# Case Studies of Business Taxes in the District of Columbia





# Question?



Does it cost more in taxes to locate a business in the District of Columbia?

### Focus of Case Studies



### **Taxes**

Business and the owners

Rates

Targeted businesses

Tax treatment of neighboring jurisdictions

### Real Estate

After tax consideration

# Taxes Included in Case Studies



- Income and Franchise Taxes
  - District 9.975%
  - Maryland 8.25%
  - Virginia 6.00%
- Research and Development Credits and Income Tax Reductions
- Personal Property Taxes
- Gross Receipts and Ballpark Fee Taxes

## Choice of Entity



- Corporations
- Pass-through Entities
  - Limited Liability Companies
  - S-corporations
  - Partnerships

# Unincorporated Franchise Business Tax



### DC special treatment:

Subjects pass-through entities and individuals to corporate level tax through the Unincorporated Franchise Business Tax

S-corporations are taxed as regular corporations

Creates the potential of double taxation



- Corporate business subject to income and franchise taxes
- Software development company eligible for research and development credits
- Professional services firm recognized as a pass-through entity in all jurisdictions

### How to Attract High Technology?



- Maryland and Virginia offer
  - Research and Development Tax Credits
  - Fairfax County, Virginia offers exemptions from their Gross Receipts Tax
- District:
  - Qualified High Technology Company

## Qualified High Technology Companies



- No corporate franchise tax for five years
- Reduced rate of 6% thereafter
- Abatement of real property taxes attributed to improvements for QHTC
- Exemption from the Unincorporated business franchise tax
- Tax credit for employees moving into the District

# Is the District competitive?



- The District competes with Arlington County and the City of Alexandria
  - Tax and real estate costs between the three
- Virginia's gross receipts tax is high compared to the Ballpark Fee
  - Fairfax County exempts software development
- Maryland with no gross receipts tax and its lower tax rate may be a challenge

