
Montgomery County, Maryland

**FY2016 SECOND QUARTERLY
REVENUE UPDATE**

Presentation to the Montgomery County Council

Department of Finance



Revenue Update

First Half Year Results

Total tax revenues, including investment income, totaled \$1.610 billion and up 1.1 percent compared to the same period in FY15 due primarily to increases in revenues from the transfer tax (↑19.2%) and the recordation tax (↓20.3%). The decrease in the property tax (↓0.4%) is attributed to the rate cut for the General Fund in FY16.

- **Income Taxes:**

- Income tax revenues through December stood at \$404.7 million and approximately \$7.7 million above revenues for the same period in FY15. The increase was attributed to a change in the distribution formula for the quarterly distribution in November for tax year 2014. The modest gain is also attributed to the backlog in the number and amount of revenues collected from taxpayers filing for an extension for tax year 2014 that were not processed for the November 2015 distribution.
- The change in the formula by the Maryland Comptroller yielded a decrease of \$4.9 million (↓1.8%) below the FY16 Budget estimate but \$9.5 million (↑3.6%) above the November distribution in FY15. Revenues from extensions and reconciliation were \$42.7 million (↓35.7%) below the FY16 Budget estimate and \$2.3 million below last fiscal year or 2.9 percent. Because of the backlog of returns not processed for the November distribution, the revenues from extensions and reconciliation are included in the January 2016 distribution.

- **Property Taxes:**

- The General Fund (G.F.) portion of property tax collections (including penalties and interest and including storm drainage) was \$1,012.7 million (↓0.4%) through December compared to the same period in FY15. The decrease is due to the rate cut in the General Fund from \$0.732 in FY15 to \$0.723 in FY16 (↓1.2%).

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- **Property Taxes (continued):**
 - The real property taxable assessment increased 2.4 percent in FY15 and is estimated to increase 4.2 percent for FY16.
- **Transfer and Recordation Taxes:**
 - Revenues from the transfer tax (excluding condominium conversions) through December of FY16 were \$52.8 million, or 19.2 percent above last fiscal year.
 - Revenues from the recordation tax (excluding the CIP portion and the rate premium) were \$32.9 million, an increase of 20.3 percent over the first half of last fiscal year.
 - The increase in the transfer tax is due primarily to an increase in the total number of transfers, not including condo conversions, which were up 7.8 percent during the first half of FY16 compared to last fiscal year. The volume of residential recordation tax transactions was up 5.6 percent compared to the first half of fiscal year 2015, the volume of non-residential transactions was up 55.8 percent and the volume of other recordation tax transactions was up 22.4 percent compared to last fiscal year. While the volume was up, the average transfer tax was up 10.3 percent and the average recordation tax was up 1.9 percent.
 - The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$85.7 million compared to \$71.7 million for the same period last fiscal year (↑19.6%).

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- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$106.2 million, which were 1.3 percent below the first half of FY15. That decrease is solely attributed to the decline in fuel/energy tax collections.
- Fuel/energy tax collections totaled \$76.5 million during the first half of FY16 compared \$79.5 million in FY15 (↓3.7%). The decrease in revenues is attributed to a decline in consumption of natural gas.
- Revenues from the telephone tax were \$19.6 million and up 5.6 percent from the first half of FY15. Revenues from the hotel/motel tax were 2.1 percent above the same period last year reflecting higher occupancy and room rates.
- Revenues from the admissions tax were up 21.7 percent compared to the same period last year and largely attributed to an increase in revenues from athletic events.

Revenue Summary Sheet

	MAJOR REVENUE COLLECTIONS			Percent Change
	Fiscal Year 2016	Fiscal Year 2015	Variance FY16-FY15	
<u>TAXES:</u>				
Income Tax	\$404,745,900	\$397,034,094	\$7,711,806	1.9%
Property Tax (General Fund only)	\$1,012,650,596	\$1,016,234,985	(\$3,584,389)	-0.4%
Transfer Tax (1)	\$52,838,098	\$44,310,924	\$8,527,174	19.2%
Recordation Tax (2)	\$32,889,192	\$27,345,855	\$5,543,337	20.3%
Fuel/Energy Tax	\$76,575,611	\$79,499,732	(\$2,924,121)	-3.7%
Telephone Tax	\$19,646,927	\$18,599,432	\$1,047,495	5.6%
Hotel/Motel Tax	\$8,202,293	\$8,034,992	\$167,301	2.1%
Admissions Tax	\$1,754,748	\$1,442,226	\$312,522	21.7%
<u>MISCELLANEOUS:</u>				
Investment Income (3)	\$998,211	\$374,401	\$623,810	166.6%
<u>TOTAL</u>	\$1,610,301,575	\$1,592,876,641	\$17,424,934	1.1%

SOURCE: Revenue data from the County's Oracle eBusiness system.

- NOTES: (1) Excludes revenue from condominium conversions
 (2) Excludes School CIP and tax premium allocation
 (3) Pooled investment income only