



# Nationwide Tax Burdens 2021 The Eras Presentation

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*The information provided in this presentation does not represent the views of the Office of the Chief Financial Officer nor the District of Columbia. They are personal views on the topic presented.*

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# Disclaimer



## Limitations:

- Calculates state and local taxes in the largest city of states
- Does not include some taxes that households may pay directly or indirectly
  - Ex. cigarette or alcohol excise taxes (an appendix of these taxes is included for reference)
- Exclusion of business taxes that could pass-through to individuals
- Static analysis
- Retiree Income is not included or analyzed within the study

# Overview



- Why does the District of Columbia (DC) complete a Tax Burden Study?
- How does it compare to other tax burden studies?
- What are the 2021 Nationwide Tax Burdens?
- What is the future for the Tax Burden Study?

# Why Does DC Do a Tax Burden Study?



- Two-part study:
  - Comparison of tax burdens of largest city in each state and DC;
  - Comparison of Select tax rates, 50 states and DC.
- Requirement: [Public Law 93-407](#) (9/3/1974)
- Audiences:
  - DC City Council; media; researchers; states; and cities
- Data collection:
  - Survey to states w/ follow up calls & emails;
  - Online research of state web sites;
  - Third-party sources (FTA, CCH, Tax Foundation, etc.)

# How Does the Study Compare?



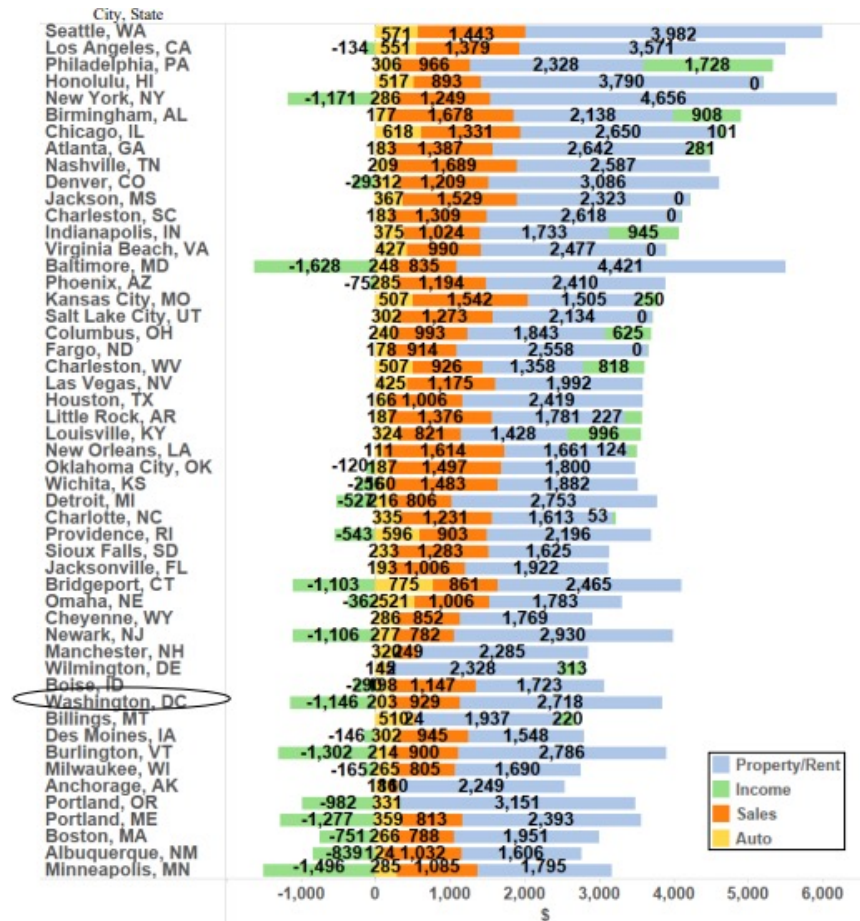
- Other entities produce tax burden studies and often quoted
  - WalletHub
  - MoneyGeek
  - Prudential
  - HireHelper
- Differences – Often the largest difference is in the methodology
- Similarities – Data pulled from some similar sources (state websites or external sources like BLS)

# The 2021 Nationwide Tax Burdens - Highlights



- DC's income tax burden was below the average for the 44 states that levied an income tax for a family earning \$25,000 and \$75,000; above the average for the top two income levels.
- DC's property tax burdens were below the 50-city average for the top four income levels (homeowners); but 11<sup>th</sup> highest of all the cities for renters.
- DC's sales and auto tax burdens were lower than the 50-city average at all five income levels.