#### EXHIBIT 1: Local Business Tax Analysis - Case Study Summary

Assumptions

Total Revenues: \$ 30,000,000 Income before Taxes: \$ 2,410,383 8.0%

	_	-,,		_		Business	Loca	tion				
			Mo	ontgomery	Prin	nce George's			-	Arlington		City of
				County		Co.	Fai	rfax County		County	Α	lexandria
		DC		MD		MD		VA		VA	_	VA
I. Corporate Business (C-Corp)												
A. Single State of Operations												
Income/Franchise Tax	\$	237,854	\$	197,281	\$	196,918	\$	138,125	\$	136,976	\$	137,158
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Gross Receipts Tax Total State/Local Taxes	\$	16,500 263,738	Ś	216,378	\$	220,418	Ś	93,000 246,432	5	108,000 264,424	5	105,000 261,574
Total State/Local Taxes	_	203,730	_	210,376		220,410	-	240,432	-	204,424	-	201,374
B. Single State of Operations												
With No Taxable Income												
Income/Franchise Tax	\$	1,000	\$		\$	-	\$	-	\$	-	\$	
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Gross Receipts Tax		16,500						93,000		108,000		105,000
Total State/Local Taxes	\$	26,884	\$	19,097	\$	23,500	\$	108,307	\$	127,448	\$	124,416
<ol> <li>Multiple State of Operations,</li> </ol>												
One Base Location												
Income/Franchise Tax	\$	210,323	\$	192,400	\$	192,042	\$	167,932	\$	167,098	\$	167,208
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Gross Receipts Tax  Total State/Local Taxes	\$	39,500 259,207	Ś	31,000 242,497	\$	31,000 246,542	Ś	52,000 235,239	5	59,500 246,046	5	58,000 244,624
rotal state, cocal raxes	_	233,207	Ť	242,437	Ť	240,342	_	233,233	Ť	240,040	Ť	244,024
II. High-Tech Company (C-Corp.)												
A. With Taxable Income												
Income/Franchise Tax, net	s	1,000	s	126,378	s	126,378	s	118,655	s	115,166	s	112,108
Personal Property Tax		-,				-		15,307		19,448		19,416
Gross Receipts Tax		16,500				-				54,000		105,000
Total State/Local Taxes	\$	17,500	\$	126,378	\$	126,378	\$	133,962	\$	188,614	\$	236,524
DC Rate change in year 6	\$	160,133										
B. With No Taxable Income												
Income/Franchise Tax	\$	1,000	\$	-	\$	-	\$	-	\$	-	\$	-
Personal Property Tax		-		-		-		15,307		19,448		19,416
Gross Receipts Tax		16,500	_	-		-		-		54,000	_	105,000
Total State/Local Taxes	\$	17,500	\$		\$	-	\$	15,307	\$	73,448	\$	124,416
III. Pass-Through Entity (Filing D-20)												
A. Owned 100% by DC Residents												
Entity Level Taxes	\$	263,738	s	19,097	\$	23,500	\$	108,307	\$	127,448	\$	124,416
Individual Level Taxes		0	•	214,020	•	213,626	•	206,036	•	204,323	•	204,594
Total State/Local Taxes	\$	263,738	\$	233,117	\$	237,126	\$	314,343	\$	331,771	\$	329,010
i. If Filing Form D-30	\$	256,354		No Change		No Change		No Change		No Change		No Change
ii. No DC filing requirement	\$	239,297		No Change		No Change		No Change		No Change		No Change
	_											
B. Owned 100% by MD Residents												
Entity Level Taxes	\$	263,738	\$	19,097	\$	23,500	\$	108,307	\$	127,448	\$	124,416
Individual Level Taxes		76,304		214,020		213,626		206,036		204,323		204,594
Total State/Local Taxes	\$	340,042	\$	233,117	\$	237,126	\$	314,343	\$	331,771	\$	329,010
i. If Filing Form D-30	\$	268,187		No Change		No Change		No Change		No Change		No Change
ii. No DC filing requirement	\$	239,297		No Change		No Change		No Change		No Change		No Change
C. Owned 100% by VA Residents	\$	262 720	s	10.007	\$	22 500	s	100 207	s	127 440	s	124.415
Entity Level Taxes Individual Level Taxes	>	263,738	>	19,097	>	23,500 167,082	>	108,307 132,369	>	127,448 131,269	>	124,416 131,443
Total State/Local Taxes	\$	123,432 387,170	5	167,390 186,487	\$	190,582	5	240,676	5	258,717	5	255,859
i. If Filing Form D-30		319,447	_	No Change	_	No Change	_	No Change	_	No Change	_	No Change
ii. No DC filing requirement	\$	162,993		No Change		No Change		No Change		No Change		No Change
ii. No be ming requirement	-	102,555		No charige		No change		No change		No change		No change



# Any Suggestions?



- Educate businesses on the total tax costs of the District compared with its neighbor
  - Ballpark Fee does not apply to most small business since it applies for gross receipts in excess of \$5 million
  - Maximum cost is \$16,500
- Lower the franchise tax rates
- Simplify tax filing requirements for unincorporated businesses

