

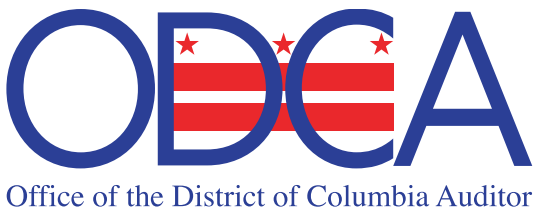
# Modeling District Revenue to Certify Debt Service Obligations: Methodology Update 2026

March 5, 2026

Model prepared by EY/Quantitative Economics and Statistics for the Office of the D.C. Auditor



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Prepared for the Office of the District of Columbia Auditor

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## **Executive Summary**

The District of Columbia Home Rule Act requires the Office of the District of Columbia Auditor (ODCA) to certify compliance with the 17% test prior to the issue of new general obligation bonds. To support this certification, ODCA engaged EY/Quantitative Economics and Statistics (EY/QUEST) in 2023 to develop forecasting models for District revenues, referred to as the “Certification Forecast.” This forecast aims to provide an independent basis to determine that the official revenue projections prepared by the Office of the Chief Financial Officer of the District of Columbia (OCFO) support the proposed debt issuance. In both 2024 and 2025, ODCA re-engaged EY/QUEST to update these models. This report provides an update of the models for the 2026 certifications.

Updates to the model include the following:

1. Latest forecast for demographic and economic conditions in the District of Columbia, accounting for federal jobs cut early and late in 2025.
2. Tax policy changes such as tax rate increases for general sales tax.<sup>1</sup>
3. Model improvement for residential and commercial property tax, business income tax, and deeds and recordation tax to capture the District real estate market trend and the corporate profit trend.

In addition, the “Trends in the District Economy” section of this report examines changes in employment in the District due to the reductions in the federal workforce early in 2025 and again late in 2025. The section reviews several data sources to provide a picture of the “long tail” of federal job changes, considering the timing of actual job cuts and the remaining potential impacts for the federal government and other sectors. It also examines potential shifts in employment across sectors.

The Certification Forecast estimates gross revenue of \$12.2 billion (comprising local fund and dedicated revenue) for FY 2026, compared to the OCFO September 2025 forecast of \$11.7 billion.<sup>2</sup> Figure 1 illustrates the projected increase in gross revenue, expected to reach \$13.5 billion by FY 2030, largely driven by growth in income and sales taxes. A sales tax rate increase to 7.0% in fiscal year 2027 contributes to estimates of future growth, while DC-specific variables incorporated into the model contribute to more moderate projections of business income and a temporary decline in residential assessed values. The analysis indicates that the OCFO’s December 2025 local fund estimate of \$11.7 billion in FY 2026 falls within the confidence interval of the Certification Forecast, after accounting for revenues dedicated to other funds.

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<sup>1</sup> The Government of District of Columbia, Office of Tax and Revenue. (2025, October 1). Notice of Oct. 1, 2025 Tax Changes. Retrieved from: <https://otr.cfo.dc.gov/release/notice-oct-1-2025-tax-changes>

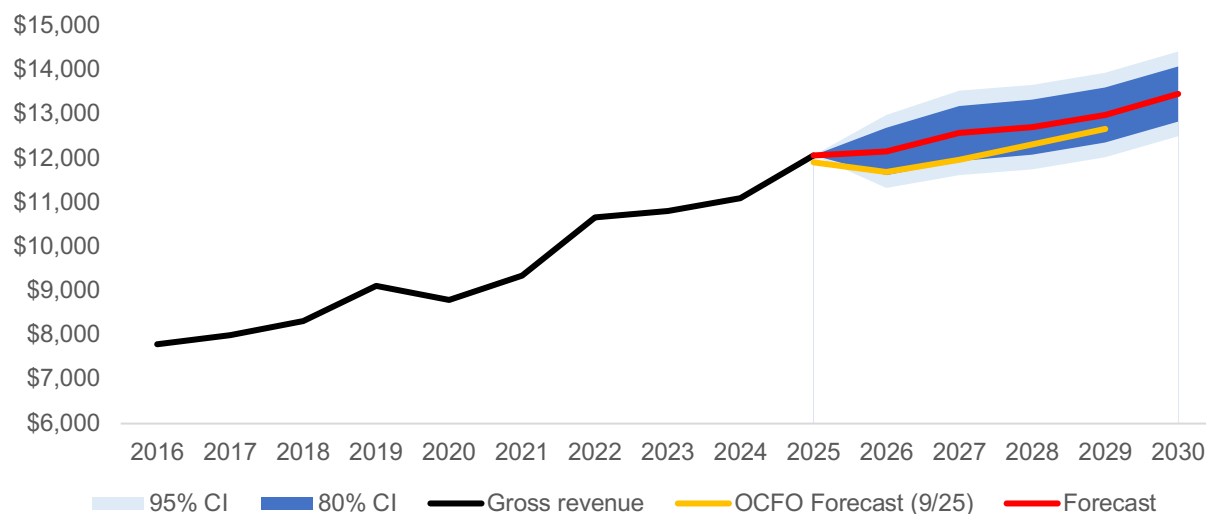
<sup>2</sup> The Government of the District of Columbia, Office of the Chief Financial Officer December 2025 revenue letter remains unchanged from the September 2025 Revenue Estimate.

Government of the District of Columbia, Office of the Chief Financial Officer. (2025, December 29).

December 2025 Revenue Estimates for FY2025 - 2029. Retrieved from: <https://cfo.dc.gov/node/1811731>

Government of the District of Columbia, Office of the Chief Financial Officer. (2025, September 30).

September 2025 Revenue Estimates for FY2025 - 2029. Retrieved from: <https://cfo.dc.gov/node/1800221>

**Figure 1. Total gross revenue forecast (\$ in millions)**

Sources: [DC OCFO September 2025 Revenue Estimate](#), [DC OCFO 2025 ACFR](#), ODCA (see Table A1 for inputs)

## **I. Introduction**

The Office of the District of Columbia Auditor (ODCA) is required to certify that total annual debt service on all bonds will not exceed 17% of the District's revenue (the "17% test") prior to the issuance of new general obligation bonds. To support this certification, ODCA engaged EY/Quantitative Economics and Statistics (EY/QUEST) in 2023 to develop models for forecasting District revenues, referred to as the "Certification Forecast." These models are designed to independently validate that the official revenue projections prepared by the OCFO are adequate for proposed debt issuance.

In 2025, the engagement was renewed to update the model for 2026 certification. This update incorporates several modifications, including the inclusion of only District-specific variables for real property assessed value forecasts, replacing the S&P 500 index with estimates of corporate profits (tax base) for business income taxes, an adjustment to the specifications in the deed tax forecast, and off-model adjustments for the forthcoming tax rate increases for general sales tax, motor fuel tax, and cigarette tax. This document also includes a review of economic conditions in the District and a review of recent policy changes affecting gross revenue.

The forecast presented here is data-driven using econometric models to estimate the relationships between key economic and demographic variables and major revenue sources prior to any dedications. A complete list of inputs and sources for the models is provided in the appendix (Table A1). In cases where there is information about future tax changes (e.g., the implementation of the Fiscal Year 2026 Budget Support Act of 2025), that information is incorporated off-model. Many of the smaller policy adjustments use estimates of the policy proposal amounts outlined in the Budget Support Acts, while the model incorporates manual calculations to estimate larger policy changes such as Universal Paid Leave and the forthcoming increase in the general sales tax rate. The Certification Forecast is meant to validate the official forecast prepared by the OCFO Office of Revenue Analysis (ORA) economists and not to replace it and should not be used as an official projection of District revenues.

## Trends in the District economy

Over the last two decades, there have been several major developments in the District economy that will impact revenues and the modeling choices for those revenues. There are three trends that create a relatively volatile fiscal environment: 1) population growth; 2) the COVID-19 pandemic; and 3) federal workforce cuts and other federal policy uncertainty. First, the District's population declined from 1964 to 2000, but beginning in 2005, that decline reversed as the District became a more attractive place to live and work. An increase in population over two decades created pressure on housing markets, creating more demand in both traditionally strong neighborhoods and in newly competitive markets. The greatest growth was concentrated in relatively small land areas in the District, in most cases through infill development converted from other uses such as commercial and institutional buildings or underused land.<sup>3</sup> Despite infill development efforts, there was an overall tightening in the market due to increasing demand and declining housing production.<sup>4</sup>

The second major development was the COVID-19 pandemic, which shuttered most of the District for several months and severely limited economic activity for over a year. This has affected several major District tax revenues.

- **Individual income tax:** Migration data for 2019 to 2021 from the Internal Revenue Service shows the District experience a net loss of more than 16,000 tax-filing households, equating to approximately 31,000 people leaving the city and a net loss of more than \$3 billion in taxable income.<sup>5</sup> It took the District about four years to recover the lost population, and the total is now a little over 700,000. The slow population recovery during the period and the shift to a remote working environment has created financial challenges for the District.
- **Real property tax:** The District's office market vacancy rate increased from about 5%-6% prior to the pandemic to about 20% after the pandemic. Additionally, the federal government, which had been an anchor in the area, reduced its office footprint from 24.5 million square feet to 16.7 million square feet at the end of 2024.<sup>6</sup> Correspondingly, commercial assessed values dropped in FY 2022, for the first time since the start of the pandemic.
- **Sales tax:** Sales tax revenue dropped sharply during the pandemic (25% reduction from FY 2019 to FY 2021). Growth after the pandemic suggests more of a story of recovery

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<sup>3</sup> Brooks, L. & Schuetz, J. (2023). Does Housing Growth in Washington, D.C., Reflect Land Use Policy Changes? *U.S. Department of Housing and Urban Development, Office of Policy Development and Research*. Cityscape: A journal of Policy Development and Research, *Volume 25, Number 2*. Retrieved from: <https://www.huduser.gov/portal/periodicals/cityscape/vol25num2/ch9.pdf>

<sup>4</sup> Turner, M. A., Reynolds, K., Hendy, L., Shroyer, A., Martin, S., Brennan, M., Storchak, S., Su, Y., Tatian, P., & Fedorovicz, M. (2019, September). Meeting the Washington Region's Future Housing Needs: A Framework for Regional Deliberations. *Urban Institute*. Retrieved from: [https://www.urban.org/sites/default/files/publication/100946/meeting\\_the\\_washington\\_regions\\_future\\_housing\\_needs\\_2.pdf](https://www.urban.org/sites/default/files/publication/100946/meeting_the_washington_regions_future_housing_needs_2.pdf)

<sup>5</sup> Moored, G & Lang, K. Government of the District of Columbia, Office of the Chief Financial Officer. (2023, September 19). IRS data shows pandemic-era exodus of mid-to-high earners aged 26-44 from DC, leading to taxable income loss. Retrieved from: <https://ora-cfo.dc.gov/blog/irs-data-shows-pandemic-era-exodus-mid-high-earners-aged-26-44-dc-leading-taxable-income-loss>

<sup>6</sup> Colliers. (2025, May 20). U.S. Office Market Five Years After the Pandemic. Retrieved from: <https://www.colliers.com/en/research/nrep-usofc-office-market-five-years-after-the-pandemic>

than underlying strength in the tax base, with growth rates shrinking for restaurants, parking, and other sales taxes in FY 2023 compared to FY 2024. Restaurants, in particular, may experience challenges with less foot traffic in the business areas. A 2024 survey conducted by the Restaurant Association of Metropolitan Washington found nearly half of the restaurants surveyed saw fewer diners in 2024 and 47% saw lower sales.<sup>7</sup> From 2020 to 2024, leisure employment increased by 85%.<sup>8</sup> Much of the leisure growth was likely recovery related, as leisure employment in 2024 remained about 3% lower than 2019 levels.<sup>9</sup> Slowing employment growth in leisure post recovery may also point to slowing growth in sales.

The third major development in the District economy is the federal workforce reduction in 2025 and 2026 and other federal policy uncertainty. Recent employment numbers through November 2025 suggest a 13% reduction in federal employment and a 4% reduction in total employment in the District when compared to the fourth quarter of 2024 – a decrease of 28,700 jobs. When compared to the fourth quarter 2024, Oxford Economics forecasts suggest that the long tail of the reduction in federal employment could ultimately reach a 17% drop in federal employment in the District by 2028. Although part of the drop in federal employment could be mitigated by growth in other sectors, overall District employment is still expected to decrease by 4% in 2028 compared to 2024 Q4.

In 2025, the leisure sector is the only sector with employment growth compared to the last quarter of 2024. After government employment, the professional services sector had the second largest decline in magnitude (4,200 jobs), suggesting potential ripple effects from federal employment reductions and contract terminations, while the transportation sector had the largest percentage decline (7%). For context, FY 2024 weekly average wages are as follows: \$2,722 for the federal sector, \$3,478 for the professional sector, and \$2,200 for the transportation sector, all of which are experiencing job losses. In contrast, the leisure sector (retail and accommodation and food services) shows a weekly average wage ranging from \$882 to \$964 and is experiencing growth.<sup>10</sup> This trend suggests that the District economy is shifting from higher-paying sectors to lower-paying sectors, which puts further pressure on tax revenue.

