

**Income Tax Bonds (including QSCBs)**  
**Continuing Disclosure Filing – February 2017**

**Table 1. Pledged Taxes Collections<sup>(1)</sup>**  
Fiscal Years 2005 – 2016  
(modified accrual basis of accounting, \$ in millions)

<b>Pledged Taxes Collections<sup>(3)</sup></b>								
<b>Individual Income Tax<sup>(4)</sup></b>								
<b>Fiscal Year</b>	<b>Total Annual Personal Income<sup>(2)</sup></b>	<b>Withholding</b>	<b>% of Total</b>	<b>Non-Withholding</b>	<b>% of Total</b>	<b>Business Franchise</b>	<b>% of Total</b>	<b>Total Taxes</b>
2005	\$30,225	\$ 919	63%	\$229	16%	\$317	22%	\$1,465
2006	32,817	971	61	262	16	360	23	1,593
2007	34,546	975	56	338	20	417	24	1,730
2008	37,760	1,004	57	349	20	419	24	1,772
2009	37,486	995	67	141	10	342	23	1,478
2010	38,031	1,074	74	37	3	324	23	1,434
2011	41,079	1,221	71	127	7	372	22	1,720
2012	43,215	1,322	68	169	9	466	23	1,957
2013	44,442	1,391	66	250	12	453	22	2,094
2014	45,627 <sup>(5)</sup>	1,473	70	206	10	415	20	2,094
2015 <sup>(6)</sup>	49,275 <sup>1</sup>	1,553	67	315	14	448	19	2,316
2016	51,185 <sup>(7)</sup>	1,627	66	280	11	556	23	2,463

1. All data in this table is on a Fiscal Year basis. The differences between the modified accrual basis of accounting used for budgetary purposes and the cash basis of accounting explain the slight disparities between the “Total Taxes” column in this table and the “All Payments” row in Table 6 – “Pledged Taxes Collections, as received by Collection Agent and by the District.” The reconciliation between such amounts for each Fiscal Year is set forth in the CAFR for the respective Fiscal Year.
2. The source for the “Total Annual Personal Income” data contained in this column is the Federal Bureau of Economic Analysis.
3. Amounts and percentages may not total due to rounding.
4. Components of individual income tax are unaudited.
5. Total Annual Personal Income for Fiscal Year 2014 is as of September 30, 2015, the most recent date that such data is available.
6. Pledged Taxes Collections for Fiscal Year 2015 are based on data in the District’s Fiscal Year 2015 CAFR and are presented on a modified accrual basis.
7. Fiscal Year 2016 Personal Income Estimate is based on Bureau of Economic Analysis (BEA).

Source: District of Columbia Office of the Chief Financial Officer, except as otherwise noted.

**Table 2. Pledged Taxes Rates  
Fiscal Years 2005 – 2016**

	Individual Tax Rates								Business	
	\$0- \$10,000	\$10,001- \$20,000	\$20,001- \$30,000	\$30,001- \$40,000	\$40,000- \$60,000 <sup>(2)(3)</sup>	\$60,000- \$350,000 <sup>(1)</sup>	\$350,000- \$1M <sup>(1)(3)</sup>	Greater than \$1M <sup>(1)(3)</sup>	Corporation	Unincorporated
<b>2005</b>	5.00%	7.50%	7.50%	9.00%	9.00%	9.00%	-	-	9.975%	9.975%
<b>2006</b>	4.50	7.00	7.00	7.00	8.70	8.70	-	-	9.975	9.975
<b>2007</b>	4.00	6.00	6.00	6.00	8.50	8.50	-	-	9.975	9.975
<b>2008</b>	4.00	6.00	6.00	6.00	8.50	8.50	-	-	9.975	9.975
<b>2009</b>	4.00	6.00	6.00	6.00	8.50	8.50	-	-	9.975	9.975
<b>2010</b>	4.00	6.00	6.00	6.00	8.50	8.50	-	-	9.975	9.975
<b>2011</b>	4.00	6.00	6.00	6.00	8.50	8.50	-	-	9.975	9.975
<b>2012<sup>(1)</sup></b>	4.00	6.00	6.00	6.00	8.50	8.50	-	-	9.975	9.975
<b>2013</b>	4.00	6.00	6.00	6.00	8.50	8.50	8.95%	8.95%	9.975	9.975
<b>2014</b>	4.00	6.00	6.00	6.00	8.50	8.50	8.95	8.95	9.975	9.975
<b>2015<sup>(2)</sup></b>	4.00	6.00	6.00	6.00	7.00	8.50	8.95	8.95	9.4	9.4
<b>2016<sup>(3)</sup></b>	4.00	6.00	6.00	6.00	6.5	8.50	8.75	8.95	9.2	9.2