#### EXHIBIT 2: Local Business Analysis - Case Study Detail IA and IB Corporate Business - Single State Operations

Assumptions

Total Revenues: \$ :
Income before Taxes: \$

\$ 30,000,000 \$ 2,410,383 <u>8.0%</u>

			M	ontgomery		Prince				Arlington		City of
				County	G	eorge's Co.	Fai	rfax County		County	Α	lexandria
		DC		MD		MD		VA		VA		VA
IA. Results - With Taxable Income												
Income/Franchise Tax	\$	237,854	\$	197,281	\$	196,918	\$	138,125	\$	136,976	\$	137,158
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Gross Receipts Tax		16,500		-		-		93,000		108,000		105,000
Total State/Local Taxes	\$	263,738	\$	216,378	\$	220,418	\$	246,432	\$	264,424	\$	261,574
Compared to DC - Taxes are higher	or (lo	wer):	s	(47,360)	\$	(43,320)	\$	(17,306)	\$	686	\$	(2,164)
Tax Cost/(Savings) as % of Income b	efore	taxes:		-1.96%		-1.80%		-0.72%		0.03%		-0.09%
												_
IB. Results - With No Taxable Income												
Income/Franchise Tax	\$	1,000	\$	-	\$	-	\$	-	\$	-	\$	-
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Gross Receipts Tax		16,500	_	-			_	93,000		108,000		105,000
Total State/Local Taxes	\$	26,884	\$	19,097	\$	23,500	\$	108,307	\$	127,448	\$	124,416
Compared to DC - Taxes are higher	or (lo	wer):	\$	(7,787)	\$	(3,384)	\$	81,423	\$	100,564	\$	97,532
Tax Cost/(Savings) as % of Income b	efore	taxes:		-0.32%		-0.14%		3.38%		4.17%		4.05%
Supporting Analysis												
Income Before Taxes												
Gross Revenues	\$ 3	0,000,000	\$ :	30,000,000	\$	30,000,000	\$	30,000,000	\$	30,000,000	\$ 3	80,000,000
Operating Expenses	(2	7,240,000)	(	27,240,000)	(	27,240,000)	(	27,240,000)	(	27,240,000)	(2	27,240,000)
Depreciation		(349,617)		(349,617)		(349,617)		(349,617)		(349,617)		(349,617)
		2,410,383	=	2,410,383	_	2,410,383	=	2,410,383	_	2,410,383		2,410,383
State Business Taxes												
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Ballpark Fee (DC)		16,500		0		0		0		0		0
Business License (VA)		0		0		0		93,000		108,000		105,000
		25,884		19,097		23,500		108,307		127,448		124,416
State Taxable Income	\$	2,384,499	\$	2,391,286	\$	2,386,883	\$	2,302,076	\$	2,282,935	\$	2,285,967
State Income / Franchise Tax	\$	237,854	\$	197,281	\$	196,918	\$	138,125	\$	136,976	\$	137,158



#### EXHIBIT 3: Local Business Tax Analysis - Case Study Detail IC Corporate Business - Multi-State Operations

The following analysis was prepared to analyze the total state tax obligation for a corporate business generating revenues in all three states, but having only one base of operations. The assumptions made are as follows:

- Business is a "C" Corporation and files Federal tax Form 1120.
- There is only one central place of operations (the "base"). All property is apportioned to the base.
- Payroll and Sales are apportioned 50% to the base jurisdiction and 25% to each of the other jurisdictions (DC,MD,VA)