In addition, other federal policy uncertainty remains and could further reduce District tax revenue. The federal government shutdown from October 1, 2025 through November 12, 2025 was the

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<sup>7</sup> Clabaugh, J. (2025, March 19.) Half of DC restaurants say business is down, many may close, survey finds. WTOP news. Retrieved from: <https://wtop.com/business-finance/2025/03/half-of-dc-restaurants-say-business-is-down-many-may-close/>

Restaurant Association Metropolitan Washington. (2025, March 18). Survey: More than 2 in 5 casual dining restaurants likely to close this year. Combination of rising costs, federal workforce cuts, declining traffic jeopardize local industry. Retrieved from: <https://wjla.com/resources/pdf/8a0c7346-9a1e-4a24-aa42-370aa1ed705d-03182025RAMWSpringMemberSurveyFindings.pdf>

<sup>8</sup> Current Employment Statistics. (2025, January). Bureau of Labor Statistics. Retrieved from:

<sup>9</sup> Clabaugh, J. (2025, March 19.) Half of DC restaurants say business is down, many may close, survey finds. WTOP news. Retrieved from: <https://wtop.com/business-finance/2025/03/half-of-dc-restaurants-say-business-is-down-many-may-close/>

<sup>10</sup> Oxford Economics. (2025, December 22). Wages, weekly, average, nominal for District of Columbia. Average of 2023 Q4, 2024, Q1, 2024 Q2, and 2024 Q3.

longest one in U.S. history.<sup>11,12</sup> The Congressional Budget Office estimated a loss of about \$11 billion in U.S. GDP across the country associated with a six-week government shutdown.<sup>13</sup> Cushman & Wakefield notes that historically, markets with a strong government presence, such as the District and surrounding region, bear the brunt of a government shutdown.<sup>14</sup>

Continued political uncertainty creates the risk for future government shutdowns. The federal government avoided a full shutdown in early 2026<sup>15</sup> with funding that will last through September 30, 2026, while there remains a partial shutdown for some departments.<sup>16</sup> Other federal policy decisions and uncertainty may have an impact on spending in the District. In 2025, visitor spending in real dollars in the District fell below 2022 spending levels when there had been a surge in spending after the pandemic, and regional resident spending declined specifically after deployment of the National Guard in the District.<sup>17</sup> Furthermore, Congressional riders on appropriation bills that target the District could impact District finances. In this report, the forecast assumes amendments decoupling from the One Big Beautiful Bill Act (OBBBA) are passed. These amendments, if not passed, are associated with an estimated loss of \$179 million in personal and business income taxes in FY 2026 and an estimated total loss of \$593 million from FY 2026 through FY 2029.<sup>18</sup>

## Outlook

### Income taxes

Individual and corporate income tax revenue reflect resiliency with strong growth, 15% and 9% respectively, in FY 2025. Going forward, the long-term impact of federal workforce cuts, along

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<sup>11</sup> U.S. Bureau of Labor Statistics. (2025). 2025 federal government shutdown impact of the Current Population Survey. Retrieved from: <https://www.bls.gov/cps/methods/2025-federal-government-shutdown-impact-cps.htm#:~:text=Federal%20government%20agencies%20were%20shut%20down%20or,collection,%20were%20suspended%20during%20that%20time%20period>.

<sup>12</sup> Tresiman, R. (2025, November 5). NPR. The government shutdown is now the longest in U.S. history. See how it compares. Retrieved from: <https://www.npr.org/2025/11/05/nx-s1-5598315/government-shutdown-longest-history>

<sup>13</sup> Congressional Budget Office. U.S. Congress. (2025, October 29). A Quantitative Analysis of the Effects of the Government Shutdown on the Economy Under Three Scenarios, as of October 29, 2025. Retrieved from: <https://www.cbo.gov/system/files/2025-10/61823-Shutdown.pdf>

<sup>14</sup> Cushman & Wakefield. <https://www.cushmanwakefield.com/en/united-states/insights/government-shutdowns> (2023, September 28). U.S. Government shutdowns: Four takeaways from history. Retrieved from:

<sup>15</sup> New York Times. (2026, February 1). Trump Administration Live Updates: Senate Democrats and White House Reach Spending Deal. Retrieved from: <https://www.nytimes.com/live/2026/01/29/us/trump-news>

<sup>16</sup> New York Times. (2026, February 2). Here's What to Know About the Partial Government Shutdown. Retrieved from: <https://www.nytimes.com/2026/02/02/us/politics/government-shutdown-what-to-know.html>

<sup>17</sup> Loh, T. H., & Haskins, G. (2025, December 12). Consumer spending and visitor demand in the Washington, DC region are dropping. *Brookings*. Retrieved from: <https://www.bls.gov/ces/>

<https://www.brookings.edu/articles/consumer-spending-and-visitor-demand-in-the-washington-dc-region-are-dropping/>

<sup>18</sup> Government of the District of Columbia, Office of the Chief Financial Officer. Fiscal Impact Statement – D.C. Income and Franchise Tax Conformity and Revision Emergency Amendment Act of 2025. Retrieved from:

[https://app.cfo.dc.gov/services/fiscal\\_impact/pdf/spring09/FIS%20DC%20Income%20and%20Franchise%20Tax%20Conformity.pdf](https://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/FIS%20DC%20Income%20and%20Franchise%20Tax%20Conformity.pdf)

with potential ripple effects in the private sector, are likely to contribute to slow growth in District tax revenue over the next couple of years. Accounting for these factors, Oxford Economics forecasts stagnant employment growth in the District which would perform worse than the U.S. through 2028 and a net outward migration from 2026 to 2030.<sup>19</sup>

However, if residents remain in the District and secure jobs outside the area, this may protect individual income tax revenue. In 2025, industries in the broader metropolitan area that added the most jobs included health care, state and local government, and construction.<sup>20</sup> At the same time, research on professional job postings across the U.S. suggests 27% of jobs in the District involve hybrid work patterns, making it one of the top 12 U.S. cities with new hybrid jobs.<sup>21</sup> The District provides a range of amenities including digital infrastructure, coworking spaces, inclusive professional communities, and a stable cost of living compared to other major cities. These factors collectively may attract and retain a strong base of remote workers in the area.<sup>22</sup>

Another risk factor for income taxes is the relocation of some federal agencies, such as the Department of Agriculture and the Department of Housing and Urban Development, to outside of the District. At the same time, the administration has ended some federal leases and posted an initial list of federal assets to sell.<sup>23</sup> Although the relocation does not affect business income taxes as the federal government does not pay business income taxes in the District, it could reduce individual income if District residents ultimately move outside the District to be closer to new office locations.

### Property and deeds taxes

With assessments that reflect current conditions, property taxes will likely see stagnation or a decline in the next few years. On the commercial side, Cushman & Wakefield data shows there is an ongoing trend of rising vacancy rates and lower asking rents.<sup>24</sup> CoStar forecasts show rising vacancy rates through FY 2027 and low or negative net deliveries throughout the forecast period. On the residential side, there is simultaneously potential upside and downside. RedFin data shows that year-over-year for December 2025 the median home price increased 12.7%, while median sale price per square foot was down 1.6% and the number of homes sold was down

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<sup>19</sup> Oxford Economics. (2026, January 15). Washington: Construction job gains help offset federal government losses. Retrieved from:

<https://my.oxfordeconomics.com/reportaction/bC0De6f2a8CA417cB758Bd/Toc?SearchTerms=District%20of%20Columbia>

<sup>20</sup> Oxford Economics. (2026, January 9). City Economic Forecast Washington: Construction job gains help offset federal government losses. Retrieved from:

<https://my.oxfordeconomics.com/reportaction/bC0De6f2a8CA417cB758Bd/Toc?SearchTerms=District%20of%20Columbia>

<sup>21</sup> Half, R. (2026, January 23). Remote work statistics and trends for 2026. Retrieved from: <https://www.roberthalf.com/us/en/insights/research/remote-work-statistics-and-trends>

<sup>22</sup> Resident Magazine. (2025, November 2). Why remote workers are relocating to Washington, DC. Retrieved from: <https://resident.com/resource-guide/2025/11/02/why-remote-workers-are-relocating-to-washington-dc>

<sup>23</sup> Liu, A., Loh, T. H., & Haskins, G. (2025, September 24). Early warning signs for the DC region's economy amid federal downsizing. *Brookings*. Retrieved from: <https://www.brookings.edu/articles/early-warning-signs-for-the-dc-regions-economy-amid-federal-downsizing/>

<sup>24</sup> Cushman & Wakefield. (2025). Marketbeat Washington, DC: Office [https://assets.cushmanwakefield.com/-/media/cw/marketbeat-pdfs/2025/q4/us-reports/office/washington-dc\\_americas\\_marketbeat\\_office\\_q42025.pdf](https://assets.cushmanwakefield.com/-/media/cw/marketbeat-pdfs/2025/q4/us-reports/office/washington-dc_americas_marketbeat_office_q42025.pdf)

14.8%.<sup>25</sup> However, the conversion of office space to residential space may mitigate these risks and help bolster the property tax in future years.<sup>26</sup>

Deed taxes may suffer from a lower demand for purchasing large commercial space, though potential purchases by developers converting to residential space may facilitate transactions. As a result, deed taxes remain volatile and somewhat more difficult to predict.

### Sales taxes

Sales taxes in food, hotel, and parking are supported by both visitors and residents and show growth. The Oxford Economics forecast for District wage and salary and food and accommodations continues to grow in the coming years. Risks to the forecast stem from a potential reduction in resident income and number of visitors to the area which could occur due to a range of factors such as federal job losses, poor economic conditions, and policy uncertainty.

The Certification Forecast is modeled using historical data and the forecast from endogenous economic and demographic variables from Oxford Economics, CoStar, and the Congressional Budget Office. Table 1 summarizes the primary economic variables that are used in the analysis. Further details about sources are included in the Appendix (Table A1).

**Table 1. Summary of economic variables impacting the revenue outlook**

Indicator	FY 2025 value	FY 2025-2030 Compound Annual Growth Rate (CAGR) growth forecast	Use in models
DC employment, incl. nonresidents (level)	769,430	-0.5%	Fines
DC food and accommodation GDP (\$M)	6,248	4.2%	General sales
DC GDP (\$M)	191,046	3.2%	Business income
DC house prices – purchase only index (index)	608	2.7%	Real property (residential assessed value)
DC office net deliveries (sq ft)	0*	N/A*	Real property (commercial assessed value)
DC office vacancy (rate)	17.16%	0.4%	Real property (commercial assessed value)
DC resident population (level)	709,750	0.1%	Licenses/fees, Charges
DC wage and salary income (\$M)	99,854	3.5%	Individual income, General sales, Deed tax, Lottery
US adjusted domestic corporate profits (\$M)	3,963,308	1.6%	Business income
US capital gains (\$M)	1,547,825	-0.3%	Individual Income
US gross private domestic investment (\$M)	5,408,879	4.5%	Licenses/fees

<sup>25</sup> Redfin. (2025, December). Washington, DC, DC Housing Market. Retrieved from <https://www.redfin.com/city/12839/DC/Washington-DC/housing-market>

<sup>26</sup> Grant, P. (2026, January 6). Washington D.C.'s stockpile of old offices makes it a mecca for housing conversions. *The Wall Street Journal*. Retrieved from: <https://www.wsj.com/real-estate/commercial/dc-real-estate-office-housing-conversion>

US existing single family home sales (level)	3,695,003	3.8%	Deed tax
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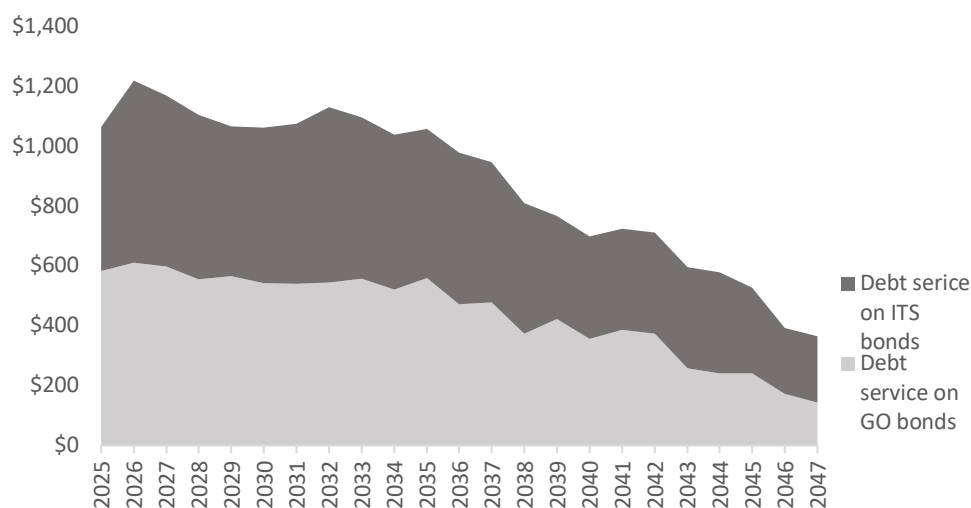
Sources: US Congressional Budget Office (CBO); US Bureau of Economic Analysis (BEA); US Bureau of Labor Statistics (BLS); US Census Bureau, CoStar; Oxford Economics (US BLS, US BEA; FHFA, National Association of Realtors, Haver Analytics, US Census Bureau).