# 2021 Tax Burdens for Households - \$25,000

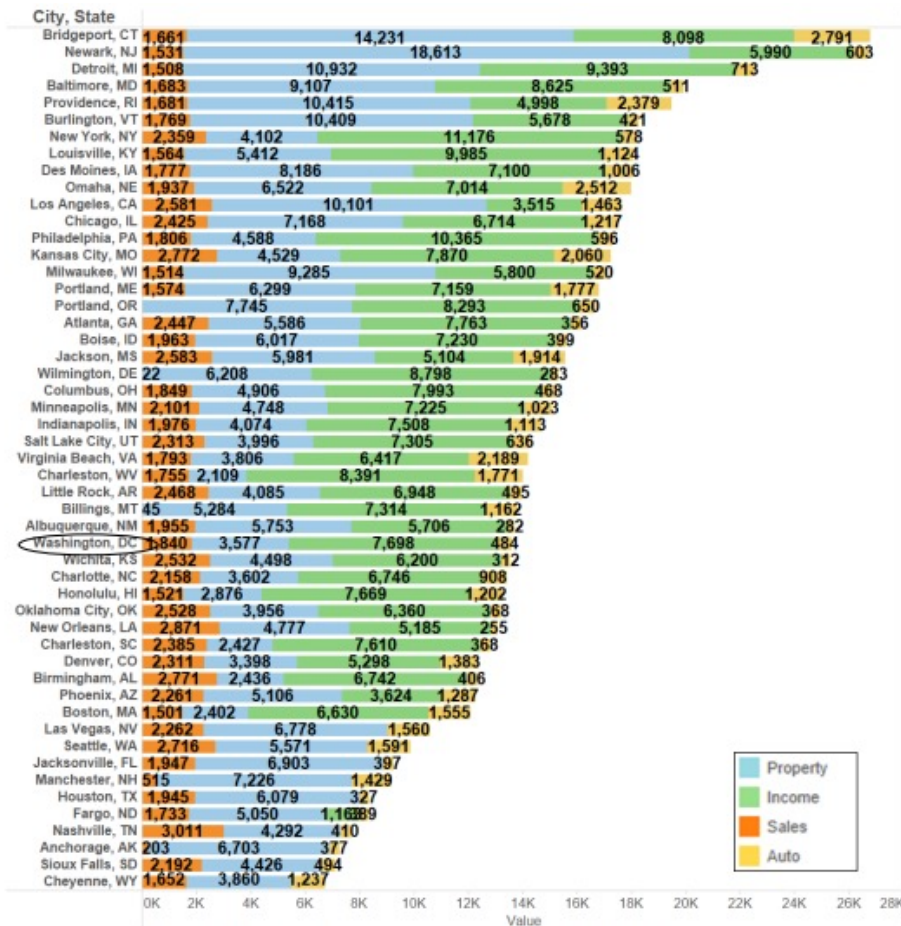


- Largest factors contributing to the differentiation
  - Refundable EITC
  - Renter Tax Credits
  - Misc. State/City Credits for low-income
- Personal Property Taxes and Income Taxes

Source: ORA. Cities are ranked by total estimated tax burden as a percentage of income (highest at the top)

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# 2021 Tax Burdens for Households - \$150,000



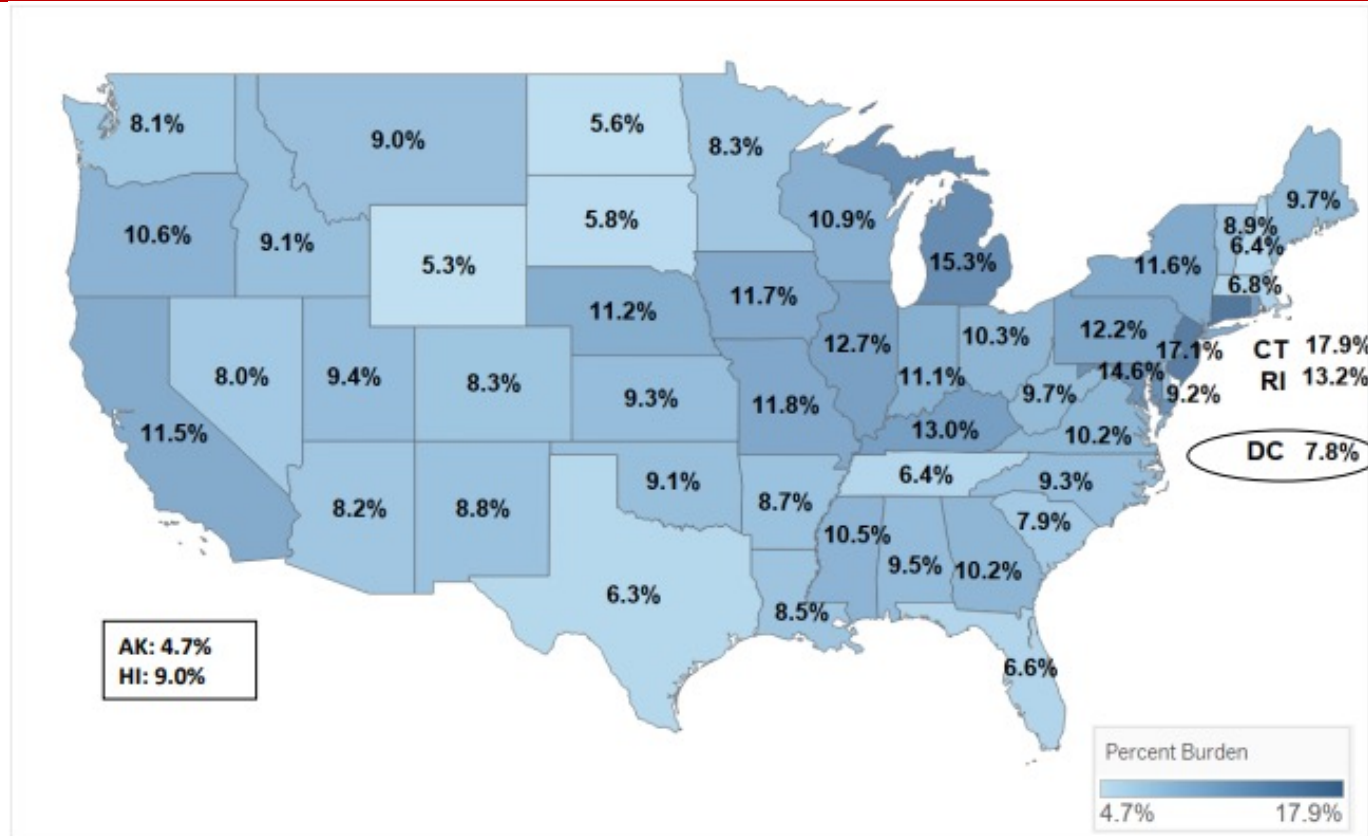
- Largest factors contributing to the differentiation
  - Property Tax Credits
- Personal Property Taxes

Source: ORA. Cities are ranked by total estimated tax burden as a percentage of income (highest at the top)