Montgomery

Total Revenues: \$ 30,000,000 | Income before Taxes: \$ 2,410,383 | 8.0%

				ingomery		rince		railiax		inington		city of		
				County	Ge	orge's Co.		County		County	Al	exandria		
		DC		MD		MD		VA		VA		VA		TOTAL
1. DC Base														
Income/Franchise Tax	\$	147,225	\$	18,265	\$	18,265	\$	8,856	\$	8,856	\$	8,856	\$	210,323
Personal Property Tax		9,384		-		-		-		-		-		9,384
Gross Receipts Tax		14,000		-		-		7,750		9,000		8,750		39,500
Total State/Local Taxes	\$	170,609	\$	18,265	\$	18,265	\$	16,606	\$	17,856	\$	17,606	\$	259,207
2. MD Base (Montgomery)														
Income/Franchise Tax	s	44,145	Ś	121,702	s		\$	8.851	\$	8.851	s	8.851	s	192,400
Personal Property Tax	•	,	•	19,097	•		•	-,	•	-,	•	-,	•	19,097
Gross Receipts Tax		5,500						7,750		9.000		8,750		31,000
Total State/Local Taxes	5	49,645	\$	140,799	\$		Ś	16,601	5	17,851	Ś	17,601	\$	242,497
Total State, Escal Taxes	_	45,045	Ť	140,755	_		_	10,001	Ť	17,051	Ť	17,001	_	242,437
3 MD Base (Brines Console)														
3. MD Base (Prince George's) Income/Franchise Tax	s	44,062	Ś		s	121,475	s	8,835	s	8.835	s	8,835	Ś	402.042
	>	44,062	>	-	>		>	8,833	>	8,833	>	8,833	>	192,042
Personal Property Tax				-		23,500								23,500
Gross Receipts Tax	_	5,500	_		_		_	7,750	_	9,000	_	8,750	_	31,000
Total State/Local Taxes	\$	49,562	\$	-	\$	144,975	\$	16,585	\$	17,835	\$	17,585	\$	246,542
4. VA Base (Fairfax County)														
Income/Franchise Tax	\$	43,823	\$	18,122	\$	18,122	\$	87,865	\$	-	\$	-	\$	167,932
Personal Property Tax		-		-		-		15,307		-		-		15,307
Gross Receipts Tax		5,500	_	-	_	-	_	46,500		-	_	-	_	52,000
Total State/Local Taxes	\$	49,323	\$	18,122	\$	18,122	\$	149,672	\$		\$	-	\$	235,239
5. VA Base (Arlington County)														
Income/Franchise Tax	\$	43,605	\$	18,032	\$	18,032	\$	-	\$	87,429	\$	-	\$	167,098
Personal Property Tax		-		-		-		-		19,448		-		19,448
Gross Receipts Tax		5,500		-		-		-		54,000		-		59,500
Total State/Local Taxes	\$	49,105	\$	18,032	\$	18,032	\$	-	\$	160,877	\$	-	\$	246,046
6. VA Base (City of Alexandria)														
Income/Franchise Tax	\$	43,634	\$	18,044	\$	18,044	\$	-	\$	-	\$	87,486	\$	167,208
Personal Property Tax								_				19,416		19,416
Gross Receipts Tax		5,500		_		_		_				52,500		58,000
Total State/Local Taxes	5	49,134	Ś	18.044	5	18,044	Ś	-	s		Ś	159,402	Ś	244,624
	_	40,204	_	20,004	_	20,000	_		_		_	355,752	_	244,024

Prince

Fairfax

Arlington

City of



#### EXHIBIT 4: Local Business Tax Analysis - Case Study Detail IIA and IIB

High Technology (Software Developer) - Single State Operations

Assumptions

Total Revenues: \$ 30,000,000 | Income before Taxes: \$ 2,410,383 | 8.0%

Tax Credits:

Est. Base Expenditures \$ 817,200 3% of operating expenses
Est. Excess Expenditures \$ 544,800 2% of operating expenses