\*Office net deliveries reflect the difference between construction completed and demolition, changing from 0 sq ft in FY 2025 to -316,572 sq ft in FY 2029. The full fiscal year forecast is only available through FY 2029, which does not affect the model as a lagged variable is used for DC office net deliveries.

### Debt issuance and ratings

Pursuant to the District of Columbia Home Rule Act, no new long-term general obligation debt can be issued that causes the principal and interest payments under all long-term debt to exceed 17% of revenues in the fiscal year the debt is issued.<sup>27</sup> This condition relates to principal and interest payments on general obligation (GO) bonds and income tax secured (ITS) bonds. ODCA is required to certify compliance with the 17% test before new general obligation bonds can be issued; however, the condition is deemed not to apply to ITS bonds. Figure 2 shows the combined projected debt service for GO bonds and ITS bonds.

**Figure 2. Debt service on GO debt and ITS debt, FY 2025-2047 (\$ in millions)**



Source: DC ODCA; June 2025 General Obligation Bonds, Series 2026ABC Official Statements

At the current level of debt service, the ratio of debt service to revenue, according to the last certification issued to ODCA in June 2025, was 11.4% of OCFO’s forecast and 11.0% of the June 2025 Certification Forecast, well below the 17% threshold.<sup>28</sup> The District also has a local law capping the debt ratio at 12%, defined as the ratio of debt service to general fund expenditures, an alternative way to calculate the debt ratio.<sup>29</sup> Because of these safeguards and other factors,

<sup>27</sup> D.C. Home Rule Act, Section 603(b)(1).

<sup>28</sup> Office of the District of Columbia Auditor (2025, July 3). Auditor Certifies Revenue In Support of General Obligation Bonds and Obligation Refunding Bonds. Retrieved from: <https://dcauditor.org/report/certification-of-revenues-for-the-june-2025-general-obligation-debt-issuance/>

<sup>29</sup> D.C. Code § 47–335.02. Borrowing limitation. Retrieved from: <https://code.dccouncil.gov/us/dc/council/code/sections/47-335.02>

the District has had good bond ratings from Standard and Poor's (AA+), Moody's (Aa1) and Fitch (AA+).<sup>30</sup>

In April 2025, Moody's Ratings announced a downgrade of the District's credit rating from Aaa to Aa1 and revised the outlook to negative. This downgrade reflected negative pressure from the federal spending cut, workforce reduction, and the real estate market which all affect the District's economy and finances. The District's related ratings included a downgrade to Aa1 from Aaa for both General obligation (GO) bonds and Income tax secured revenue bonds.<sup>31,32</sup> In January 2026, S&P Global Ratings assigned its 'AA+' long-term rating to the District of Columbia's general obligation (GO) bonds and affirmed its 'AA+' rating on DC's GO debt outstanding.<sup>33</sup> In January 2026, Fitch Ratings also rated the District's GO and Issuer Default Rating (IDR) an 'AA+', reflecting "the District of Columbia's 'aaa' financial resilience supported by consistently high reserves offsetting limitations in its 'limited' budget control driven by revenue-raising limitations absent congressional approval."<sup>34</sup> The most recent long-range capital plan issued by the OCFO recommends additional capital expenditure equivalent to 4.2% of general fund expenditure but financed through "pay-as-you-go" specifically allocated funding and not through additional debt.<sup>35</sup>

## Overview of District revenue sources

As shown in Figure 3, the District has three major revenue sources: taxes on individual income, real property, and general sales. These three sources account for about three quarters of District revenue. However, taxes including business franchise and deed taxes, which represent smaller shares of District revenue, account for an outsized share of the variability in District revenue. As shown in Table 2, the total tax revenue has grown at an average annual rate of 4%. Most of this growth is attributable to individual income tax and business income tax. From FY 2019 to FY 2025, nearly 65% of net revenue growth came from individual income and business income taxes, even though they represent only 40% of total revenue. While income taxes have grown from FY 2019 to FY 2025, deeds taxes have decreased at an average annual rate of 5% since FY 2019. However, deed taxes represent only 3% of revenue. Therefore, this decline only slightly slows the

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<sup>30</sup> District of Columbia. Bonds. Retrieved from: <https://www.dcbonds.com/the-district-of-columbia-dc/bonds/i192>

<sup>31</sup> Moody's Ratings. Rating Action: Moody's Ratings downgrades the District of Columbia's issuer rating to Aa1; outlook revised to negative. (2025, April 23). Retrieved from: <https://ratings.moody.com/ratings-news/441685?ref=51st.news>

<sup>32</sup> District of Columbia. Office of the Chief Financial Officer. (2025, April 23). CFO Glen Lee Issues Statement on Moody's Downgrade, Cities Strong Financial Management. Retrieved from: <https://cfo.dc.gov/release/cfo-glen-lee-issues-statement-moodys-downgrade-cites-strong-financial-management>

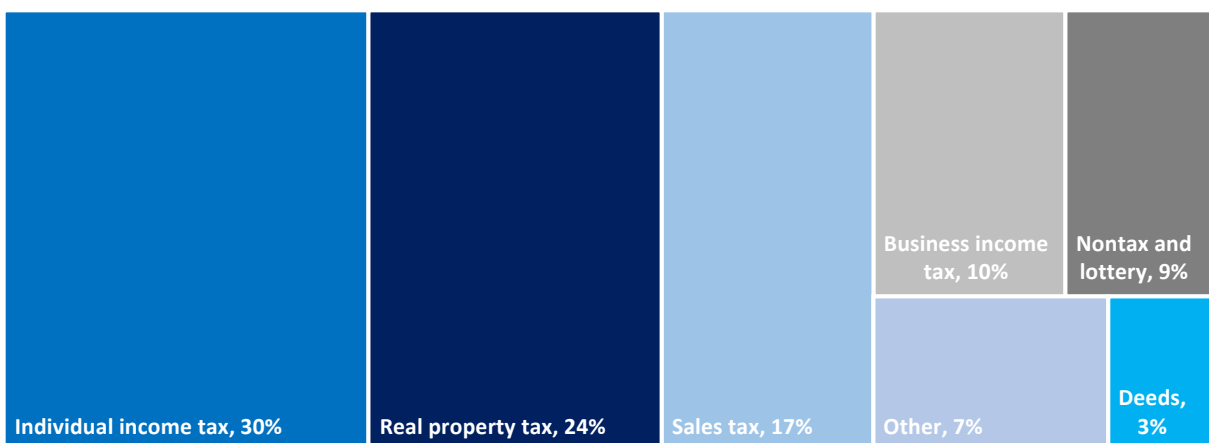
<sup>33</sup> S&P Global. (2026, January 14). District of Columbia \$1.16 Billion GO, GO Refunding, And Multimodal GO Bonds Assigned 'AA+' Rating. Retrieved from: <https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3503220>

<sup>34</sup> FitchRatings. (2026, January 27). District of Columbia (DC). New Issue Report. Retrieved from: <https://www.fitchratings.com/research/us-public-finance/district-of-columbia-dc-27-01-2026#:~:text=The%20District%20of%20Columbia%27s%20GO,raising%20limitations%20absent%20congressional%20approval.>

<sup>35</sup> Office of the Chief Financial Officer. (2025, October). District of Columbia Long-Range Capital Financial Plan Report. Retrieved from: [https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/page\\_content/attachments/2025%20Long-Range%20Capital%20Financial%20Plan%20Report.pdf](https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/page_content/attachments/2025%20Long-Range%20Capital%20Financial%20Plan%20Report.pdf)

growth of the overall tax revenue. Most of the other revenues estimated by the OCFO are relatively small and stable.

**Figure 3. Composition of gross revenue in the District, FY 2025**



Note: Totals do not sum due to rounding.

Source: DC OCFO December 2025 / September 2025 [Quarterly Revenue Estimates](#); DC OCFO [2025 ACFR](#); gross revenue before distributions to other funds

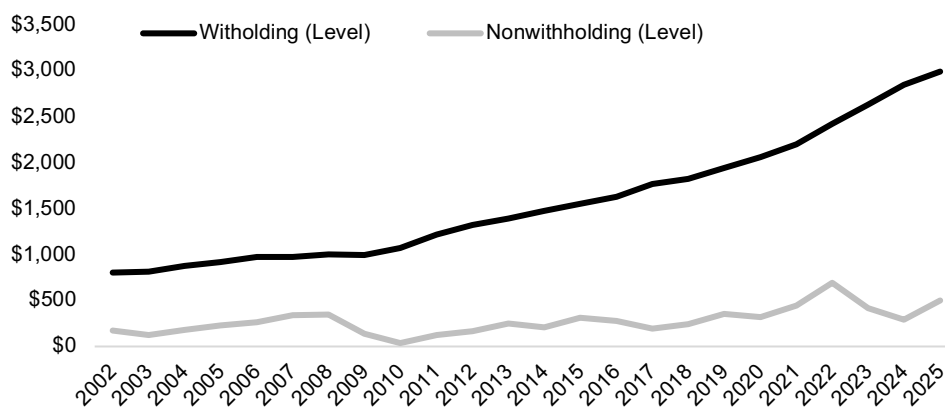
**Table 2. District Gross Revenue Sources over time in order of average annual growth, FY 2019-2025 in nominal terms (\$ in millions)**

	2019	2020	2021	2022	2023	2024	2025	% of pre pandemic	Avg. Annual Growth
Business income tax	643	728	863	991	1,126	1,133	1,235	192%	12%
Individual income tax	2,299	2,377	2,643	3,117	3,048	3,139	3,605	157%	8%
Nontax and lottery	664	561	537	665	815	904	1,030	155%	8%
Sales tax	1,598	1,222	1,203	1,702	1,922	2,002	2,091	131%	5%
Real property tax	2,710	2,837	2,914	2,815	2,840	2,917	2,891	107%	1%
Other	645	620	633	686	716	6672	811	126%	4%
Deeds	561	453	554	690	339	330	407	73%	-5%
<b>Total</b>	<b>\$9,120</b>	<b>\$8,798</b>	<b>\$9,346</b>	<b>\$10,666</b>	<b>\$10,806</b>	<b>\$11,097</b>	<b>\$12,070</b>	<b>132%</b>	<b>5%</b>

Source: DC OCFO [Quarterly Revenue Estimates](#); DC OCFO [2025 ACFR](#); gross revenue before distributions to other funds

**Individual income tax.** The individual income tax makes up the largest share of District revenue at 30%. Revenue is collected mainly from monthly withholding of income taxes on employee payrolls. From 2002 to 2025, 74% to 97% of fiscal year collections for the individual income tax were from withholding, as shown in Figure 4. The other components are quarterly estimated payments and final payments with returns offset by refunds. While the non-withheld payments typically make up less than 20% of individual income tax collections, these payments can exhibit annual growth rates up or down in the double digits. Much of the volatility comes from realized capital gains on asset sales including stocks and property.

**Figure 4. Components of individual income tax, FY 2002-2025 (\$ in millions)**

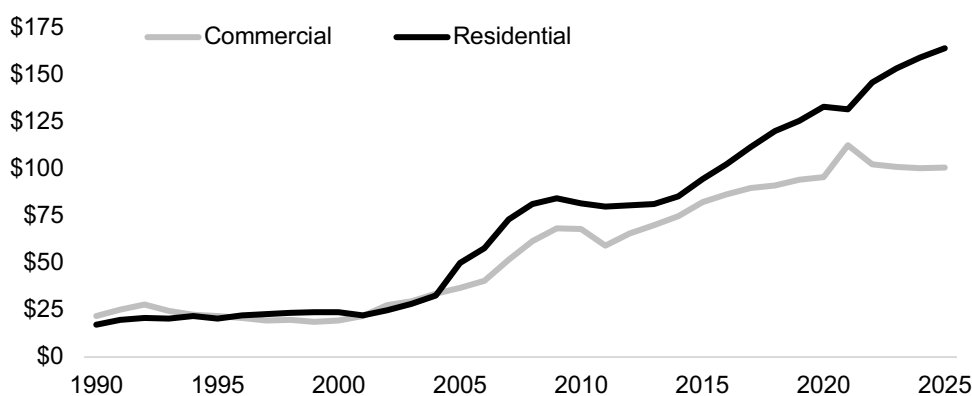


Source: [Official statements for D.C. Income tax secured bond issues](#) (Table 5 Collection of Pledged taxes); DC OCFO December 2025 / September 2025 [Quarterly Revenue Estimates](#)

Rates for the individual income tax are progressive, starting at 4% for the first \$10,000 of taxable income and increasing to 10.75% (up from 8.95% in FY 2021) on taxable income over \$1 million. Brackets are the same for all filing statuses.