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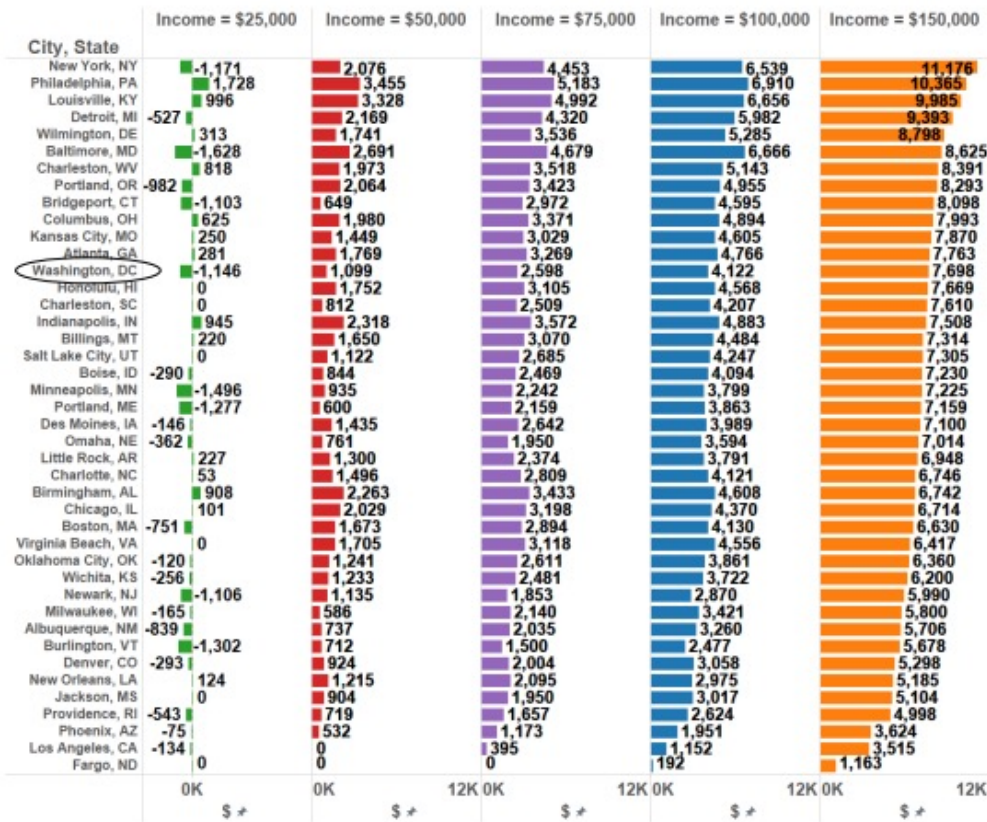
# 2021 Tax Burdens as Share of Income - \$75,000



Source: ORA. The lighter blue shading represents a lower tax burden

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# 2021 Tax Burdens – All Income Levels

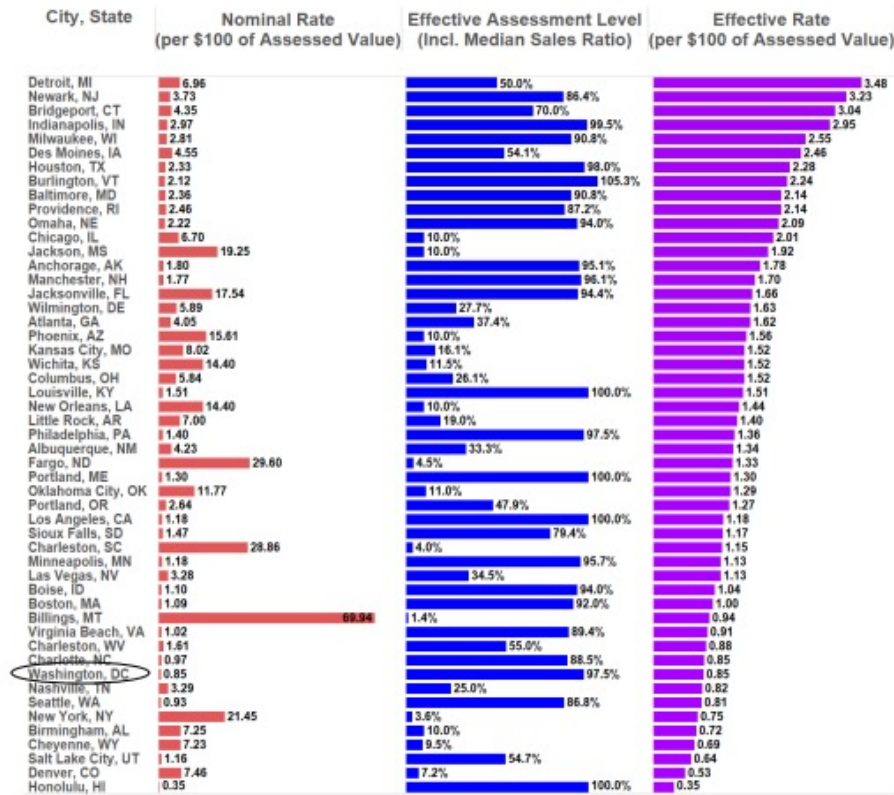


Note: All data are sorted by the \$150,000/year income level. Negative bars under the \$25,000/year category represent tax refunds due to state EITC or other refundable credits. Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming do not have an income tax. Tennessee and New Hampshire tax interest and dividend income but the exemptions are high enough to eliminate individual income taxes at all income levels used in the study.

