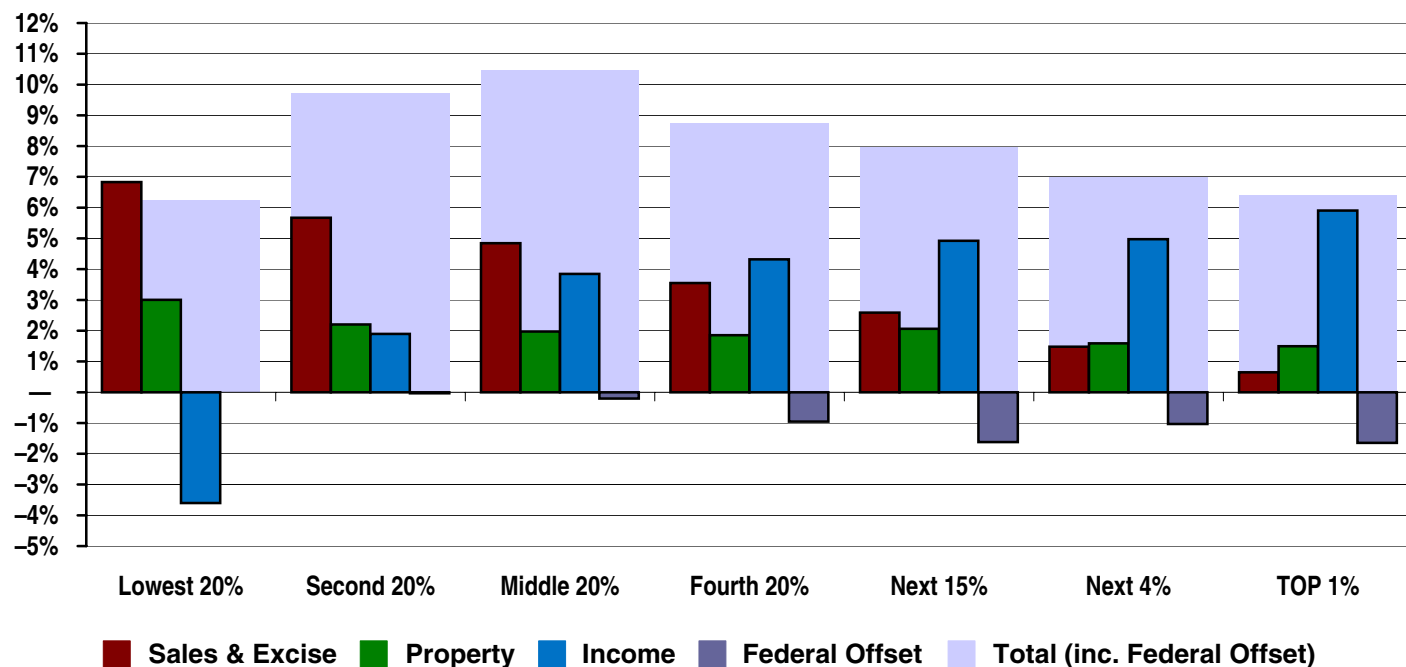


District of Columbia

State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers



| Income Group | Lowest 20% | Second 20% | Middle 20% | Fourth 20% | Top 20% | | |
|---------------------------------|--------------------|---------------------|---------------------|---------------------|----------------------|-------------------------|---------------------|
| | | | | | Next 15% | Next 4% | TOP 1% |
| Income Range | Less than \$20,000 | \$20,000 – \$33,000 | \$33,000 – \$57,000 | \$57,000 – \$97,000 | \$97,000 – \$252,000 | \$252,000 – \$1,543,000 | \$1,543,000 or more |
| Average Income in Group | \$12,400 | \$26,300 | \$45,400 | \$75,500 | \$143,200 | \$443,700 | \$2,708,300 |
| Sales & Excise Taxes | 6.8% | 5.7% | 4.8% | 3.5% | 2.6% | 1.5% | 0.6% |
| General Sales—Individuals | 2.9% | 2.4% | 2.1% | 1.7% | 1.3% | 0.8% | 0.3% |
| Other Sales & Excise—Ind. | 1.2% | 1.0% | 0.8% | 0.5% | 0.3% | 0.2% | 0.1% |
| Sales & Excise on Business | 2.7% | 2.3% | 1.9% | 1.4% | 0.9% | 0.5% | 0.3% |
| Property Taxes | 3.0% | 2.2% | 2.0% | 1.9% | 2.1% | 1.6% | 1.5% |
| Property Taxes on Families | 2.1% | 1.4% | 1.4% | 1.4% | 1.7% | 1.2% | 0.7% |
| Other Property Taxes | 0.9% | 0.8% | 0.6% | 0.4% | 0.3% | 0.4% | 0.8% |
| Income Taxes | -3.6% | 1.9% | 3.8% | 4.3% | 4.9% | 5.0% | 5.9% |
| Personal Income Tax | -3.6% | 1.9% | 3.8% | 4.3% | 4.9% | 4.9% | 5.7% |
| Corporate Income Tax | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.2% |
| TOTAL TAXES | 6.2% | 9.8% | 10.7% | 9.7% | 9.6% | 8.0% | 8.0% |
| Federal Deduction Offset | -0.0% | -0.0% | -0.2% | -1.0% | -1.6% | -1.0% | -1.6% |
| TOTAL AFTER OFFSET | 6.2% | 9.7% | 10.5% | 8.8% | 8.0% | 7.0% | 6.4% |