					Mo	ontgomery		Prince		Fairfax	A	Arlington		City of
	1	/ears 1-5		Years 6+		County	G	eorge's Co.		County		County	Α	lexandria
		DC		DC		MD		MD		VA		VA		VA
A. Results - With Taxable Income														
Income/Franchise Tax	\$	238,790	\$	238,790	\$	205,374	\$	205,374	\$	143,705	\$	140,216	\$	137,158
Tax Reduction (DC)/Credits		(237,790)		(95,157)		(78,996)		(78,996)		(25,050)		(25,050)		(25,050)
Personal Property Tax		-		-		-		-		15,307		19,448		19,416
Gross Receipts Tax		16,500		16,500	_	-	_		_		_	54,000	_	105,000
Total State/Local Taxes	\$	17,500	\$	160,133	\$	126,378	\$	126,378	\$	133,962	\$	188,614	\$	236,524
Years 1-5: Compared to DC - Taxes	are h	igher or (lov	ver):	:	\$	108,878	\$	108,878	\$	116,462	\$	171,114	\$	219,024
Years 6+: Compared to DC - Taxes	are hi	gher or (low	er):		\$	(33,755)	\$	(33,755)	\$	(26,171)	\$	28,481	\$	76,391
		g	,-		_	())	Ť	()/	Ť	()	Ť	,	÷	
B. Results - With No Taxable Income														
Income/Franchise Tax	\$	1,000			\$	-	\$	-	\$	-	\$	-	\$	-
Personal Property Tax		-				-		-		15,307		19,448		19,416
Gross Receipts Tax		16,500				-		-		-		54,000		105,000
Total State/Local Taxes	\$	17,500			\$	-	\$	-	\$	15,307	\$	73,448	\$	124,416
Years 1-5: Compared to DC - Taxes	are h	igher or (lov	ver):		\$	(17,500)	\$	(17,500)	\$	(2,193)	\$	55,948	\$	106,916
									_					
Supporting Analysis														
Supporting Analysis Income Before Taxes														
	\$ :	30,000,000	\$	30,000,000	\$ :	30,000,000	\$	30,000,000	\$	30,000,000	\$ :	30,000,000	\$ :	30,000,000
Income Before Taxes		30,000,000 27,240,000)		30,000,000 27,240,000)		30,000,000 27,240,000)		30,000,000 27,240,000)		30,000,000 27,240,000)		30,000,000 27,240,000)		30,000,000 27,240,000)
Income Before Taxes Gross Revenues														
Income Before Taxes Gross Revenues Operating Expenses		27,240,000)		27,240,000)		27,240,000)		27,240,000)		27,240,000)		27,240,000)		27,240,000)
Income Before Taxes Gross Revenues Operating Expenses Depreciation		27,240,000)		27,240,000)		27,240,000) (349,617)		27,240,000) (349,617)		27,240,000)		27,240,000)		27,240,000)
Income Before Taxes Gross Revenues Operating Expenses Depreciation		27,240,000) (349,617)		27,240,000) (349,617)		27,240,000) (349,617) 78,996		27,240,000) (349,617) 78,996		27,240,000) (349,617)		27,240,000) (349,617)		27,240,000) (349,617)
Income Before Taxes Gross Revenues Operating Expenses Depreciation		27,240,000) (349,617)		27,240,000) (349,617)		27,240,000) (349,617) 78,996		27,240,000) (349,617) 78,996		27,240,000) (349,617)		27,240,000) (349,617)		27,240,000) (349,617)
Income Before Taxes Gross Revenues Operating Expenses Depreciation MD R&D Tax Credit Add-Back		27,240,000) (349,617)		27,240,000) (349,617)		27,240,000) (349,617) 78,996		27,240,000) (349,617) 78,996		27,240,000) (349,617)		27,240,000) (349,617)		27,240,000) (349,617)