**Real property.** Real property taxes, which account for 24% of revenue, are levied on the assessed value of real residential and commercial property in the District. Approximately 33% of real property is exempt from taxation because it is owned by the federal government, foreign government (embassies), District government, or nonprofits and religious entities. Of the taxable property, about 60% of the assessed value is residential (Class 1) and 40% is commercial (Class 2). The share of residential property tax revenue has increased over the last twenty years as population has increased, as shown in Figure 5. In FY 2022, commercial property value declined for the first time since the Great Recession and declined through FY 2024.<sup>36</sup>

**Figure 5. Assessed value of real property in the District, FY 1990-2025 (\$ in billions)**



Source: DC OCFO [Annual Comprehensive Financial Reports](#); estimated assessed value of taxable property.

<sup>36</sup> The Great Recession, occurring from late 2007 to mid-2009 corresponded with a negative impact on commercial assessed values from fiscal years 2010 through 2012, after which values increased through fiscal year 2021.

The District splits Class 1 residential property tax rate into two categories: 1A) multi-unit properties; and 1B) single-family properties and condominium units. The basic tax rate for Class 1A property is \$0.85 per \$100 of assessed value. The basic tax rate for Class 1B property is also \$0.85 per \$100 of assessed value, though it has a two-tier tax rate with a higher marginal tax rate (\$1.00 per \$100) for assessed value greater than \$2.5 million. The split tax rates were introduced in FY 2025, prior to which there was one basic tax rate of \$0.85 per \$100 in assessed value for all Class 1 properties. There is also a homestead exemption for owner-occupied property exempting the first \$89,850 (in FY 2026) of assessed value.

There remains a tiered rate structure for Class 2 properties: properties valued less than \$5 million are taxed at \$1.65 per \$100 of assessed value; properties valued between \$5 million and \$10 million are taxed at \$1.77 per \$100; and properties valued above \$10 million are taxed at \$1.89 per \$100 of assessed value.<sup>37</sup> Unlike the Class 1B marginal rates, the Class 2 rates tax all value at the rate of the property value. In other words, the total value of a building valued at \$4.99 million would be taxed at \$1.65 while a building value at \$5.01 million would be taxed entirely at \$1.77. The real property tax rates are shown in Table 3.

**Table 3. Property tax rates (as of 10/1/2025)**

Property tax class	Tax rate per \$100 in assessed value	Description
1A	\$0.85	Residential real property, including multifamily
1B	\$0.85 (less than or equal to \$2.5 M) \$1.00 (greater than or equal to \$2.5M)	Residential real property with no more than 2 dwelling units, where first \$2.5M is taxed at the lower rate and the amount above \$2.5M is taxed at the higher rate
2	\$1.65	Commercial and industrial real property, including hotels and motels, if assessed value is not greater than \$5 million.
2	\$1.77	Commercial and industrial real property, including hotels and motels, if assessed value is greater than \$5 million but not greater than \$10 million.
2	\$1.89	Commercial and industrial real property, including hotels and motels, if assessed value is greater than \$10 million.
3	\$5.00	Vacant real property.
4	\$10.00	Blighted real property.

Source: DC OCFO [Real Property Tax Rates](#); major taxes and rates.

**General sales and use tax.** The general sales tax in the District, which comprises 17% of revenue, is comprised of four major components: off-street parking charges which are taxed at 18%, hotel and short term rental receipts which are taxed at 15.95%, restaurant and bar sales

<sup>37</sup> There are two additional tiers for vacant and blighted property at \$5 and \$10 per \$100 assessed value, respectively. Together, these tiers accounted for only 3.5% of tax liability in 2024. Government of the District of Columbia. (2025, November 3). District of Columbia Data Book: Revenue and Economy. Retrieved from: <https://ora-cfo.dc.gov/publication/dc-data-book-revenue-and-economyseptember-2025>

which are taxed at 10% of receipts, and most retail sales, taxed at 6% of receipts.<sup>38</sup> The Sales and Use Tax Amendment Act of 2024, which passed in the FY 2025 Budget Support Act of 2024 will raise the general sales tax rate to 7.0% in FY 2027.<sup>39</sup> The tax was initially scheduled to increase to 6.5% on October 1, 2025, however the Sales Tax increase Delay Amendment Act of 2025 repeals the interim 6.5% increase.<sup>40</sup>

Trends in sales tax revenue by type are summarized in Table 4. More than one-fourth of the sales tax is dedicated for other funds and agency purposes, including a transfer for the Washington Metropolitan Area Transit Authority (WMATA) capital investment of \$178.5 million annually.

**Table 4. Sales tax by type, FY 2019-2024 (\$ in millions)**

	2019	2020	2021	2022	2023	2024*
Retail (6%)	692.3	685.8	743.8	894.9	869.5	911.2
Restaurants** (10%)	446.8	271.7	255.5	420.6	553.6	549.4
Hotel (14.95%)	319.2	142.5	87.4	247.4	350.3	396.9
Parking (18%)	79.8	52.3	40.3	64.2	75.6	75.3
All Other	59.7	70.2	75.7	75.3	72.4	69.2
<b>Gross Sales Tax</b>	<b>\$1,597.8</b>	<b>\$1,222.5</b>	<b>\$1,202.7</b>	<b>\$1,702.4</b>	<b>\$1,921.5</b>	<b>\$2,002.0</b>
<i>Addendum:</i>						
Dedicated revenue	-505.8	-380.9	-335.2	-460.8	-545.8	-571.9
<b>Local fund sales tax</b>	<b>\$1,092.0</b>	<b>\$841.6</b>	<b>\$867.5</b>	<b>\$1,241.6</b>	<b>\$1,375.7</b>	<b>\$1,430.1</b>

\*FY 2024 represents latest segmented sales tax data available in Table 3-6 of the FY 2026 Approved Budget and Financial Plan.

\*\*Restaurants line item refers to the 10% tax on food and drink for immediate consumption.

Source: DC OCFO [Approved Budget and Financial Plans](#), Table 3-5; estimated sales tax base, collections and transfers by sales tax type.

Parking tax revenue before FY 2020 exhibited low volatility as most of the revenue is from dedicated parking garages, often serving regular monthly office clients. Parking revenue is dedicated completely to the annual District contribution to support WMATA operations (separate from the capital transfer noted above). Revenue from parking was cut in half due to the pandemic and the subsequent office vacancy and while it has largely recovered, it is still below FY 2019 levels.

Hotel tax revenue is directly tied to business and leisure travel. The 15.95% hotel tax rate is composed of 10.2% which goes to the local fund, 4.45% which goes to the Washington Convention and Sports Authority d/b/a Events DC, and 1.3% which goes to Destination DC to

<sup>38</sup> Other special rates are for alcohol sold for off-premises consumption, rental cars, and tickets to games at Nationals Park and Capital One Arena (10.25%), medical marijuana (6%), and sugar-sweetened beverages (8%). The 15.95% rate for hotels includes a temporary surtax of 1% for Destination DC that will expire on March 31, 2027.

<sup>39</sup> Subtitle (VII)(F) of the Fiscal Year 2025 Budget Support Act of 2024, effective Sep. 18, 2024 (D.C. Law 25-217).

<sup>40</sup> Government of the District of Columbia. FY 2026 Approved Budget and Financial Plan. Volume 1 Executive Summary, Table 3-12 Policy Proposals Impact General Fund Revenues, FY 2025 – FY 2029.

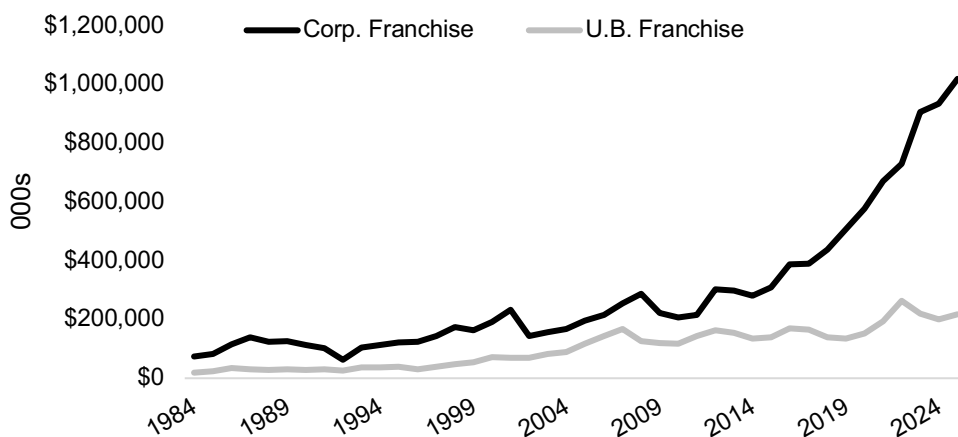
market the District to visitors and businesses.<sup>41</sup> Like parking, the pandemic shutdown reduced hotel revenue significantly, with a decline of 50% in FY 2020. After an April 1, 2023 rate increase from 14.95% to 15.95% hotel revenue reached \$397 million in FY 2024. Of this amount, \$143 million was transferred to Events DC and Destination DC in FY 2024.

Food and drink for immediate consumption reflect bar and restaurant tax revenue, which is driven by tourism and resident activity. One percent of the 10% rate goes to Events DC and the remaining nine percent goes to the local fund. These sales declined 39% in the pandemic and recovered to \$554 million in FY 2023. In FY 2024, revenue dropped slightly to \$549 million.

General retail sales, including online purchases, historically have been correlated with District wages, including those of commuters who shop near their offices. Beginning in FY 2019, online remote retail sales were added to the sales tax base, significantly increasing revenue and protecting the retail sales tax base during the pandemic. A share of the tax collections attributable to retail sales goes to support the DC Commission on Arts and Humanities.

**Business franchise (income) taxes.** There are two types of business franchise taxes in the District. The first type, the corporate franchise tax (CF), levies an 8.25% tax on net income and operates like the federal or general state corporate income taxes. The rate was reduced from 9.975% in 2014 over 4 years. The second type of business franchise tax is the unincorporated business franchise tax (UB) which is structured very much like the CF but is for unincorporated businesses (partnerships and sole proprietorships) doing business in the District. The UB tax rate is equal to the CF tax rate. Figure 6 summarizes trends in business franchise taxes.

**Figure 6. Business franchise taxes, FY 1984-2025 (\$ in thousands)**



Source: DC OCFO [Quarterly Revenue Estimates](#); DC OCFO [2025 ACFR](#); gross revenue before distributions to other funds.

**Deed taxes.** There are three types of deed taxes in the District. The deed transfer tax is a tax on sellers of property, payable when a property is sold. The deed recordation tax is a tax on buyers of commercial or residential property or on the refinancing of commercial property and is payable

<sup>41</sup> For the period of time beginning on April 1, 2023 through September 30, 2027, the rate allocated to Destination DC is increased from 0.3% to 1.3%, raising the total rate from 14.95% to 15.95%. See D.C. Official Code §§ 47–2002.03a(a)(1) and (2).

when the deed is recorded with the Recorder of Deeds, usually at the same time as the transfer tax.<sup>42</sup> There is also a tax on the transfer of economic interest which reflects the sale of shares in a property such as when a cooperative housing unit is sold – the unit is not sold but the equivalent share in the property representing a unit is sold. Another example is when an investor buys the shares of an LLC that owns a building rather than the building itself.

**Table 5. Deed tax rates (as of 10/1/2025)**

Deed tax type	Residential rate	Commercial rate
Recordation	0.725% of consideration or fair market value for qualified first-time homebuyers 1.1% for residential less than \$400,000 1.45% for residential greater than \$400,000	1.45% for transactions and refinancing
Transfer	1.1% for residential less than \$400,000 1.45% for residential greater than \$400,000	1.45% for commercial transactions
Economic interest transfer	2.2% for properties valued less than \$400,000 2.9% for properties valued more than \$400,000	2.9% for properties

Source: DC OCFO [2025 DC Tax Facts](#); major taxes and rates.

The distress in commercial office building occupancy has slowed sales significantly and greatly reduced the price of the buildings that do sell. This is particularly acute for older, less improved buildings (Class B and C) than for trophy and improved buildings (Class A). From October 1, 2020, to September 30, 2023, sales of commercial properties with market values greater than \$2 million were taxed at 2.5% for recordation and 2.5% for transfer for a total tax rate of 5%.

**Nontax and lottery.** There are four main categories of nontax revenue in addition to lottery proceeds: licenses and permits, fines and forfeitures, charges for services, and miscellaneous. Charges are the largest category in FY 2025, representing a notable revenue increase from prior years associated with the Universal Paid Leave Amendment Act of 2024. Employers are required to pay a contribution of 0.75 percent of the wages of covered employees to the Universal Paid Leave Fund, and those not required for use by the Universal Paid leave program, as determined annually by the certification of the Office of the Chief Financial Officer (OCFO), are transferred to the General Fund.<sup>43</sup>

Fines are the second largest category in FY 2025, which include automated enforcement fines from traffic cameras. The pandemic reduced the number of commuters which impacted this revenue, while the deployment of additional Automated Traffic Enforcement (ATE) fines has contributed to higher revenue in recent years. Miscellaneous revenue is the third largest category, which includes interest income earned on fund balance and benefited from higher interest rates in recent years. This category is also where transfers into the general fund are posted.