Note: Table shows 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

District of Columbia

State & Local Taxes

Features, Developments, and Comparisons

Progressive Features

- ✓ Provides a refundable earned income tax credit (EITC)
- ✓ Provides a refundable property tax “circuit breaker” credit for low-income and elderly taxpayers
- ✓ Sales tax base excludes groceries

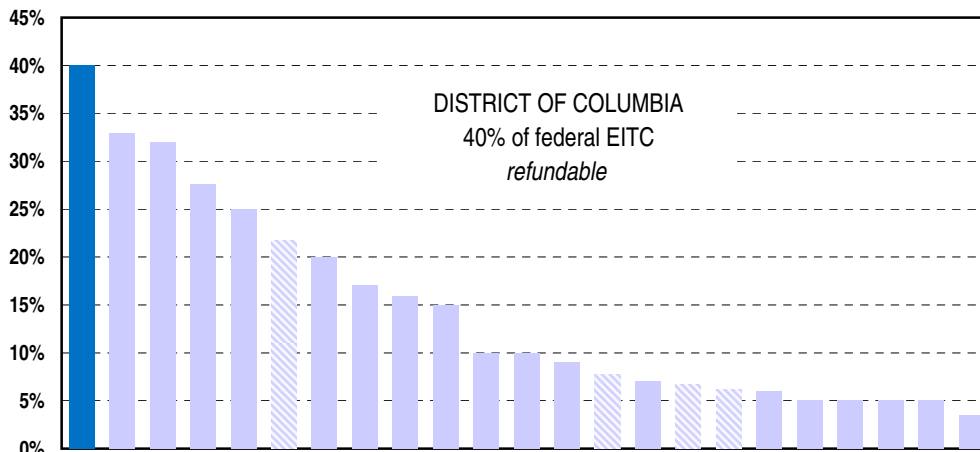
Regressive Features

- ✗ Comparatively high cigarette tax rate

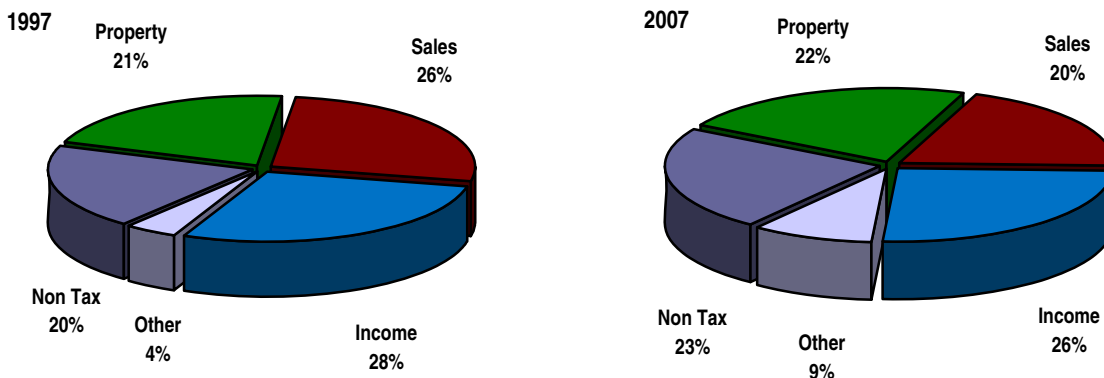
Recent Developments

- ▲ Reduced personal income tax rates; increased standard deduction and personal exemption
- ▲ Increased its EITC to equal 40 percent of the federal credit
- ▲ Increased sales tax rate on a temporary basis
- ▲ Increased cigarette taxes

Effective State Earned Income Tax Credit (EITC) Rates



Change in the Composition of Revenue



Source: U.S. Census Bureau, Government Finances