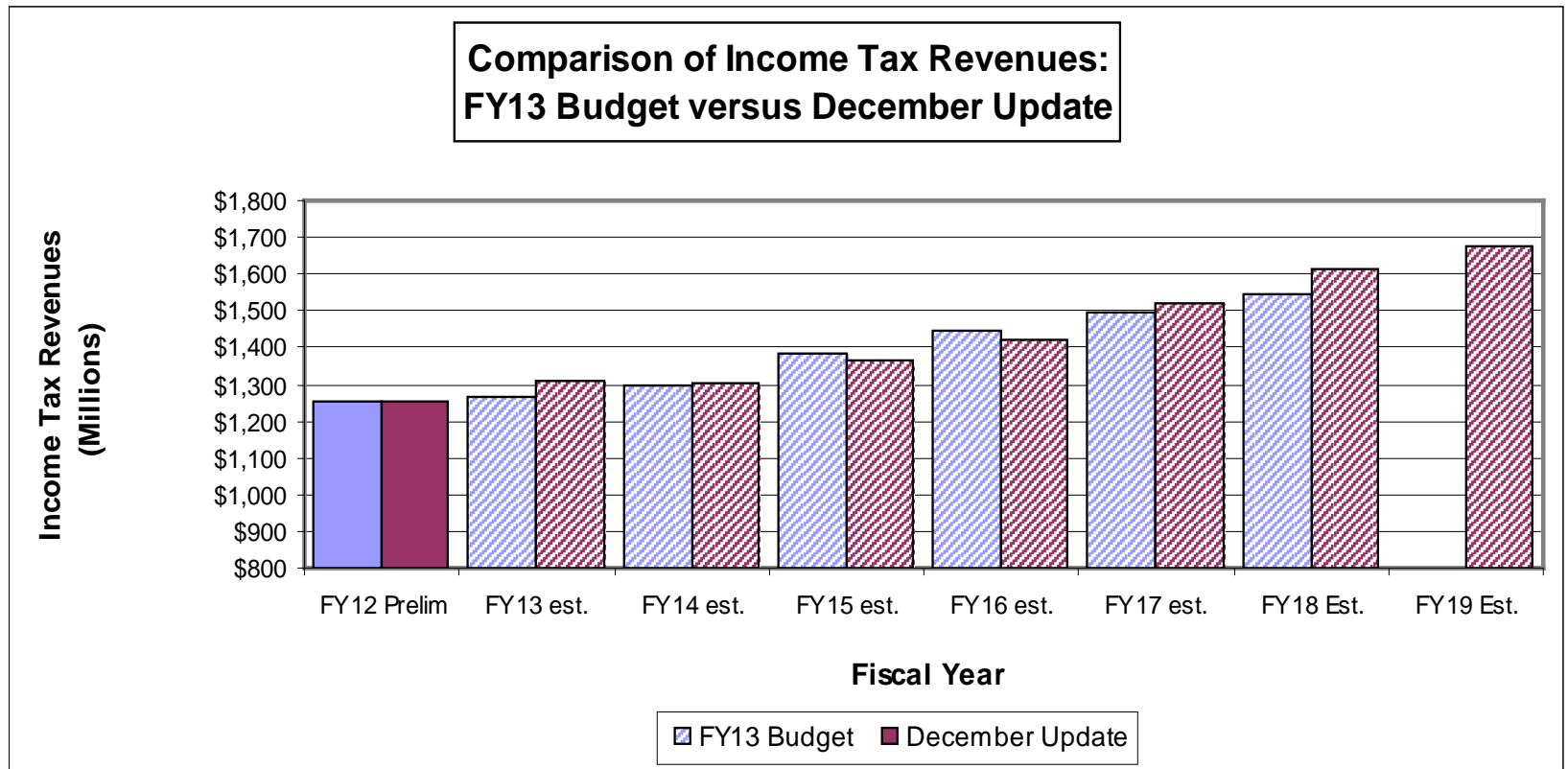
•Increase in withholdings and estimated payments is due to an increase in income tax receipts statewide and a change in the distribution formula, which is updated by the State in November to reflect the overall increase in prior year income tax receipts.