Gross Revenues Operating Expenses Depreciation MD R&D Tax Credit Add-Back		27,240,000) (349,617)		27,240,000) (349,617)		27,240,000) (349,617) 78,996		27,240,000) (349,617) 78,996		27,240,000) (349,617) - 2,410,383		27,240,000) (349,617) - 2,410,383		27,240,000) (349,617) - 2,410,383
Gross Revenues Operating Expenses Depreciation MD R&D Tax Credit Add-Back  State Business Taxes Personal Property Tax		27,240,000) (349,617) - 2,410,383		27,240,000) (349,617) - 2,410,383		27,240,000) (349,617) 78,996		27,240,000) (349,617) 78,996		27,240,000) (349,617) - 2,410,383		27,240,000) (349,617) - 2,410,383		27,240,000) (349,617) - 2,410,383
Gross Revenues Operating Expenses Depreciation MD R&D Tax Credit Add-Back  State Business Taxes Personal Property Tax Ballpark Fee (DC)		27,240,000) (349,617) - 2,410,383		27,240,000) (349,617) - 2,410,383		27,240,000) (349,617) 78,996		27,240,000) (349,617) 78,996		27,240,000) (349,617) - 2,410,383 15,307 0		27,240,000) (349,617) - 2,410,383 19,448 0		27,240,000) (349,617) - 2,410,383 19,416 0
Gross Revenues Operating Expenses Depreciation MD R&D Tax Credit Add-Back  State Business Taxes Personal Property Tax Ballpark Fee (DC)		27,240,000) (349,617) - 2,410,383 - 16,500		27,240,000) (349,617) - 2,410,383 - 16,500		27,240,000) (349,617) 78,996 2,489,379		27,240,000) (349,617) 78,996 2,489,379		27,240,000) (349,617) - 2,410,383 15,307 0		27,240,000) (349,617) - 2,410,383 19,448 0 54,000		27,240,000) (349,617) - 2,410,383 19,416 0 105,000
Gross Revenues Operating Expenses Depreciation MD R&D Tax Credit Add-Back  State Business Taxes Personal Property Tax Ballpark Fee (DC)		27,240,000) (349,617) - 2,410,383 - 16,500		27,240,000) (349,617) - 2,410,383 - 16,500		27,240,000) (349,617) 78,996 2,489,379		27,240,000) (349,617) 78,996 2,489,379		27,240,000) (349,617) - 2,410,383 15,307 0	(2	27,240,000) (349,617) - 2,410,383 19,448 0 54,000	(2	27,240,000) (349,617) - 2,410,383 19,416 0 105,000
Gross Revenues Operating Expenses Depreciation MD R&D Tax Credit Add-Back  State Business Taxes Personal Property Tax Ballpark Fee (DC) Business License (VA) - Note 1	(2	27,240,000) (349,617) - 2,410,383 - 16,500 - 16,500	-	27,240,000) (349,617) - 2,410,383 - 16,500 - 16,500	(-	27,240,000) (349,617) 78,996 2,489,379		27,240,000) (349,617) 78,996 2,489,379		27,240,000) (349,617) - 2,410,383 15,307 0 0 15,307	(2	27,240,000) (349,617) - 2,410,383 19,448 0 54,000 73,448	(2	27,240,000) (349,617) - 2,410,383 19,416 0 105,000 124,416
Gross Revenues Operating Expenses Depreciation MD R&D Tax Credit Add-Back  State Business Taxes Personal Property Tax Ballpark Fee (DC) Business License (VA) - Note 1	(2	27,240,000) (349,617) - 2,410,383 - 16,500 - 16,500	-	27,240,000) (349,617) - 2,410,383 - 16,500 - 16,500	(-	27,240,000) (349,617) 78,996 2,489,379		27,240,000) (349,617) 78,996 2,489,379		27,240,000) (349,617) - 2,410,383 15,307 0 0 15,307	(2	27,240,000) (349,617) - 2,410,383 19,448 0 54,000 73,448	(2	27,240,000) (349,617) - 2,410,383 19,416 0 105,000 124,416