1. As of January 1, 2012, taxable income in excess of \$350,000 became subject to an Income Tax rate of 8.95%. Prior to January 1, 2012, any taxable income in excess of \$60,000 was taxed at the maximum Income Tax rate then in effect.
2. Legislation adopted by the Council in July 2014 reduced the marginal tax rate on individual income between \$40,000 and \$60,000 from 8.5% to 7.0%, and lowered the incorporated and unincorporated business franchise tax rate from 9.975% to 9.4% effective January 1, 2015.
3. Effective January 1, 2016, the marginal tax rate on individual income between \$40,000 and \$60,000 was reduced further to 6.5%, income between \$350,000 and \$1,000,000 became subject to a marginal tax rate of 8.75%, and the incorporated and unincorporated business franchise tax rate was reduced to 9.2%.

Source: District of Columbia Office of the Chief Financial Officer.

**Table 3. Pledged Taxes Collections - Approved Budget to Actual**  
(Modified accrual basis of accounting, \$000s)

<u>Fiscal Year</u>	<u>Approved Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>% Difference</u>
2005	\$1,284,753	\$1,472,432	\$187,679	14.6%
2006	\$1,391,345	\$1,591,483	\$200,138	14.4
2007	\$1,593,814	\$1,736,361	\$142,547	8.9
2008	\$1,740,816	\$1,755,894	\$15,078	0.9
2009	\$1,615,218	\$1,478,068	(\$137,150) <sup>(1)</sup>	-8.5
2010	\$1,463,177	\$1,434,131	(\$29,046)	-2.0
2011	\$1,568,883	\$1,656,282	\$87,399	5.6
2012	\$1,774,080	\$1,956,590	\$182,510	10.3
2013	\$2,129,369	\$2,094,179	(\$35,190)	-1.7
2014	\$2,121,334	\$2,094,754	(\$26,580)	-1.3
2015	\$2,234,006	\$2,315,843	\$81,837	3.7
2016	\$2,307,388	\$2,464,330 <sup>(2)</sup>	\$156,942	6.8

1. The variance for Fiscal Year 2009 is due primarily to the recession during calendar year 2008 (income tax receipts for Fiscal Year 2009 are based in part on income earned in calendar year 2008).
2. The fiscal year 2016 figure is based on data in the District's Fiscal Year 2016 CAFR and is presented on a modified accrual basis.

Source: District of Columbia Office of Tax and Revenue.

The Home Rule Act requires the Chief Financial Officer (the "CFO") to submit quarterly estimates of all revenues of the District to the Mayor and Council. Based on the revenue estimate from December 2016, the District currently estimates that the following amounts of Available Tax Revenues will be collected by the Collection Agent in the coming fiscal years shown below:

**Table 4. Projected Available Tax Revenues**  
(\$000s)

<u>Available Tax Revenues</u>					
<u>Fiscal Year</u>	<u>Available Income Tax Revenues</u>			<u>Available Business Franchise Tax Revenues</u>	<u>Total Available Tax Revenues</u>
	<u>Withholding Only</u>	<u>Non-Withholding</u>	<u>Total</u>		
2017	\$1,683,598	\$239,279	\$1,922,877	\$476,878	\$2,399,755
2018	\$1,761,537	\$240,032	\$2,001,569	\$491,416	\$2,492,985
2019	\$1,838,721	\$240,785	\$2,079,506	\$505,581	\$2,585,087
2020	\$1,915,263	\$241,539	\$2,156,802	\$520,378	\$2,677,180

Source: Estimates of Available Tax Revenues are based on the revenue estimate from December 2016. Amounts may not total due to rounding.

## Table 5 Assumptions

The information included in Table 5 – “Projected Debt Service Coverage” is based on a number of assumptions, which are set forth as follows:

- Debt service amounts in the columns titled “Debt Service for All Outstanding Bonds” and “Debt Service for Total Bonds in District CIP through 2020” include interest amounts that are net of expected “build America bonds” (“BABs”) direct subsidy payments and qualified school construction bonds (“QSCBs”) direct subsidy payments anticipated to be paid to the District by the United States Treasury in connection with the District’s Income Tax Secured Revenue Bonds, Series 2009E and the Income Tax Secured Revenue Bonds, Series 2010F, which were both issued as BABs, and the Series 2010D Bonds, which were issued as QSCBs. The debt service for BABs reflects an assumed federal government sequester reduction in the subsidy payments due to the District of 6.9% in Fiscal Year 2017.
- Debt service amounts in the columns referenced in the preceding bullet include: (a) sinking fund installments for the Series 2010D Bonds, and (b) estimated debt service on the SIFMA Bonds in accordance with the principal amortization schedules established in the supplemental indenture for the SIFMA Bonds, at an assumed interest rate of 3%.
- Debt service amounts in the column titled “Debt Service for Total Bonds in District CIP through 2020” were calculated using assumed interest rates of 5.50% for Fiscal Year 2017 and 6.00% for all Future CIP Bonds (as hereinafter defined), which accounts for estimated debt service on the Bonds proposed to be issued to finance the District’s Capital Improvements Plan through Fiscal Year 2022, as set forth in the Fiscal Year 2017 Approved Budget (the “Future CIP Bonds”) (approximately \$890.6 million in Fiscal Year 2017, \$571.0 million in Fiscal Year 2018, \$684.9 million in Fiscal Year 2019 and \$765.1 million in Fiscal Year 2020).
- Debt service coverage for maximum annual debt service (“MADS”) is based on the preceding assumptions, and the projected Available Withholding Tax Revenues and projected Total Available Tax Revenues to occur in the year of maximum annual debt service, assuming a 1% annual growth rate from Fiscal Year 2017.

**Table 5. Projected Debt Service Coverage**  
(\$000s)

<b>Fiscal Year</b>	<b>Outstanding Bonds Debt Service Coverage<sup>(1)</sup></b>			<b>All Bonds Debt Service Coverage<sup>(1)</sup></b>		
	<b>Debt Service for All Outstanding Bonds</b>	<b>Withholding Only<sup>(2)</sup></b>	<b>Total Available Tax Revenues<sup>(3)</sup></b>	<b>Debt Service for Total Bonds in District CIP through 2020</b>	<b>Withholding Only<sup>(2)</sup></b>	<b>Total Available Tax Revenues<sup>(3)</sup></b>
2017	\$308,737	5.45x	7.77x	\$308,737	5.45x	7.77x
2018	\$335,265	5.25x	7.44x	\$389,621	4.52x	6.40x
2019	\$349,863	5.26x	7.39x	\$451,811	4.07x	5.72x
2020	\$320,058	5.98x	8.36x	\$473,238	4.05x	5.66x
MADS	\$375,639	5.41x	7.57x	\$596,655	3.41x	4.76x

1. The debt service coverage ratios shown are calculated based on projected Available Income Tax Revenues that are net of amounts refunded. The pledge of Available Tax Revenues made by the Act and the Indenture are of all such tax revenues collected. Refunds are paid when due by the District from its General Fund.
2. The debt service coverage ratio shown here is the ratio of Available Withholding Income Tax Revenues to debt service.
3. See Table 4 above.