<sup>42</sup> Residential refinancing is not subject to the deed recordation tax.

<sup>43</sup> Government of the District of Columbia, Office of the Chief Financial Officer. Annual Operating Budget and Capital Plan. FY 2025 Budget Documents. Retrieved from: <https://cfo.dc.gov/node/289642>

**Table 6. Nontax revenue and lottery, FY 2019-2025 (\$ in thousands)**

	2019	2020	2021	2022	2023	2024	2025	2025 share
Licenses	146,956	125,584	126,367	135,008	146,979	142,463	142,626	13%
Fines	195,392	147,943	137,544	161,321	156,576	232,947	271,410	25%
Charges	77,487	68,723	80,588	78,407	70,544	73,874	429,407	40%
Misc.	199,407	180,645	143,999	249,429	407,949	415,834	201,363	19%
Lottery	45,050	38,060	48,150	40,670	33,450	39,350	32,500	3%
<b>Total</b>	<b>664,292</b>	<b>560,955</b>	<b>536,648</b>	<b>664,835</b>	<b>815,498</b>	<b>904,468</b>	<b>1,077,306</b>	<b>100%</b>

Source: DC OCFO December 2025 / September 2025 [Quarterly Revenue Estimates](#); gross revenue before distributions to other funds

**Dedicated tax revenue.** Of the revenue collected in FY 2024, more than \$800 million, almost 8 percent, is dedicated for specific programs, primarily related to debt service for specific projects outside of the GO and ITS debt. For example, the largest single dedication is \$178.5 million from general sales tax revenue for the WMATA Dedicated Financing Fund, accounting for the District's contribution to the long-term capital financing for WMATA.<sup>44</sup> WMATA also receives all parking sales tax revenue for off-street parking.

Most of the dedicated revenue, roughly 60%, is from sales tax revenue, accounting for almost \$600 million of revenue earmarked directly for specific purposes. Because so much of the dedicated revenue is from sales tax collections, downturns like the Great Recession of 2007-2009 and the COVID period of 2020 have significant impact on revenue. The annual revenue for Events DC in 2020 was decimated as hotel revenue, the primary source of funding, all but disappeared for several months and took several years to fully recover.

**Table 7. Major dedicated sales taxes, FY 2019-2025 (\$ in thousands)**

	2019	2020	2021	2022	2023	2024	2025
Sales	505,688	380,872	335,258	460,793	545,842	571,950	563,476
WMATA*	258,282	230,811	218,789	242,672	254,146	253,756	255,261
Convention Center**	147,633	74,067	54,932	122,280	176,796	199,297	205,536
Arts/Humanities	31,956	32,289	36,703	41,688	42,200	43,044	43,905
TIF/PILOT (sales tax)	45,072	23,773	11,934	32,517	47,862	53,410	39,501
All other	22,745	19,932	12,900	21,636	24,838	22,292	19,273

\*Includes \$178.5m for capital projects

\*\*Includes dedication to Events DC and Destination DC

Source: DC OCFO [2025 ACFR](#)

Other major dedications from revenue other than sales tax go to financing the baseball park (ballpark fee and nonresidential utility surcharge), Housing Production Trust Fund (deed taxes), and health care programs (gross receipts taxes). Property and sales tax revenue from tax increment financing (TIF) and payment in lieu of taxes (PILOT) developments that are above a set base or equivalent to a negotiated amount go to support those developments.

<sup>44</sup> The compact between District, Maryland, and Virginia is for annual contributions of \$500 million: District \$178.5, Maryland \$167 million, and Virginia \$154.5 million (source [Official Statement](#)).

## **II. Revenue Forecast Methodology**

The methodological approach used to forecast revenue is to construct detailed models that reflect unique aspects of each major revenue stream. Revenue forecasts run from FY 2026 through FY 2030. Additional attention is paid to the major revenues with the greatest volatility.

### Data required for the analysis – economic and demographic variables

To forecast revenues, District-specific economic and demographic variables were used where available and appropriate from a variety of public data sources. Principal data sources include the Congressional Budget Office (CBO) which has historic data and forecasts for U.S. adjusted domestic corporate profits, capital gains realizations, and private domestic investment; CoStar, which publishes detailed data on office vacancy rates and net deliveries; and Oxford Economics which incorporates a mix of public and private sources within its historical and forecast data. Other data sources that inform our understanding of macroeconomic conditions and that feed into Oxford Economic forecasts include U.S. Bureau of Economic Analysis (BEA) which publishes detailed data by state and for the District for gross domestic product, investment, and income and wages; the U.S. Bureau of Labor Statistics (BLS) which publishes data on employment, consumer prices, consumer expenditures, and business dynamics; and the U.S. Census Bureau which publishes population, construction, and retail sales indicators.

Many of the economic and demographic indicators are forecast in logarithmic terms, a commonly used metric to normalize skewed data for ordinary least squares (OLS) and auto-regressive integrated moving average (ARIMA) regressions.

### Data required for the analysis – revenue variables

Data on District revenues is sourced from a combination of publicly available sources from the Office of Revenue Analysis (ORA) website as well as historical details from ORA staff.<sup>45,46</sup> Key data aggregations are gross revenue, local revenue, and dedicated revenue. Gross revenue is the sum of local and dedicated revenue. Local revenue is what is available for annual general appropriations. Dedicated revenue is earmarked for specific purposes and can be divided into Agency dedications (part of the District General Fund) and Enterprise dedications (outside of the District General Fund).

Local fund revenue is used to determine the debt ratio. The models here focus on gross revenue to align with the economic variables. To derive local fund revenue, the OCFO estimates of dedicated revenue, many of which are specific formulas and not driven by economic behavior, are subtracted from gross revenue.<sup>47</sup>

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<sup>45</sup> The contribution from ORA staff is greatly appreciated.

<sup>46</sup> The Government of the District of Columbia, Office of the Chief Financial Officer December 2025 revenue letter remains unchanged from the September 2025 Revenue Estimate.

Government of the District of Columbia, Office of the Chief Financial Officer. (2025, December 29).

December 2025 Revenue Estimates for FY2025 - 2029. Retrieved from: <https://cfo.dc.gov/node/1811731>

Government of the District of Columbia, Office of the Chief Financial Officer. (2025, September 30).

September 2025 Revenue Estimates for FY2025 - 2029. Retrieved from: <https://cfo.dc.gov/node/1800221>

<sup>47</sup> Table 2 of September 2025 OCFO Revenue Estimate enumerates dedicated revenue. Government of the District of Columbia, Office of the Chief Financial Officer. (2025, September 30). September 2025 Revenue Estimates for FY2025 - 2029. Retrieved from: <https://cfo.dc.gov/node/1800221>

## Models and analysis

### Real property tax

The real property tax forecast is comprised of separate forecasts for residential real property tax and commercial real property tax, both of which are derived from models for residential assessed value and commercial assessed value. The effective tax rates for residential and commercial properties are applied to predicted assessed value to obtain the final total real property forecast.

Real property is assessed as of January 1 of each year and assessments are mailed to owners in February. Following the assessment, property owners have until April 1 to appeal their assessments. In February of the following year, bills based on the final assessments (after appeals) are mailed to taxpayers and payments are due on March 30<sup>th</sup> and September 15<sup>th</sup>. Because of this schedule, the OCFO has reliable data on real property for the one year out estimate. In other words, at the time of the September 2025 estimate (which remains unchanged in the December 2025 estimate), OCFO will know how much would be billed to owners and payable in FY 2026. The model therefore uses the OCFO forecast for the current year (FY 2026) and projects the next four years.<sup>48</sup>

For subsequent years, separate equations are used to forecast residential assessed value and commercial assessed value, after which effective tax rates are applied to obtain the property tax forecast.<sup>49</sup>

#### *Residential real property*

The residential real property model forecasts residential assessed value, and subsequently applies an effective tax rate of 0.89% to translate this value into a residential real property tax forecast.<sup>50,51</sup> The residential assessed value dependent variable is estimated in logs given the exponential growth of real property values over time.

The model shown in Table 8 includes the District house prices (purchase only) index as an independent variable. The index is from Oxford Economic forecasts, which incorporate information from the Federal Housing Finance Agency. This independent variable is modeled with 2-year lag corresponding with the timeline under which assessed values are known approximately two years in advance in the District. In addition, District employment is also included in a log form with a 2-year lag. Significance indicates that changes in employment may correspond with

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<sup>48</sup> Upon OCFO's publication of its February 2026 revenue estimate, the agency will know its preliminary assessment before appeals and improvements, of the bills that will be payable in FY 2027. As such, any forecasts using the model after this point in time would also use the OCFO forecast for the coming year (FY 2027) and project out the next three years.

<sup>49</sup> The Office of Revenue Analysis for the Office of the Chief Financial Officer of the District of Columbia publishes effective tax rates in their DC Data Book. Table 4-4 of the DC Data Book: Revenue and Economy (August 2022) lists an effective tax rate of 0.74% for Class 1 residential property and 1.72% for class 2 commercial property. Retrieved from: <https://ora-cfo.dc.gov/node/215922>

<sup>50</sup> Government of the District of Columbia. Office of the Chief Financial Officer Office of Revenue Analysis. (2025, June 4). D.C. Tax Facts, Table 5 District of Columbia Real Property Assessments – Taxable, Exempt, and Totals, Tax year 2025. Retrieved from: <https://ora-cfo.dc.gov/publication/2025-dc-tax-facts>

<sup>51</sup> The 0.88% represents the weighted average tax rate per \$100 in assessed value on Class 1A and Class 1B properties. The weight is calculated on the latest parcel-level tax roll data from the DC Open Data portal. Retrieved from: <https://opendata.dc.gov/datasets/integrated-tax-system-public-extract>

changes in residential assessed value, likely affecting demand at the time assessments of value are conducted. Growth in the house prices (purchase only index) is near stagnant in fiscal years 2024, 2025, and 2026, while employment is expected to decline. Together, these variables are correlated with a forecast decline in residential assessed value for FY 2028 over FY 2025 followed by a slow recovery. Of note, the District house prices (purchase only) index shows weaker growth each year from fiscal year 2026 to fiscal year 2030 than compared to the previously used US Case Shiller Housing Price Index (HPI). This District-specific variable aims to better capture local conditions and reduces the forecast for property taxes compared to the prior Certification Forecast.

**Table 8. Model specification for residential assessed value**

	Log of residential assessed value
2yr lag for DC house prices purchase only index	0.002*** (0.003)
2yr lag for log of DC employment	2.940** (0.787)
Constant	-29.218* (10.528)
N	26
R <sup>2</sup>	0.93

Standard errors in parentheses

\*\*\*p<0.001, \*\*p<0.01, \*p<0.05

Sources: DC OCFO (revenue history), Oxford Economics (FHFA, US BLS)

### *Commercial real property*

The commercial real property model shown in Table 9 forecasts commercial assessed value and subsequently applies an effective tax rate of 1.89% to translate this value into a commercial real property tax forecast, reflecting the class 2 rate that applies to 97% of non-residential property.<sup>52</sup> After running tests for stationarity and serial correlation, the forecast ultimately uses an ARIMA model specification of (1,1,0). The first operator of 1 represents an auto-regressive parameter which identifies 1 time lags of the variable; the second operator of 1 represents the degree of difference between the current period and prior period values, and the third operator of 0 indicates that no moving average component is included. The model uses the first difference and log of the dependent commercial assessed value variable to help reduce the nonstationary trend in the commercial assessed value data.

The two-year lags of District office vacancy rates and District office net deliveries are included as independent variables in the estimation. These lags are applied due to the timing of property tax valuations. Vacancy rates, while expected to reverse slightly by FY 2028, have grown in recent years and continue to do so. The CoStar DC vacancy rate we use is 18.08% for FY 2026 compared to 19.1% estimated by OCFO for the central business district office vacancy. Net deliveries are also 0 sq ft for FY 2025, a decline from typically historical positive values. An auto

<sup>52</sup> Government of the District of Columbia. Office of the Chief Financial Officer Office of Revenue Analysis. (2025, June 4). D.C. Tax Facts, Table 5 District of Columbia Real Property Assessments – Taxable, Exempt, and Totals, Tax year 2025. Retrieved from: <https://ora-cfo.dc.gov/publication/2025-dc-tax-facts>

regressive term also accounts for an existing assessed value base. Together, these variables forecast slow growth in commercial assessed value in the coming years and a decline in FY 2028.