- Methodology
  - 70/30 Split for two-person earner household
  - Calculations done last
    - Three other burdens feed into the methodology for this calculation
    - Use ProSeries Tax Software to calculate income tax across all income thresholds by locations
  - Apply local income tax (11 cities in study)
  - Seven states do not have income tax
- Property Tax Credits are not calculated as part of income; rather they are included in the property tax calculation

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# 2021 Residential Property Tax – All Incomes



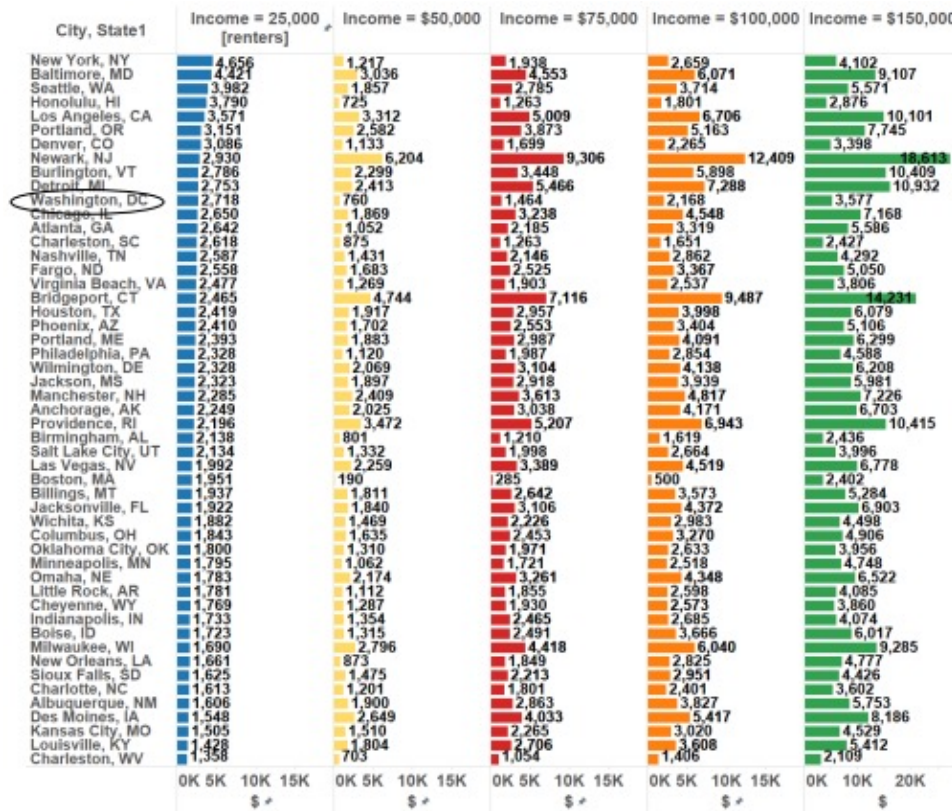
Source: ORA Analysis of data from State and Local Revenue Officials and state and local web sites. See notes on Table 4 above. Notes: Rates include state and local property taxes levied by multiple taxing authorities as identified by survey respondents and from jurisdictions' web sites. For Milwaukee, WI, the nominal tax rate takes the assessment sales ratio statistic into account. For Chicago, IL the state equalizer of 3.2 is reflected in the effective rate. For Burlington, VT, the Common Level of Appraisal value for school funding equalization is used in lieu of a sales ratio statistic.

## • Methodology

- Compile data on general property tax structure in each location:
  - Nominal property tax rates;
  - Assessment levels;
  - Assessment Sales Ratios;
- Include Homestead Exemptions where applicable
- Collect data from Census (ACS) on median house values and median incomes

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# 2021 Residential Property Tax – All Incomes



- Methodology (cont.)
  - Calculate property tax on house value at each income in each city
  - Calculate renter's property tax equivalent of rent using HUD median rents by MSA

Source: ORA analysis; see description on page 8-11 for data sources and methodology. Note: the methodology for calculating burdens for the \$25,000/year income earning family differ from the calculations for the other four income groups and represents a property tax equivalent of rent.

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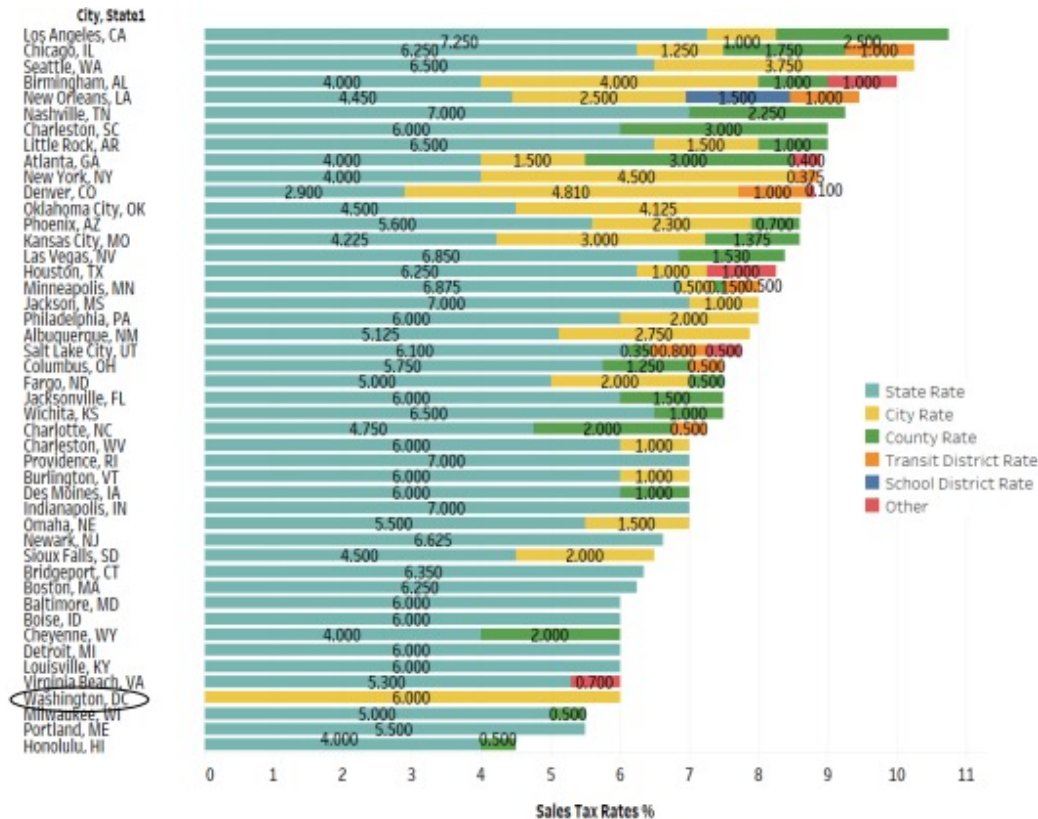