#### Notes:

- 1) Arlington County assumed to have between 200 and 500 employees (for lower BPOL rate)
- Qualified High Technology Companies in the District are exempt from the franchise tax for five years, beginning with the first year of taxable income. After the 5-year exemption, they are taxed at the reduced rate of 6%.



#### EXHIBIT 5: Local Business Tax Analysis - Case Study Detail IIIA,B, and C Professional Services Pass-Through Entity (PTE) Filing a D-20 (S Corporation)

Assumptions

Total Revenues: \$ 30,000,000 | Income before Taxes: \$ 2,410,383 | 8.0%

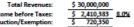
income before taxes.	_	2,410,303	0.1	1.0								
						Business	Loc	ation				
	_		М	ontgomery		Prince				Arlington		City of
				County	G	George's Co.	Fai	rfax County		County	Д	lexandria
		DC		MD .		MD		VA		VA		VA
A. Results - Owned 100% by DC Residents					_							
DC Resident Taxable Income	\$	2,146,645	\$	2,391,286	\$	2,386,883	\$	2,302,076	\$	2,282,935	\$	2,285,967
Entity Level Taxes Paid (Incl. Withholding)												
Income/Franchise Tax	\$	237,854	\$		\$	-	\$		Ś	_	Ś	_
Non-Resident Withholding				167,390		167,082		115,104		114,147		114,298
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Gross Receipts Tax		16,500						93,000		108,000		105,000
Paid by Entity	_	263,738	_	186,487	_	190,582	_	223,411	_	241,595	_	238,714
			_		_		_		_		_	
Individual Level Taxes (DC Resident)												
Non-Resident Tax		-		167,390		167,082		132,369		131,269		131,443
Taxes Withheld (entity level)		-		(167,390)		(167,082)		(115, 104)		(114, 147)		(114,298)
DC Tax on Entity Income				214,020		213,626		206,036		204,323		204,594
Tax Credit		-		(167,390)		(167.082)		(132,369)		(131.269)		(131,443)
Paid by Individual		-		46,630	_	46,544	_	90,932	_	90,176		90,296
,	_		_		_		_		_		_	
Total Combined Taxes	\$	263,738	\$	233,117	\$	237,126	\$	314,343	s	331,771	s	329,010
	_		_		_		_		_		_	
B. Results - Owned 100% by MD Residents												
MD Resident Taxable Income:	\$	2,384,499	\$	2,391,286	5	2,386,883	Ś	2.302.076	5	2.282.935	5	2,285,967
Entity Level Taxes Paid (Incl. Withholding)	_	2,500,000	-	2,552,255	_	2,500,005	_	2,202,010	•	2,202,555	•	2,200,000
Income/Franchise Tax	\$	237,854	Ś		s	-	s		s	_	Ś	_
Non-Resident Withholding	-		•		•		•	115.104	•	114.147	•	114.298
Personal Property Tax		9.384		19.097		23,500		15,307		19,448		19,416
Ballpark Fee (DC)		16,500		,		25,500		,		,		,
Business License (VA)		10,500				_		93.000		108,000		105,000
Paid by Entity	_	263.738	_	19.097	_	23,500	_	223,411	_	241,595	_	238,714
Tale of Ellery	_	203,730	_	25,057	_	25,500	_	222,722	_	242,555	_	230,724
Individual Level Taxes (MD Resident)												
Non-Resident Tax								132.369		131.269		131.443
Taxes Withheld (entity level)		_						(115,104)		(114,147)		(114,298)
MD Tax on Entity Income		213,413		214,020		213,626		206,036		204,323		204,594
Tax Credit (State portion only)		(137,109)		,		,		(132,369)		(131,269)		(131,443)
Paid by Individual	_	76,304	_	214.020	_	213.626	_	90.932	_	90.176	_	90,296
	_		_	,	_	,	_		_	,	_	50,550
Total Combined Taxes	\$	340,042	Ś	233,117	5	237,126	s	314,343	5	331,771	Ś	329,010
	•	,	Ť	,	Ť		Ť		Ť	,	Ť	,
			_		_		_		_		_	
C. Results - Owned 100% by VA Residents												
VA Resident Taxable Income:		2.146.645	Ś	2,391,286	Ś	2,386,883	Ś	2,302,076	Ś	2,282,935	Ś	2,285,967
Entity Level Taxes Paid (Incl. Withholding)	-	2,140,043	2	2,391,200	-	2,300,003	7	2,302,076	2	2,202,933	,	2,203,907
	s	227.054	s		s		s		s		s	
Income/Franchise Tax Non-Resident Withholding	>	237,854	>	167,390	>	167,082	>	-	>	-	>	-
		9.384		19,097		23.500		15.307		19.448		40.445
Personal Property Tax		16,500		19,097		23,500		15,30/		19,448		19,416
Ballpark Fee (DC)		10,500				-				400.000		405.000
Business License (VA)	_		_		_		_	93,000	_	108,000	_	105,000
Paid by Entity	_	263,738	_	186,487	_	190,582	_	108,307	_	127,448	_	124,416
In Eddard I and Town Bid Books of												
Individual Level Taxes (VA Resident)				467.700		467.003						
Non-Resident Tax		-		167,390		167,082		-		-		-
Taxes Withheld (entity level)				(167,390)		(167,082)						
VA Tax on Entity Income		123,432		137,499		137,246		132,369		131,269		131,443
Tax Credit	_	422.422	_	(137,499)	_	(137,246)	_	422.202	_	424.202	_	424.442
Paid by Individual	_	123,432	_		_		_	132,369	_	131,269	_	131,443
Total Combined Towns		207 170		106 407		100 503		240 675		250 747		255 050
Total Combined Taxes	\$	387,170	\$	186,487	-	190,582	\$	240,676	Ş	258,717	\$	255,859