**Table 9. Model specification for commercial assessed value**

	<b>First differenced log of commercial assessed value</b>
Differenced (1) of 2-yr lag of the DC office vacancy rate	-5.864*** (1.631)
2-yr lag of DC office net deliveries	$3.47 \times 10^{-8**}$ ( $1.42 \times 10^{-8}$ )
Auto Regressive term (L1)	-0.266 (0.195)
Constant	0.021 (0.021)
N	26
Wald chi2(3)	19.58***

Standard errors in parentheses

\*\*\*p<0.001, \*\*p<0.01, \*p<0.05

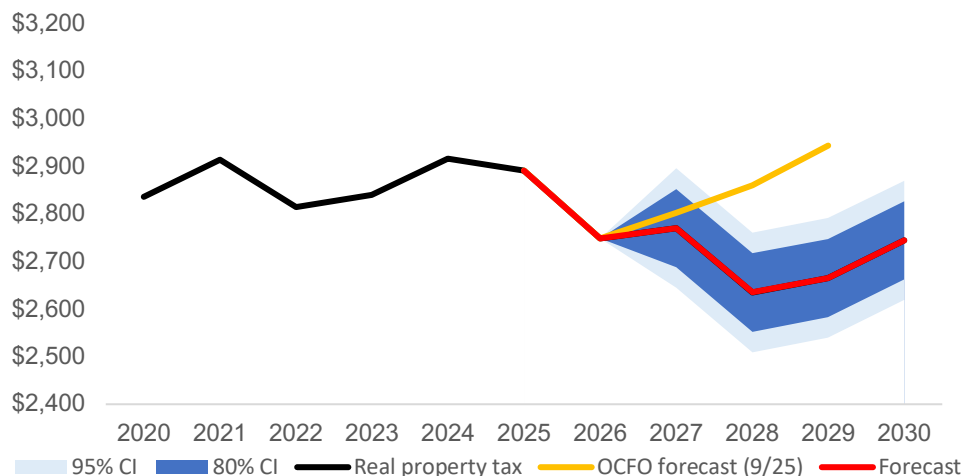
Sources: DC OCFO (revenue history), CoStar

### *Total real property*

After estimating the regressions, the results are translated into real residential property tax revenue using the 0.89% effective tax rate and real commercial property using the 1.89% effective tax rate. The growth in forecasted total property tax revenue (residential plus commercial) is applied to the OCFO FY 2026 property tax revenue to project revenues. Annual off-model adjustments (totaling no more than \$3.5 million in a given year for policies such as the Office of Tax Revenue Compliance Initiative and tax exemption amendments) are included using estimates from the FY 2026 Budget Support Act of 2025.<sup>53</sup> As shown in Figure 7, overall, the results suggest that forecasted real property tax revenues will remain largely stable, edging down slightly from \$2.749 billion in FY 2026 to \$2.745 billion in FY 2030.

<sup>53</sup> Government of the District of Columbia. FY 2026 Approved Budget and Financial Plan. Volume 1 Executive Summary, Table 3-12 Policy Proposals Impact General Fund Revenues, FY 2025 – FY 2029.

**Figure 7. Real property tax forecast, FY 2020-2030 (\$ in millions)**



Sources: DC OCFO December 2025 / September 2025 [Quarterly Revenue Estimates](#), DC OCFO [2025 ACFR](#), ODCA

Individual income tax

The individual income tax is forecast as a function of the logs of US capital gains and District wage and salary income over the period from FY 1990 to FY 2025. Data for US capital gains is sourced from the Congressional Budget Office. The series for District wage and salary income is from Oxford Economics, reflecting historic District wage and salary income, 2025 estimates, and forecasts of earnings from employment (i.e., wages and salaries) from FY 2026 to 2030. Both capital gains and wages and salaries are positively correlated with income taxes and fluctuations in both generate changes in income tax collections. Table 10 presents the model specifications for the income tax calculation.

**Table 10. Model specification for individual income tax**

	Log individual income tax
Log US capital gains	0.306*** (0.051)
Log DC wage and salary income	0.815*** (0.073)
Constant	-5.670*** (0.467)
N	31
R <sup>2</sup>	0.97

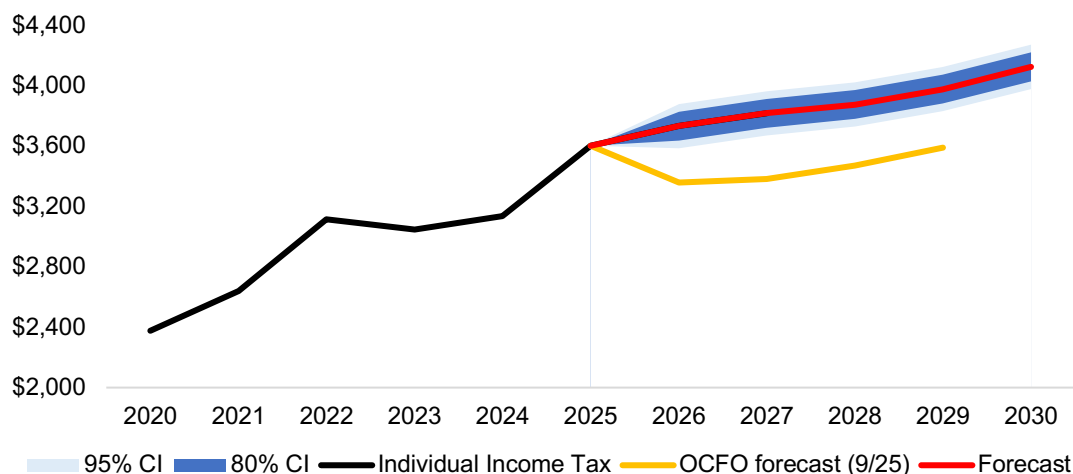
Standard errors in parentheses

\*\*\*p<0.001, \*\*p<0.01, \*p<0.05

Sources: DC OCFO (revenue history), US CBO (capital gains), US BEA, Oxford Economics (wage forecast)

After estimating the regression, the model's growth rates are applied to the actual level of FY 2025 to project revenues. Overall, as shown in Figure 8, the results suggest that individual income tax revenue will grow from \$3.7 billion in FY 2026 to \$4.1 billion in FY 2030.

**Figure 8. Individual income tax forecast, FY 2020-2030 (\$ in millions)**



Sources: DC OCFO December 2025 / September 2025 [Quarterly Revenue Estimates](#), DC OCFO [2025 ACFR](#), ODCA

**Business income tax (corporate and unincorporated franchise taxes)**

The corporate and non-corporate franchise taxes are estimated together, with the dependent variable taken as log of business income. The model is estimated as a function of the log of District GDP growth and the log of U.S. domestic corporate profits. The District’s nominal GDP is sourced from Oxford Economics, which uses U.S. Bureau of Economic Analysis data, and the log of U.S. domestic corporate profits are sourced from the Congressional Budget Office’s forecast. Table 11 presents the specifications for the business tax model.

District GDP is expected to increase in the out years, though at slower rates than previously forecast for FYs 2026 through 2028. Replacing the S&P 500 index variable with domestic corporate profits aims to better measure the tax base. Growth in domestic corporate profits is projected to be higher in the coming fiscal year than in FYs 2027 to 2030, when growth is expected to level off; versus the S&P 500 index which is very strong through FY 2026 and relatively stronger in later years. This replacement contributes to a decline in the business income tax forecast.

**Table 11. Model specification for business income tax**

	<b>Log business income tax</b>
Log DC nominal GDP, 1 year lag	0.530* (0.233)
Log of adjusted corporate profits	0.636* (0.236)
Constant	-9,171*** (1.062)
N	29
R <sup>2</sup>	0.90

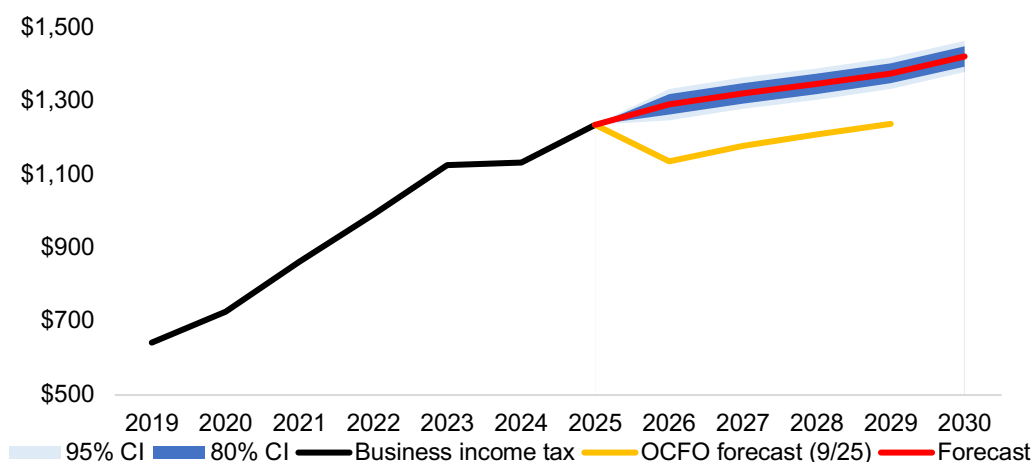
Standard errors in parentheses

\*\*\*p<0.001, \*\*p<0.01, \*p<0.05

Sources: DC OCFO (revenue history), US CBO, Oxford Economics

After estimating the regression, the growth rates calculated from the forecasted business income tax revenues are applied to the FY 2025 actual level to project revenues. Again, an off-model adjustment was implemented to account for additional income tax revenue associated with the Combined Reporting Tax Deduction Delay Amendment Act of 2025 under the FY 2026 Budget Support Act 2025.<sup>54</sup> Overall, as shown in Figure 9, the results suggest that forecasted business income tax revenues will grow from \$1.3 billion in FY 2026 to \$1.4 billion in FY 2030.

**Figure 9. Business income tax forecast, FY 2020-2030 (\$ in millions)**



Sources: DC OCFO December 2025 / September 2025 [Quarterly Revenue Estimates](#), DC OCFO [2025 ACFR](#), ODCA

General sales tax

The general sales tax forecast is estimated as a function of the logs of the food and accommodation industry’s contribution to GDP and District wage and salary income. The dependent sales tax variable is also in log form. Data on the food and accommodation portion of GDP is sourced from Oxford Economics.<sup>55</sup> Food and accommodations GDP is used to pick up the effects on revenue from commuters and tourists whose contributions are separate from the wage and salary income of residents. The Oxford Economics forecasts for District earnings from employment (i.e., wages and salaries) are used for the general sales tax forecast as well. Accounting for the federal workforce reduction in 2025, both District food and accommodation GDP and wage and salary income are expected to increase moderately during the forecast period, contributing to forecast growth for the general sales tax. Table 12 presents the model specifications from the general sales tax calculation.

<sup>54</sup> Government of the District of Columbia. FY 2026 Approved Budget and Financial Plan. Volume 1 Executive Summary, Table 3-12 Policy Proposals Impact General Fund Revenues, FY 2025 – FY 2029.

<sup>55</sup> Oxford Economics only provides a forecast of real GDP for food and accommodation. As such, real values are adjusted to nominal values using the District GDP deflator (also sourced from Oxford Economics).

**Table 12. Model specification for the general sales tax**

	<b>Log general sales tax</b>
Log DC food and accommodation GDP	0.551*** (0.095)
Log DC wage and salary income	0.538*** (0.090)
Constant	-3.423*** (0.377)
N	29
R <sup>2</sup>	0.98

Standard errors in parentheses

\*\*\*p&lt;0.001, \*\*p&lt;0.01, \*p&lt;0.05

Sources: DC OCFO (revenue history), Oxford Economics

After estimating the regression, growth rates calculated from the forecasted sales tax revenues are applied to the FY 2025 actual level to project revenues. The model includes an off-model adjustment for the Sales and Use Tax Amendment Act of 2025, which raises the general sales tax rate to 7.0% beginning FY 2027.<sup>56,57</sup>

To implement the tax rate adjustment, we first calculate the historical share of the general sales tax revenue as a proportion of the total sales tax revenue at 45% (Table 4). Then we apply this 45% historical share to the forecasted total sales tax revenue, prior to any tax rate adjustment, to estimate the retail sales tax revenue under the existing 6% rate. We then apply the revenue impact of tax rate increase to estimate retail sales tax revenue under the 7% tax rate. This revenue impact accounts for consumers behavioral responses that partially erode the tax base. Based on a review of relevant literature, we assume an elasticity of 0.93, meaning that a 100% increase in the tax rate results in a 93% change in revenue.