# Composition of Sales and General Use Tax Rates - 2021



## • Methodology

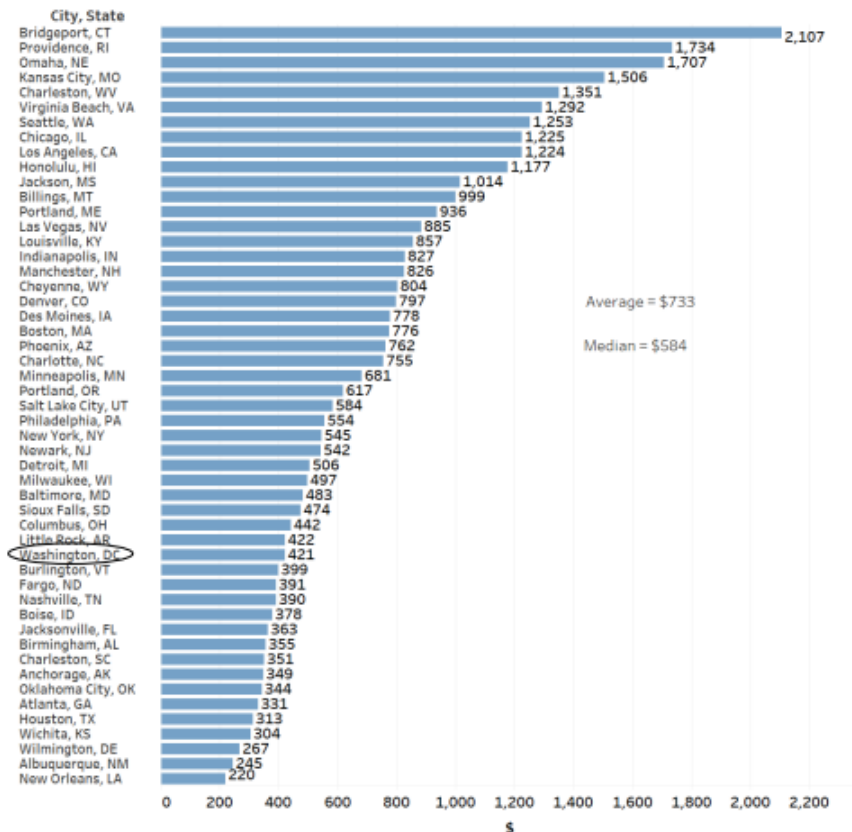
- Compile applicable sales tax rates
  - State, city, county, school, and transit tax rates
  - 5 States do not have a general sales tax (AK, DE, MT, NH, OR)
- Download CES data of average amount spent on various consumer goods (by income level).
- Use nationwide averages
- Adjust for family size
- Apply all state and local sales taxes to those amounts
- All variation w/in an income level comes from sales tax rates and sales tax bases.



Source: ORA analysis of data collected from a survey of State Revenue Department Officials. Cities with no state or local general sales tax: Anchorage, AK; Billings, MT; Manchester, NH; Portland, OR; and Wilmington, DE. \* The 0.700 "transit district rate" in Virginia is a regional sales tax that is dedicated to a transportation fund.

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# 2021 Auto Tax Burdens - \$75,000 Income Level