Income Tax – Economic Factors

- Resident employment is expected to increase 1.0 percent in CY2012 and increase a modest 0.3 percent in CY2013. This is compared to March economic assumptions of 0.9 percent increase in CY2012 and 1.3 percent in CY2013. 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 3.7 percent in CY2012 and 3.6 percent in CY2013.**
- Wage and salary income is expected to increase 4.2 percent in CY2012 and increase 3.8 percent in CY2013.**

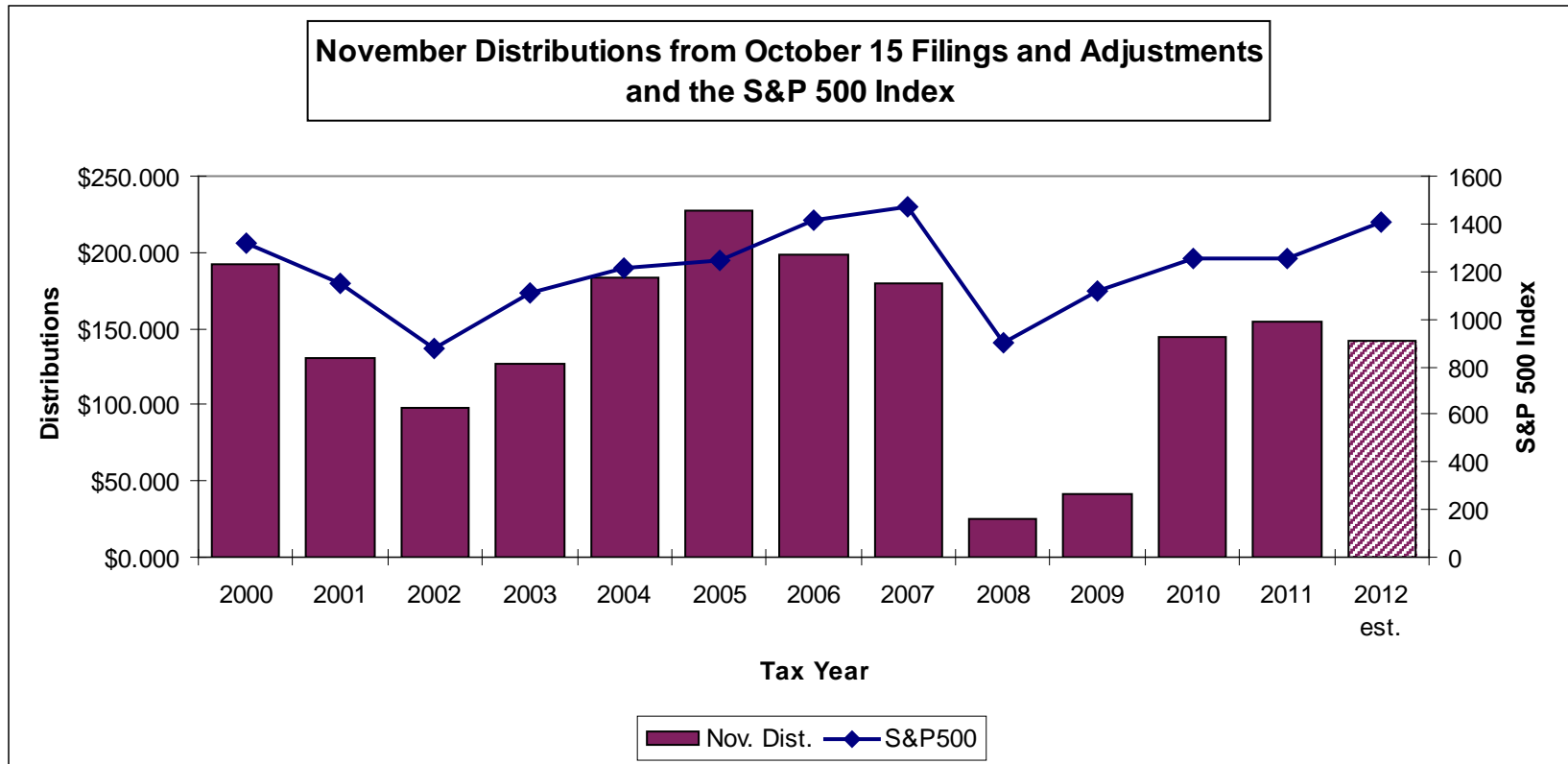
Income Tax FY13-18

Over the current six year period (FY13-FY18), income tax revenues are expected to be approximately \$100.2 million above FY12 budget estimates.