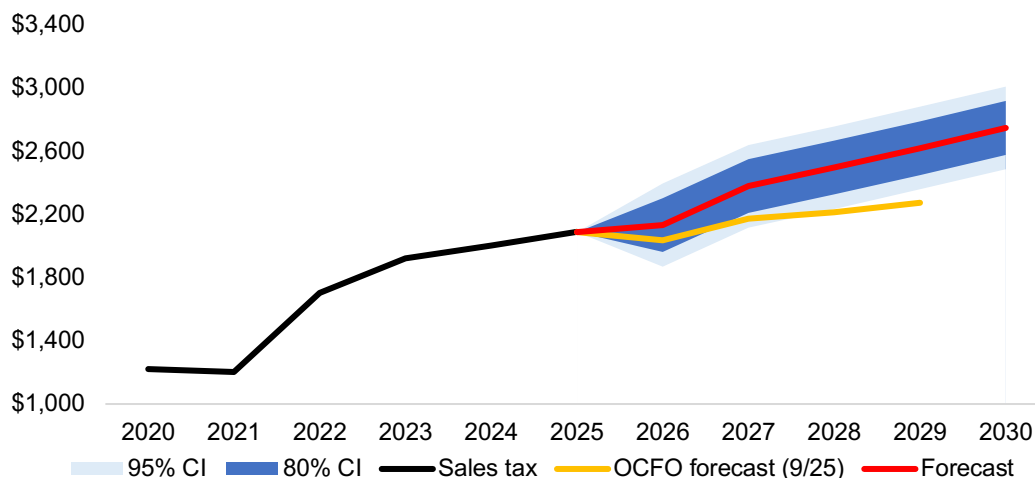
An additional off-model adjustment is made for the Combined Reporting Tax Deduction Delay Amendment Act of 2025, which is associated with a \$7 million annual addition.<sup>58</sup> The results shown in Figure 10 suggest that forecasted general sales tax revenues will grow from \$2.1 billion in FY 2026 to \$2.7 billion in FY 2030.

<sup>56</sup> Title (VII)(F) of the Fiscal Year 2025 Budget Support Act of 2024, effective Sep. 18, 2024 (D.C. Law 25-217).

<sup>57</sup> Of note, the Sales Tax Increase Delay Amendment Act of 2025 removed an interim 6.5% sale tax increase that would have been implemented in fiscal year 2026 under the earlier Act.

<sup>58</sup> Government of the District of Columbia. FY 2026 Approved Budget and Financial Plan. Volume 1 Executive Summary, Table 3-12 Policy Proposals Impact General Fund Revenues, FY 2025 – FY 2029.

**Figure 10. Sales tax forecast, FY 2020-2030 (\$ in millions)**



Sources: DC OCFO December 2025 / September 2025 [Quarterly Revenue Estimates](#), DC OCFO [2025 ACFR](#), ODCA

Deed recordation and transfer (including economic interest)

Deed recordation and transfer taxes are forecast in aggregate with the log of single-family existing home sales and the log of DC wage and salary as independent variables. Due to the potential variability of transactions in any given year, this model was converted to an ordinary least square regression with no differencing. The series for US single family home sales is sourced from Oxford Economics national forecasts which includes historical data from the National Association of Realtors and forecasts from Haver Analytics. Changes in US single family home sales as an indicator of overall market conditions are useful for forecasting residential deed taxes, while wages and salaries are a general economic condition indicator that drive both residential and commercial transactions. Changes in wages and salaries may reflect broader changes in the economy that imply larger purchasing power for potential residential and commercial owners. As mentioned, the series for District wage and salary is from the Oxford Economics forecast, reflecting historic District wage and salary income, 2025 estimates, and forecasts of earnings from employment (i.e., wages and salaries) from FY 2026-2030.

Both changes in US single family existing home sales and District wages and salaries are positively correlated with changes for deed and transfer tax collections. Table 13 presents the model specifications for the deed recordation and transfer tax calculations.

**Table 13. Model specification for deed taxes**

	<b>Deed taxes</b>
Log of US single family existing home sales	8.9 x 10 <sup>-5***</sup> (1.4x10 <sup>-5</sup> )
Log DC wage and salary income	0.006*** (0.0007)
Constant	-431.362*** (51.577)
N	35
R <sup>2</sup>	0.86

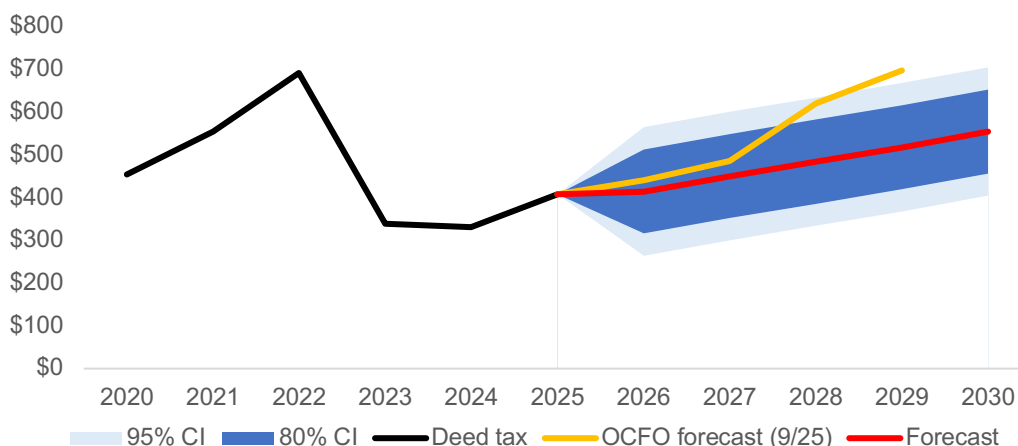
Standard errors in parentheses

\*\*\*p<0.001, \*\*p<0.01, \*p<0.05

Sources: DC OCFO (revenue history), Oxford Economics (National Association of Realtors, Haver Analytics)

After estimating the regression, the growth rates calculated from the forecasted deed recordation and transfer tax revenues are applied to the FY 2025 actual level to project revenues, as shown in Figure 11. Overall, the results suggest that deed and transfer taxes will grow from \$413 million in FY 2026 to \$553 million in FY 2030.

**Figure 11. Deed recordation and transfer tax forecast, FY 2020-2030 (\$ in millions)**



Sources: DC OCFO December 2025 / September 2025 [Quarterly Revenue Estimates](#), DC OCFO [2025 ACFR](#), ODCA

**Nontax and lottery proceeds**

Nontax and lottery proceeds include forecasts for licenses and fees, fines, charges, and lottery revenue, as well as the prior five-year moving average for miscellaneous revenue. Several variables are used to forecast these revenue sources. District population and employment data are from Oxford Economics, which uses data from the Census Bureau and the US Bureau of Labor Statistics, respectively. The US gross domestic price index comes from February 2026 CBO estimates. The District wage and salary income variable used in several of the models mentioned above is from Oxford Economics. Table 14 shows the regression results for the nontax and lottery models.

**Table 14. Model specifications for nontax and lottery proceeds**

Licenses and fees		Fines	
DC population	0.00013 (0.0001)	DC employment	0.0009*** (0.0001)
US gross private domestic investment	0.0002*** (1.81 x 10 <sup>-6</sup> )	Constant	-565.223*** (66.97)
Constant	-63.068 (36.392)	N	35
N	35	R <sup>2</sup>	0.77
R <sup>2</sup>	0.92		
Charges		Lottery	
DC population	0.0003*** (0.00004)	Log DC wages and salaries	-45.590*** (5.650)
Constant	-119.463*** (-21.800)	Constant	560.8737*** (63.051)
N	34	N	24
R <sup>2</sup>	0.69	R <sup>2</sup>	0.82
Standard errors in parentheses		Standard errors in parentheses	
***p<0.001, **p<0.01, *p<0.05		*** p<0.001, ** p<0.01, *p<0.05	

Sources: OCFO (revenue history), US CBO, US BEA, US Census Bureau, Oxford Economics

After estimating the regressions, the growth rates calculated from the nontax and lottery forecasts are applied to the FY 2025 actual level to project revenues. Manual adjustments are also made to incorporate estimated revenue changes for nontax and lottery legislation passed in the FY 2026 Budget Support Act of 2025.<sup>59</sup> An estimate of the UPL transfer, which is part of charges revenue, is included in this model update. As of July 1, 2024, the rate private employers pay for UPL increased from 0.26% in the prior year to 0.75% and it is levied on all wages.<sup>60</sup> To estimate the transfer, regression analysis could not be used as the program is too recent to have enough data so a simple model using private wages and annual benefits was constructed. The wage forecast uses the forecast for total District wages and the benefits forecast uses the five-year average benefit per employee applied to the forecast of private employment.<sup>61</sup>

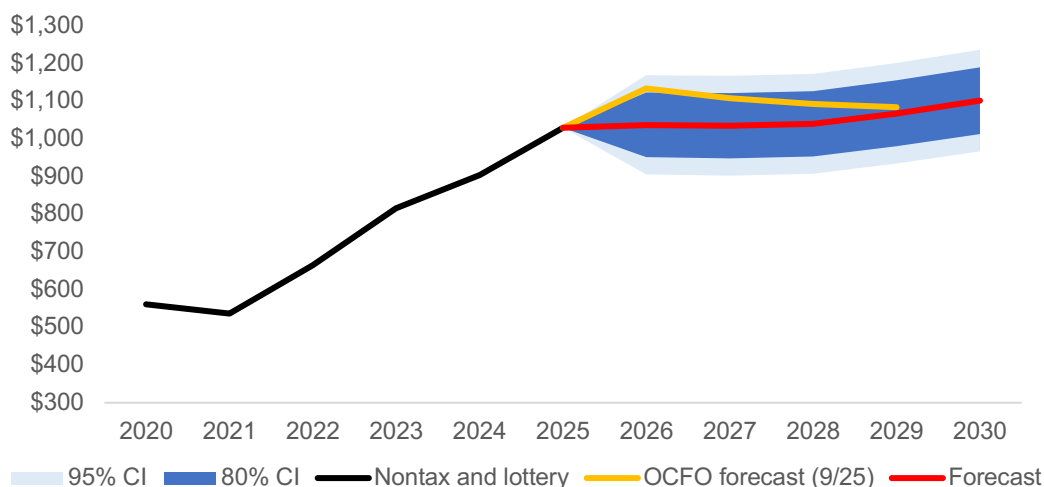
As shown in Figure 12. Overall, the results suggest that nontax and lottery proceeds will increase from \$1.04 billion in FY 2026 to \$1.10 billion in FY 2030. The Certification Forecast expects growth, albeit slow, over time, while the OCFO forecast reflects assumptions that better-than-expected receipts from nontax revenue sources are one-time occurrence after which growth will slow or decline.

<sup>59</sup> Government of the District of Columbia. FY 2026 Approved Budget and Financial Plan. Volume 1 Executive Summary, Table 3-12 Policy Proposals Impact General Fund Revenues, FY 2025 – FY 2029.

<sup>60</sup> Former D.C. Official Code § 32–541.03 (as revised through D.C. Law 24–45, effective Nov. 13, 2021) had set the rate at 0.62% or a lower rate based on needed resources for the program. Between 2022Q3 and 2024Q2, the rate is reduced to 0.26%. Historical tax rate information retrieved from: [Employer Information » DOES Office of Paid Family Leave](#).

<sup>61</sup> Government of the District of Columbia. 2026 UL0 Universal Paid Leave. Retrieved from: <https://cfo.dc.gov/publication/2026-ul0-universal-paid-leave>

**Figure 12. Nontax and lottery proceeds forecast, FY 2020-2030 (\$ in millions)**



Sources: DC OCFO December 2025 / September 2025 [Quarterly Revenue Estimates](#), DC OCFO [2025 ACFR](#), ODCA

All other taxes

As noted, the Certification Forecast focuses on major revenue sources and uses specific modeling based on directly related variables. All of the other tax revenue, consisting of 6.9% of gross tax revenue in FY 2025, include the following: personal property, public space rental, excise taxes, insurance premium tax, toll telecommunications, public utility, baseball fee, health related taxes, private sports gaming, games of skill, and estate taxes. Most of these smaller revenue streams were modeled using the 3- or 5-year average, as shown in Table 15. For many, this is due to the relatively low volatility and for others like the estate tax, the unpredictability unrelated to economic conditions.

**Table 15. Summary of other tax forecasts**

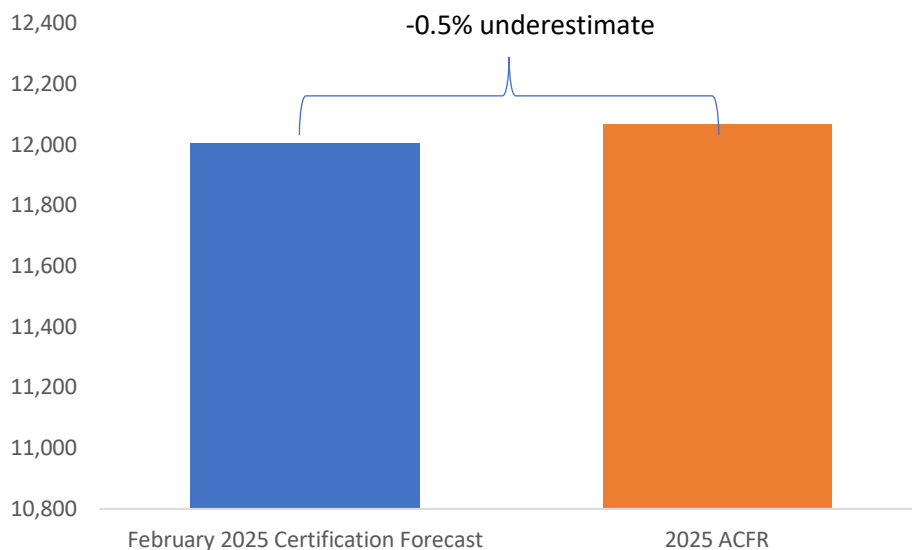
Aggregate	Components	Method
Other property	Public space rental, personal property	3-year moving average
Excise	Alcohol, cigarette, motor vehicle, motor fuel	3-year moving average
Gross receipts	Public utilities, toll telecommunication, insurance premium, ballpark fee, private sports wagering, games of skill, health related	3-year moving average
Estate tax	Estate tax	5-year moving average

Sources: OCFO (revenue history)

**Forecast accuracy**

Assessing the Certification Forecast accuracy is important to instilling confidence in the certification that adequate revenue is available for debt service. Actual collections for FY 2025 show that the February 2025 Certification Forecast was 0.5% below the 2025 ACFR actual total. Individual income tax, deeds, and other tax revenue were the drivers of underestimation, while business income and nontax income were drivers of overestimation. Adjustments to the business income tax model to account for corporate profit trends and to the deeds model to better account for variability should help address overestimation going forward.