Source: The figures in this table are based on the data in Table 4 above and the revenue estimate from December 2016. Amounts may not total due to rounding.

**Table 6. Pledged Taxes Collections, as received by Collection Agent and by District <sup>(1),(2)</sup>**  
Fiscal Years 2014 – 2016  
(cash basis of accounting, \$ in millions)

	<b>Fiscal Year 2014</b>		<b>Fiscal Year 2015</b>		<b>Fiscal Year 2016</b>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
<b><u>Received Directly by the Collection Agent</u></b>						
Withholding (including ACH)	\$ 1,385	56.6%	\$ 1,481	54.1%	\$ 1,522	54.0%
Individual Estimated	472	19.3	578	21.1	591	21.0
Corporate Estimated	301	12.3	373	13.6	382	13.6
Unincorporated Estimated	<u>139</u>	<u>5.7</u>	<u>154</u>	<u>5.6</u>	<u>158</u>	<u>5.6</u>
<b>Total</b>	<b>\$2,297</b>	<b>93.8%</b>	<b>\$2,587</b>	<b>94.5%</b>	<b>\$ 2,653</b>	<b>94.1%</b>
<b><u>Received Initially by the District</u></b>						
Withholding (D.C. Resident Employees) <sup>(3)</sup>	\$ 50	2.0%	\$ 54	2.0%	\$ 57	2.0%
Withholding	44	1.8	44	1.6	45	1.6
Individual payments with returns	27	1.1	27	1.0	29	1.0
Corporate payments with returns	20	0.8	14	0.5	21	0.7
Unincorporated payments with returns	<u>11</u>	<u>0.4</u>	<u>11</u>	<u>0.4</u>	<u>13</u>	<u>0.5</u>
<b>Total</b>	<b>\$ 152</b>	<b>6.2%</b>	<b>\$ 151</b>	<b>5.5%</b>	<b>\$ 165</b>	<b>5.9%</b>
<b>All payments</b>	<b>\$2,449</b>	<b>100%</b>	<b>\$2,737</b>	<b>100%</b>	<b>\$ 2,818</b>	<b>100%</b>
<b>Collections transferred to Trustee</b>	<b>\$2,445</b>		<b>\$2,743</b>		<b>\$ 2,838<sup>(4)</sup></b>	

1. The differences between the “All Payments” row in Table 6 and the corresponding amounts in the “Actual” column in Table 3 - “Pledged Taxes Collections - Approved Budget to Actual,” and the “Total Taxes” column in Table 1 - “Pledged Taxes Collections,” are principally attributable to the netting out of refunded amounts in Table 1 and Table 3 and, to a lesser extent, to cash versus modified accrual accounting.
2. Amounts may not total due to rounding and subsequent reconciliation of receipts and transfers.
3. Since the withholding liability for resident D.C. employees is owed to the District itself, the liability has been customarily paid via accounting transactions that do not require the use of cash, i.e., the District has not issued a disbursement check to itself. The District continues to manually transfer these withholding amounts to the Collection Agent.
4. Fiscal Year 2016 transfers at the bank exceed the District’s General Ledger record of all payments by approximately \$20 million. Approximately \$8 million of this variance is the result of an erroneous ACH debit file sent to the bank, resulting in withdrawals from taxpayer accounts that had to be subsequently refunded. However, the erroneous amounts initially deposited in the District’s secure account were swept to the Trustee account, per normal procedure. The remainder of the variance is the result of timing differences in the electronic payment account for receipts recorded in September 2015, but transferred to the trustee account in October 2015.

Source: District of Columbia Office of Tax and Revenue.