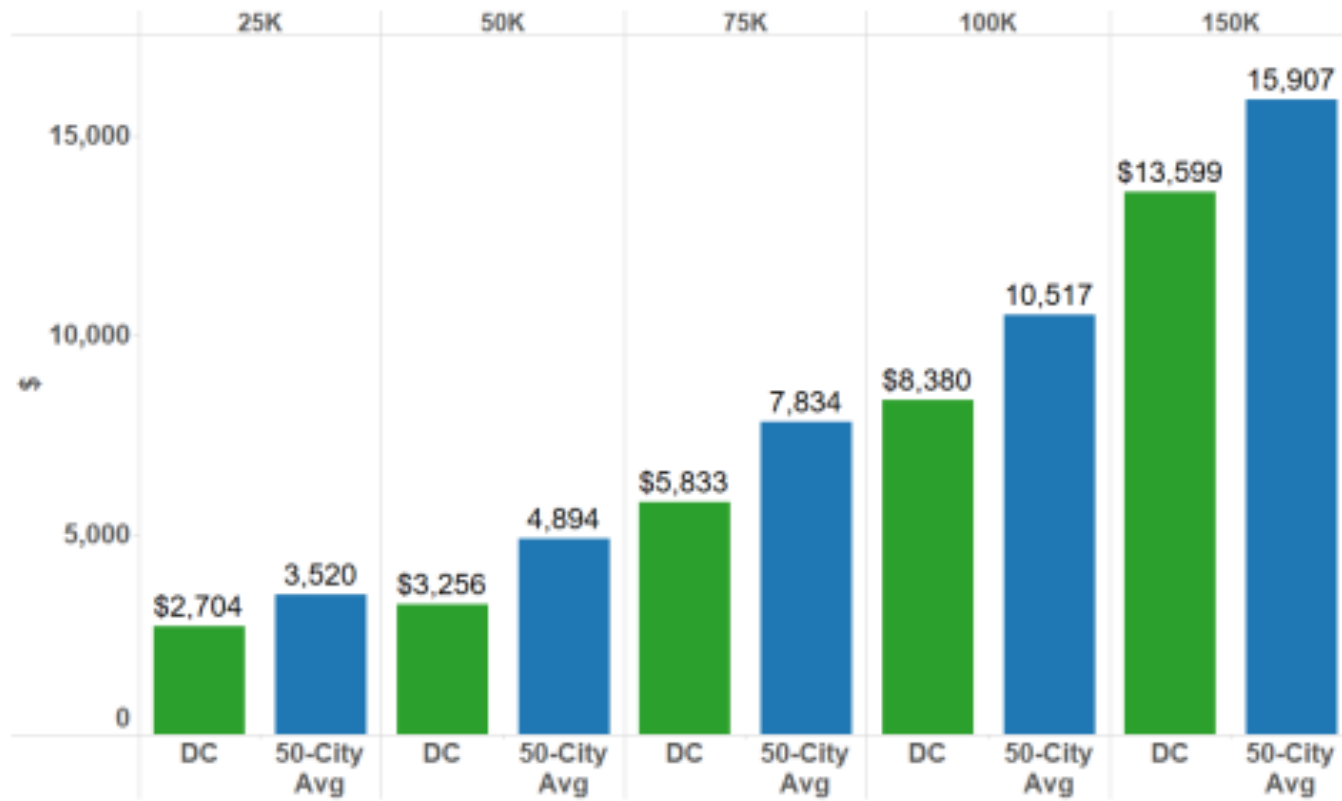
Source: ORA

## Methodology

- Assumptions of car ownership at each level of income
  - Lower two income levels = 1 car
  - Higher income levels = 2 cars
- Applicable personal property taxes, registration and title fees, and auto excise taxes for each city + state
- Assumptions of gasoline usage and applicable taxes for each jurisdiction
  - State + local gas taxes
  - Environmental or inspection fees

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# Combined 2021 Tax Burdens: DC Comparison vs. 50-city Average



Source: ORA Analysis. Averages for Income and Sales taxes do not include cities/states with no income or sales tax. Note: While using the median of the 50 cities results in slightly different dollar amounts, the results are the same in that DC's overall burden is lower than the 50-city median at all five income levels.

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# What is the Future of the Tax Burden Study?



- Date of Survey Being Sent
  - Moving from June to April, with request to respond no later than mid- to late-June (2022 Survey)
  - EV Question (2023 Survey)
- Methodology Changes
  - Split of Household Income Share moving from 70/30 to 60/40 (Starting 2022)
  - Bracket Changes (2024/2025)
    - Lowest moving to \$50,000
    - Highest moving to \$200,000
- New Appendix Tables
  - Cannabis Tax Table to be added (2023)
  - Electric Vehicle Taxes/Fees (2023/2024)

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# Questions?

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# Appendix

Additional Information/Links

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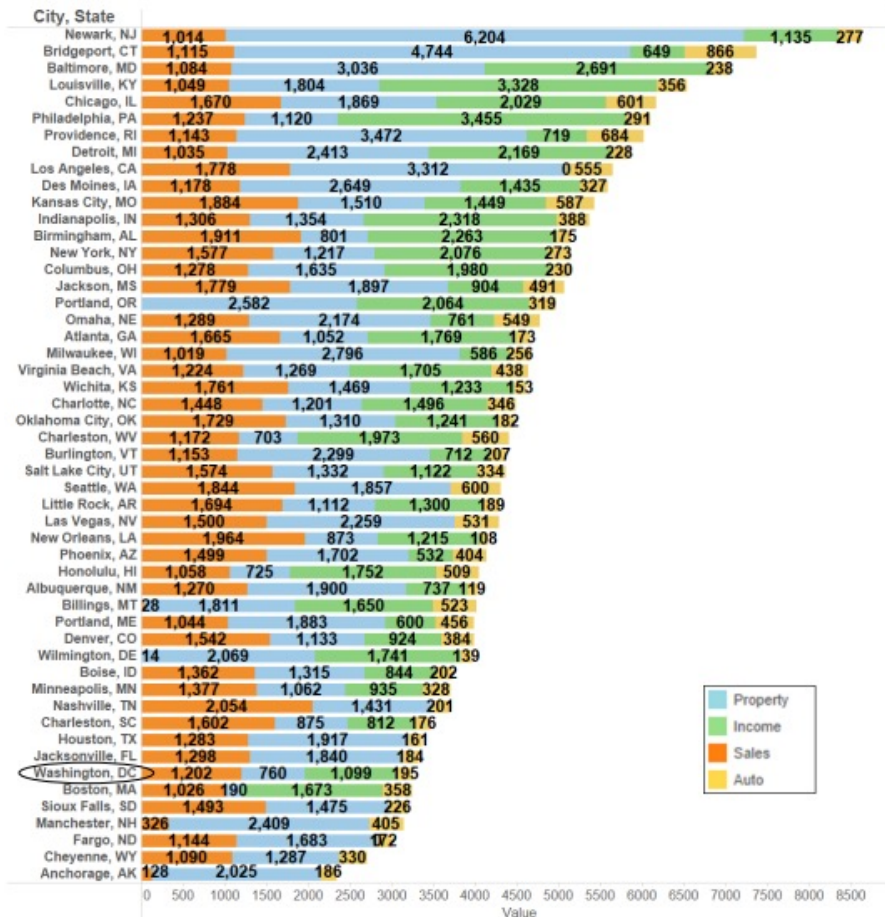
# Read the Study and Contact



- Tax Rates and Tax Burdens In the District of Columbia - A Nationwide Comparison 2021
  - [ORA Report 2021](#)
- Contact: Susan Steward
  - Email: [susan.steward@dc.gov](mailto:susan.steward@dc.gov)