**Figure 13. FY 2025 Forecast Accuracy (\$ in millions)**



Source: ODCA, DC OCFO [2025 ACFR](#)

**Table 16. Forecast accuracy: Difference between ODCA February 2025 Certification Forecast of FY2025 and FY2025 ACFR Actual**

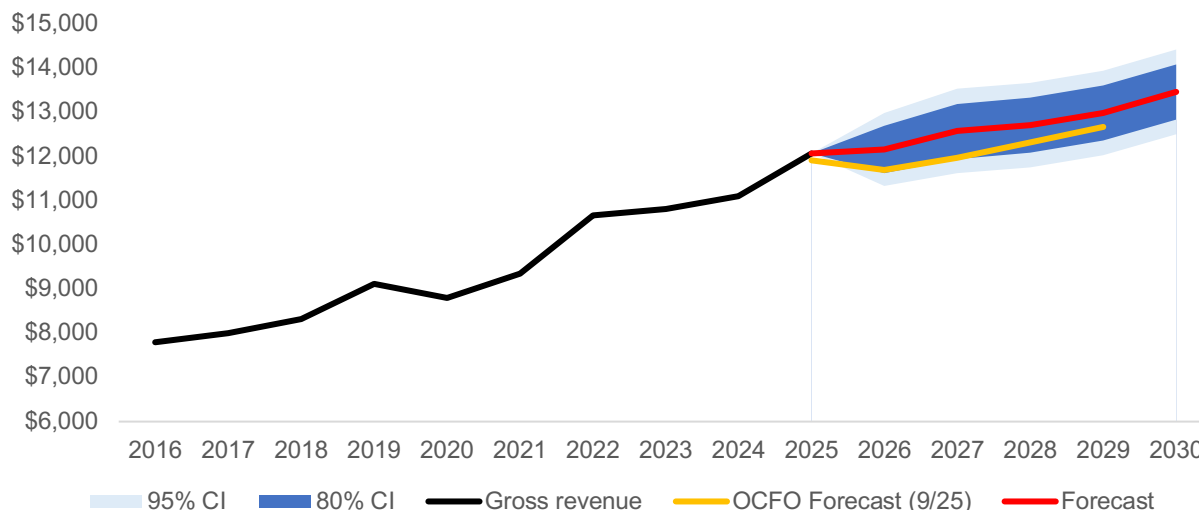
	\$ difference	Percentage difference	Over/Underestimate
Property	-51	-1.8%	Underestimated
Sales	+62	+3.0%	Overestimated
Ind. Income	-218	-6.0%	Underestimated
Bus Income	+192	+15.5%	Overestimated
Deeds	-72	-17.6%	Underestimated
Nontax	+141	+13.7%	Overestimated
Other	-120	-14.8%	Underestimated
Gross	-65	-0.5%	Underestimated

Source: ODCA, DC OCFO [2025 ACFR](#)

### III. Revenues

**Gross revenue.** For FY 2026, the Certification Forecast estimates \$12.2 billion in gross revenue (local fund plus dedicated revenue). Much of this growth is driven by income and sales taxes. Figure 14 depicts the total gross revenue forecast.

**Figure 14. Gross revenue forecast, FY 2016-2030 (\$ millions)**



Sources: DC OCFO December 2025 / September 2025 [Quarterly Revenue Estimates](#), DC OCFO [2025 ACFR](#), ODC

The Certification Forecast projects about \$156-\$600 million more in revenue each year than compared to OCFO’s December 2025 / September 2025 Forecast. Part of this variance reflects that the Certification Forecast assumes amendments decoupling from the One Big Beautiful Bill Act are passed, resulting in higher individual income and business income taxes.<sup>62</sup>

Table 17 provides additional details on the composition of gross revenue. Model adjustments considering District specific conditions and corporate profit trends also contribute to a reduction in property tax and business income tax forecasts in the out years relative to the prior forecast.

**Table 17. Revenue forecast comparison, FY 2025-2030, (\$ in millions)**

Certification Forecast – February 2026									
	Real Property	General Sales	Individual Income	Business Income	Deeds	Nontax	All Other	Gross	Annual change
2025	2,891	2,091	3,605	1,235	407	1,030	811	12,070	8.8%
2026	2,749	2,134	3,736	1,291	413	1,038	802	12,161	0.8%
2027	2,771	2,380	3,821	1,321	449	1,035	797	12,575	3.4%
2028	2,635	2,497	3,879	1,346	483	1,040	832	12,713	1.1%
2029	2,666	2,620	3,981	1,375	516	1,068	763	12,990	2.2%
2030	2,745	2,749	4,129	1,421	553	1,102	765	13,465	3.7%
Certification Forecast – June 2025									
	Real Property	General Sales	Individual Income	Business Income	Deeds	Nontax	All Other	Gross	Annual change
2025	2,841	2,142	3,389	1,346	346	1,170	823	12,056	8.6%
2026	2,751	2,289	3,447	1,346	338	1,188	829	12,187	1.1%

<sup>62</sup> Government of the District of Columbia, Office of the Chief Financial Officer. Fiscal Impact Statement – D.C. Income and Franchise Tax Conformity and Revision Emergency Amendment Act of 2025. Retrieved from: [https://app.cfo.dc.gov/services/fiscal\\_impact/pdf/spring09/FIS%20DC%20Income%20and%20Franchise%20Tax%20Conformity.pdf](https://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/FIS%20DC%20Income%20and%20Franchise%20Tax%20Conformity.pdf)

2027	2,860	2,460	3,552	1,454	404	1,197	839	12,766	4.8%
2028	2,956	2,599	3,661	1,563	537	1,222	841	13,380	4.8%
2029	3,112	2,714	3,800	1,691	571	1,228	820	13,936	4.2%

**Certification Forecast (February 2026 variance from June 2025)**

	<i>Real Property</i>	<i>General Sales</i>	<i>Individual Income</i>	<i>Business Income</i>	<i>Deeds</i>	<i>Nontax</i>	<i>All Other</i>	<i>Gross</i>	<i>Annual change (pp)</i>
2025	+51	-51	+216	-111	+61	-141	-11	+14	+0.1
2026	-2	-155	+289	-55	+75	-150	-27	-26	-0.3
2027	-89	-80	+269	-133	+45	-161	-41	-191	-1.3
2028	-321	-102	+218	-217	-54	-182	-9	-667	-3.7
2029	-446	-93	+181	-315	-55	-160	-57	-946	-2.0

**OCFO Forecast – December 2025 / September 2025**

	<i>Real Property</i>	<i>General Sales</i>	<i>Individual Income</i>	<i>Business Income</i>	<i>Deeds</i>	<i>Nontax</i>	<i>All Other</i>	<i>Gross</i>	<i>Annual change</i>
2025	2,839	2,081	3,492	1,213	418	1,052	820	11,915	7.4%
2026	2,749	2,037	3,361	1,136	440	1,134	840	11,696	-1.8%
2027	2,803	2,174	3,386	1,178	485	1,108	843	11,976	2.4%
2028	2,860	2,215	3,474	1,210	619	1,093	846	12,317	2.8%
2029	2,944	2,275	3,593	1,238	696	1,085	840	12,671	2.9%

**Certification Forecast (February 2026) variance from OCFO Forecast (Dec. 2025 / Sept. 2025)**

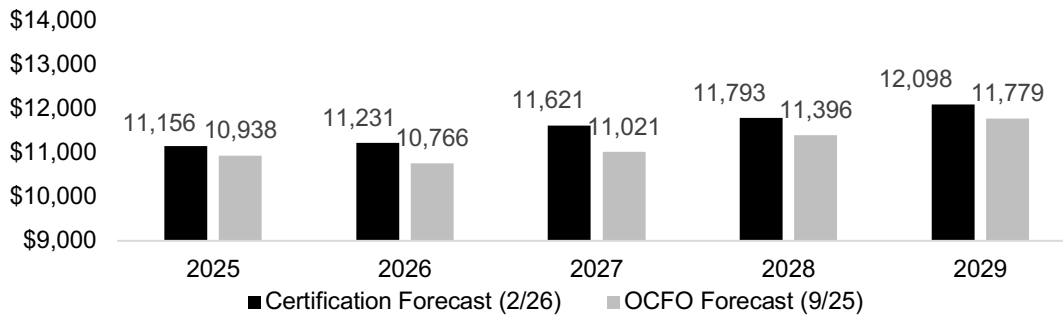
	<i>Real Property</i>	<i>General Sales</i>	<i>Individual Income</i>	<i>Business Income</i>	<i>Deeds</i>	<i>Nontax</i>	<i>All Other</i>	<i>Gross</i>	<i>Annual change</i>
2025	+52	+9	+114	+22	-11	-22	-8	+156	+1.4
2026	+0	+97	+374	+155	-26	-97	-38	+465	+2.6
2027	-32	+206	+436	+144	-36	-73	-46	+600	+1.0
2028	-225	+283	+405	+136	-136	-52	-14	+396	-1.8
2029	-278	+346	+388	+138	-180	-17	-77	+319	-0.7

Sources: ODCA, DC [December 2025 Revenue Estimate](#) / DC [September 2025 Revenue Estimate](#), DC OCFO [2025 ACFR](#)

**Dedicated revenue.** For the dedicated revenue to other agencies or funds, the Certification Forecast uses the most recent OCFO forecast of dedicated revenues. The bulk of the dedicated revenue is sales tax, where nearly \$600 million, or about one-fourth, is dedicated, including \$200 million (in FY 2024) of hotel and restaurant tax revenue that was dedicated to Events DC and \$178.5 million annually that is dedicated to support WMATA capital investments.

**Local revenue.** Local revenue is calculated as gross revenue less dedicated revenue and is used for the 17% test. Figure 15 shows that the Certification Forecast estimates that local revenue will grow from \$11.2 billion in FY 2025 to \$12.1 billion in FY 2029. For comparison, the OCFO Forecast estimates that local revenue will grow from \$10.9 billion in FY 2025 to \$11.8 billion in FY 2029.

**Figure 15. Local fund revenue, FY 2025-2029 (\$ in millions)**



Sources: ODCA, DC [December 2025 Revenue Estimate](#) / DC [September 2025 Revenue Estimate](#), DC OCFO [2025 ACFR](#)

**Appendix****Table A1. Certification Forecast sources for explanatory variables**

<b>Explanatory variable</b>	<b>Source</b>	<b>Last update</b>
DC employment, incl. nonresidents (level)	Oxford Economics (BLS)	December 2025
DC food and accommodation GDP (\$M)	Oxford Economics (US BEA)	December 2025
DC GDP (\$M)	Oxford Economics (US BEA)	December 2025
DC house prices – purchase only index (index)	Oxford Economics (FHFA)	December 2025
DC office net deliveries (sq ft)	CoStar	January 2026
DC office vacancy (rate)	CoStar	January 2026
DC resident population (level)	Oxford Economics (US Census Bureau)	December 2025
DC wage and salary income (\$M)	Oxford Economics (US BEA)	December 2025
US adjusted domestic corporate profits (\$M)	US CBO	February 2026
US capital gains (\$M)	US CBO	February 2026
US gross private domestic investment (\$M)	US CBO	February 2026
US existing single family home sales (level)	Oxford Economics (National Association of Realtors, Haver Analytics)	December 2025

Note: Acronyms are as follows: Office of the Chief Financial Officer (OCFO) US Bureau of Economic Analysis (BEA), US Congressional Budget Office (CBO), US Bureau of Labor Statistics (BLS), Federal Housing Finance Agency (FHFA).

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# About ODCA

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The mission of the Office of the District of Columbia Auditor (ODCA) is to support the Council of the District of Columbia by making sound recommendations that improve the effectiveness, efficiency, and accountability of the District government.

To fulfill our mission, we conduct performance audits, non-audit reviews, and revenue certifications. The residents of the District of Columbia are one of our primary customers and we strive to keep the residents of the District of Columbia informed on how their government is operating and how their tax money is being spent.

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