Income Tax

The amount of revenues from the November distribution has been associated with the stock market (S&P 500 Index)



Property Tax

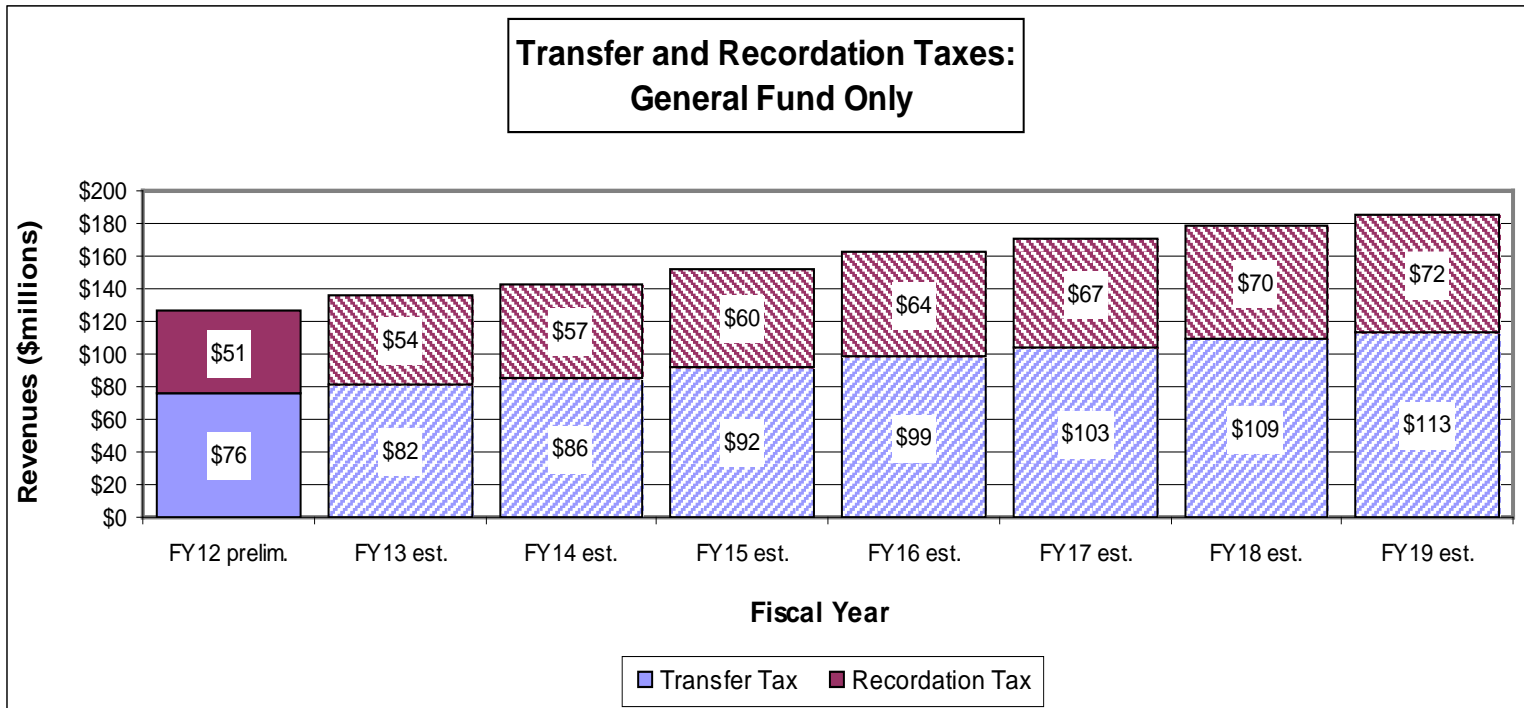
- **The inflation rate is expected to be 2.2 percent in calendar year 2012, which follows a 3.4 percent increase in CY11 and a meager 1.7 percent in CY10. Inflation is used to estimate real property tax under the Charter Limit excluding new construction.**
- **The reassessment rates for real property for Group One in fiscal year 2014 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 5.0 percent in CY13 and prices are also anticipated to increase 2.3 percent. Based on collections to date, the non-residential real estate market is estimated to experience a modest increase in FY13.**
- Because of the estimated increase in home sales in CY13, Finance estimates that the number of residential transfers may increase 5.1 percent in FY13 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 6.5 percent in FY13.**
- Because of the expected increase in the average transfer tax on non-residential transactions, non-residential transfer tax revenues are estimated to increase by 1.4 percent in FY13.**

Transfer and Recordation Taxes

Since reaching \$241.7 million in FY06, transfer and recordation taxes declined to \$127.3 million in FY12. By FY19, transfer and recordation taxes are estimated to reach \$190.4 million – nearly \$56.2 million below the FY06 peak.



Other Tax Revenues

Other tax revenues are estimated to decrease 0.2 percent in FY13 from FY12 due an estimated decline in energy and telephone revenues. Over the current six-year period (FY13-FY18), total other tax revenues are estimated to be \$132.5 million below FY13 budget estimates.