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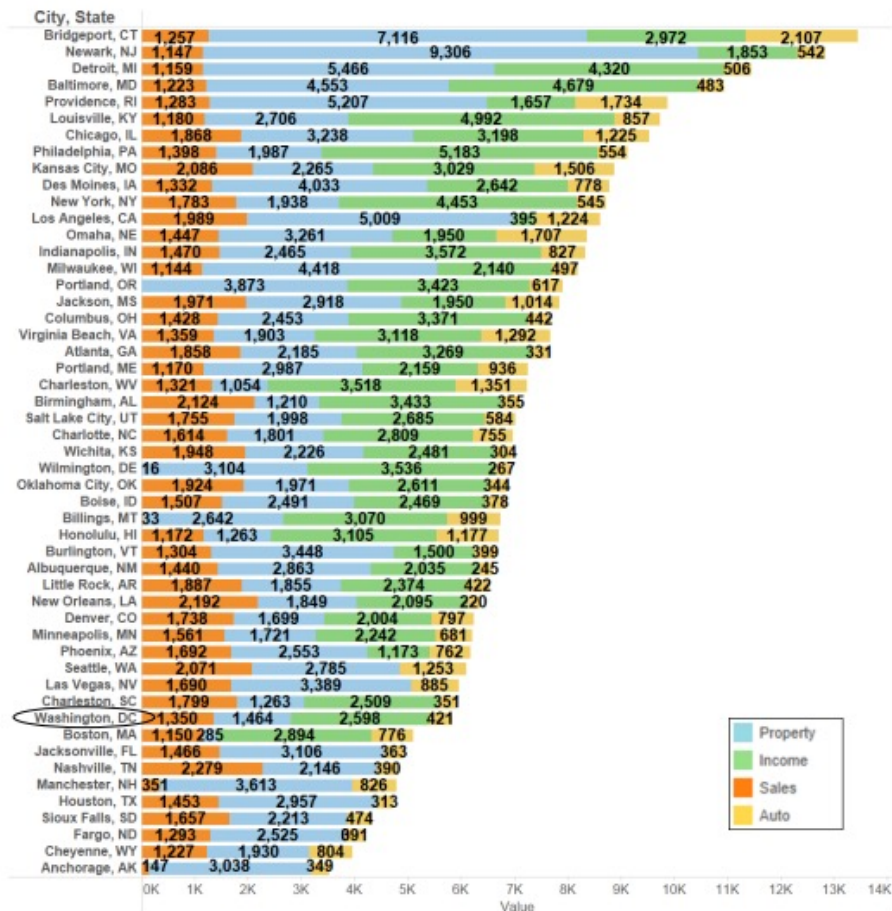
# 2021 Tax Burdens - \$50,000 Income Level



Source: ORA

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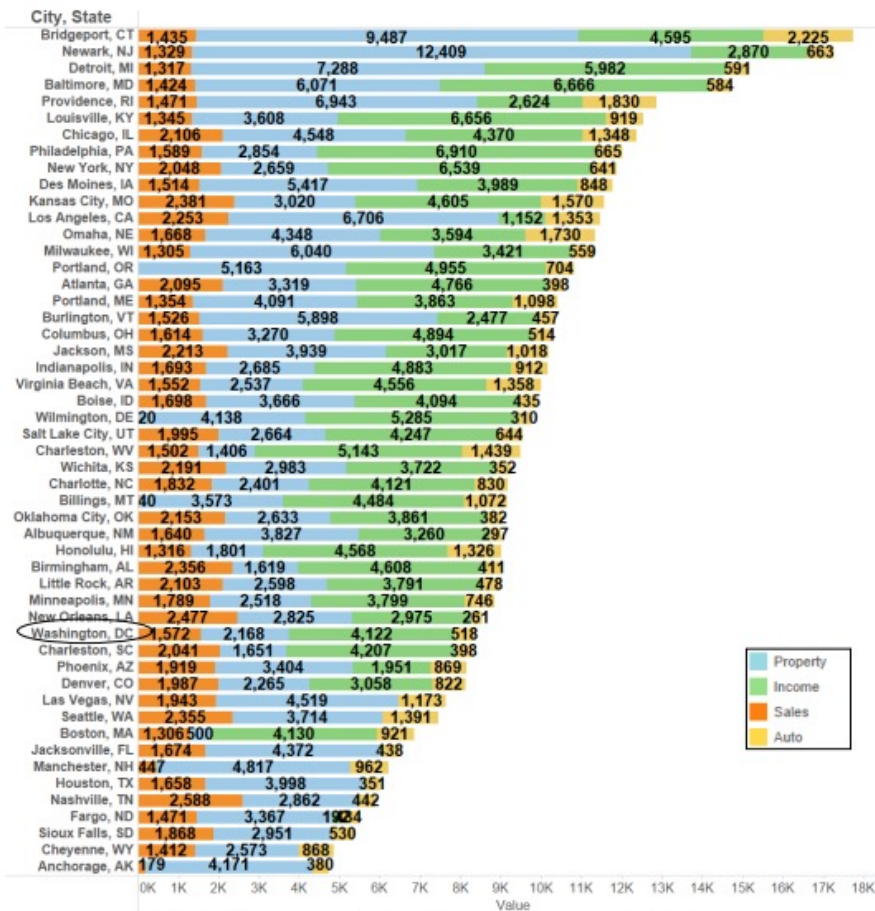
# 2021 Tax Burdens - \$75,000 Income Level



Source: ORA

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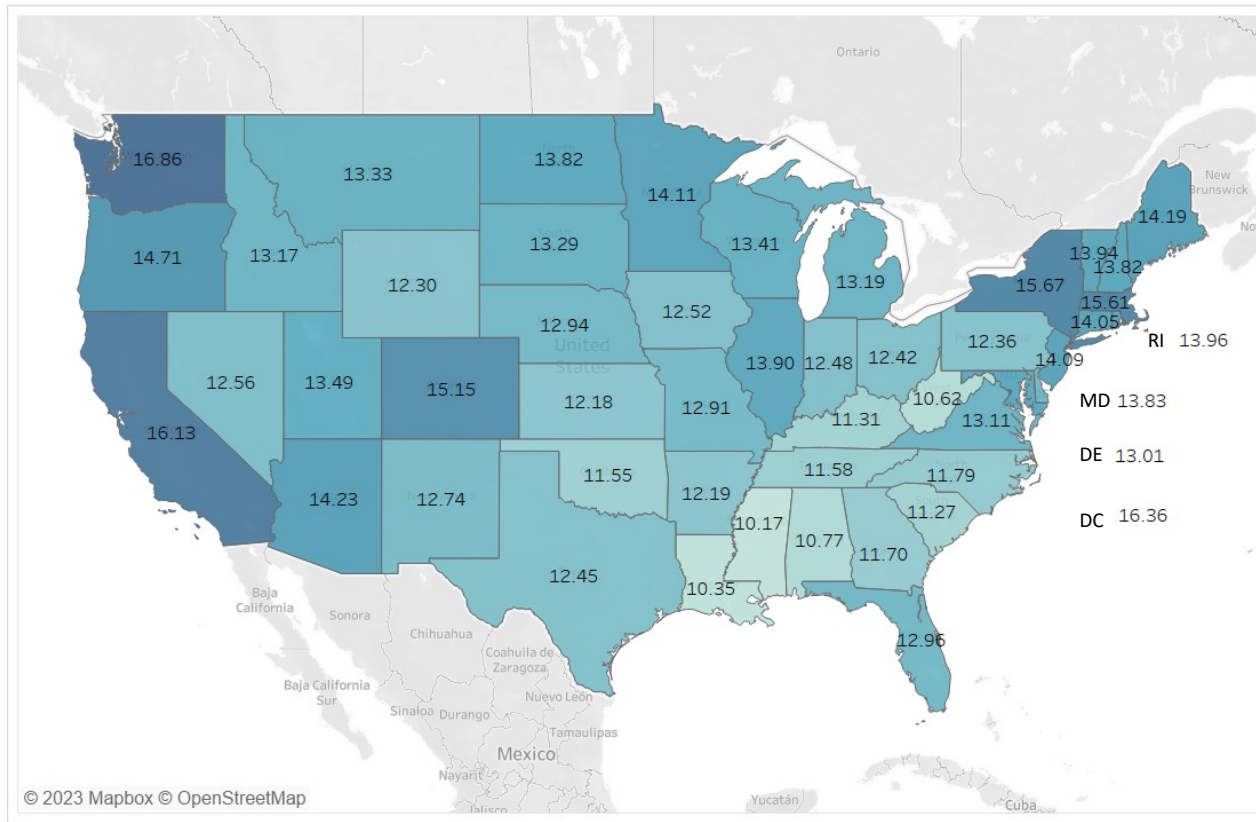
# 2021 Tax Burdens - \$100,000 Income Level



Source: ORA

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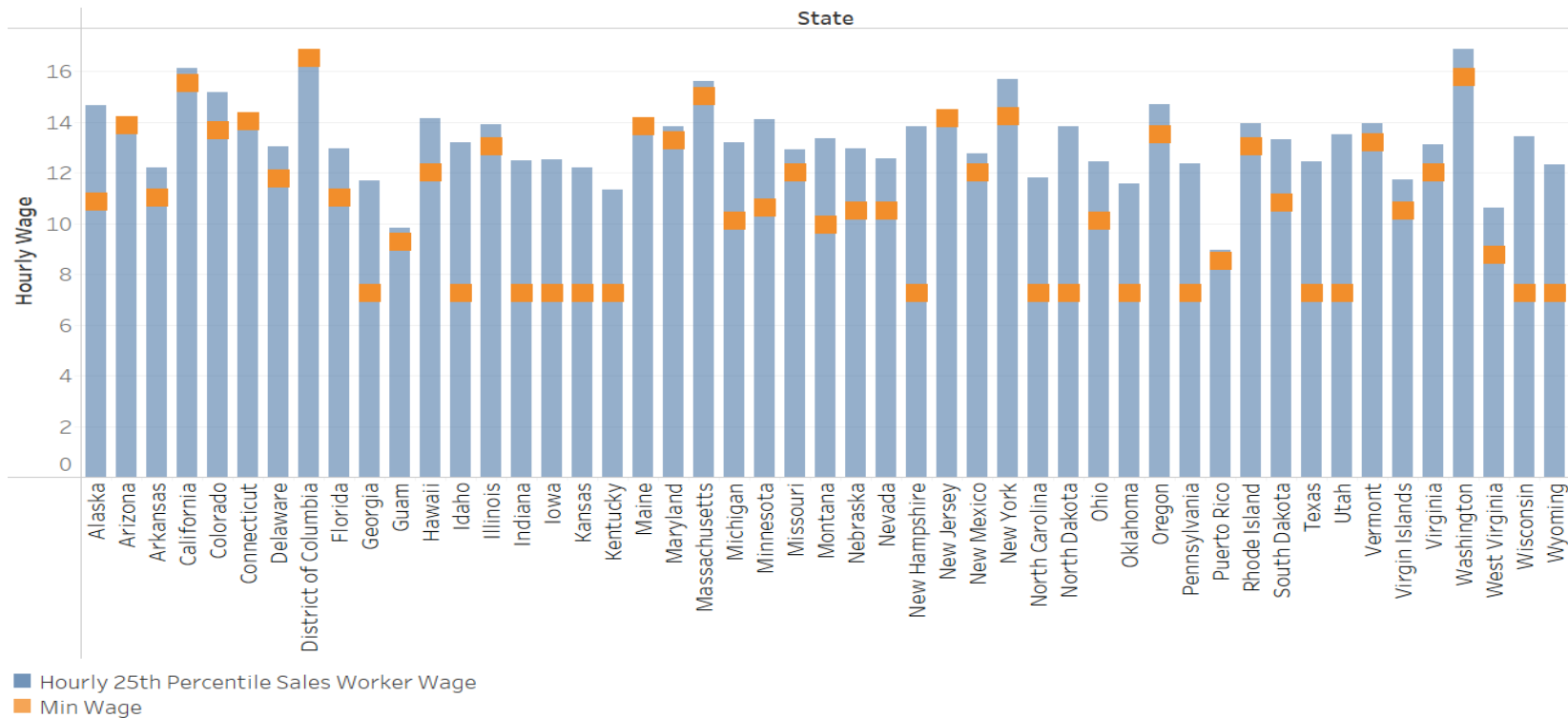
# May 2022 – OES 25<sup>th</sup> Percentile Hourly Wage Rates (Retail Salesperson)



Source: Occupational Employment Statistics, BLS, May 2022

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# May 2022 – OES 25<sup>th</sup> Percentile Hourly Wage Rates (Retail Salesperson) vs. Minimum Wage



Source: Occupational Employment Statistics, BLS, May 2022; BLS Minimum Wage 2023

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