Exhibit 5: Case Study Detail IIIA,B, and C

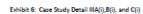


#### EXHIBIT 6: Local Business Tax Analysis - Case Study Detail IIIA(i),B(i), and C(i) Professional Services Pass-Through Entity (PTE) Filing a D-30 (LLC or P'ship)

Assumptions Total Revenues: \$ 30,000,000 Income before Taxes: DC Salary Deduction/Exemption:



	÷					Business	Loc	stion				
	_		М	ontgomery		Prince				Arlington		City of
				County	G	eorge's Co.	Eni	rfax County		County	Δ	Jexandria
		DC		MD	•	MD	rai	VA		VA	-	VA
A. Results - Owned 100% by DC Residents	_		_		_		_		_		_	
DC Resident Taxable Income	\$	720,350	\$	2,391,286	\$	2,386,883	\$	2,302,076	\$	2,282,935	\$	2,285,967
Entity Level Taxes Paid (Incl. Withholding)	_											
Income/Franchise Tax	\$	165,999	\$	-	\$	-	\$	-	\$	-	\$	-
Non-Resident Withholding				167,390		167,082		115,104		114,147		114,298
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Gross Receipts Tax		16,500		-		-		93,000		108,000		105,000
Paid by Entity	_	191,883	_	186,487	_	190,582	_	223,411	_	241,595	_	238,714
					_							
Individual Level Taxes (DC Resident)												
Non-Resident Tax		-		167,390		167,082		132,369		131,269		131,443
Taxes Withheld (entity level)		-		(167,390)		(167,082)		(115,104)		(114,147)		(114,298)
DC Tax on Entity Income		64,471		214,020		213,626		206,036		204,323		204,594
Tax Credit				(167,390)		(167,082)		(132,369)		(131,269)		(131,443)
Paid by Individual		64,471		46,630	_	46,544		90,932		90,176		90,296
			_		_		_					
Total Combined Taxes	\$	256,354	\$	233,117	\$	237,126	\$	314,343	\$	331,771	\$	329,010
B. Results - Owned 100% by MD Residents												
MD Resident Taxable Income:	\$	2,384,499	\$	2,391,286	\$	2,386,883	\$	2,302,076	\$	2,282,935	\$	2,285,967
Entity Level Taxes Paid (Incl. Withholding)												
Income/Franchise Tax	\$	165,999	\$	-	\$	-	\$		\$	<del>-</del>	\$	-
Non-Resident Withholding		-		-		-		115,104		114,147		114,298
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Ballpark Fee (DC)		16,500		-				-		-		-
Business License (VA)	_		_		_		_	93,000	_	108,000	_	105,000
Paid by Entity	_	191,883	_	19,097	_	23,500	_	223,411	_	241,595	_	238,714
In Editor I and Town (MED Dockson)												
Individual Level Taxes (MD Resident)								422.200		424.200		
Non-Resident Tax				-		-		132,369		131,269		131,443
Taxes Withheld (entity level)								(115,104)		(114,147)		
MD Tax on Entity Income		213,413		214,020		213,626		206,036		204,323		204,594
Tax Credit (State portion only)	_	(137,109)	_		_		_	(132,369)	_	(131,269)	_	(131,443)
Paid by Individual	_	76,304	_	214,020	_	213,626	_	90,932	_	90,176	_	90,296
Total Combined Taxes	5	268.187	5	233.117	<	237,126	s	314.343	s	331,771	<	329.010
Total Combined Taxes	-	200,107	-	233,117	-	237,120	•	314,343	_	331,771	•	329,010
	_		_		_		_		_		_	
C. Results - Owned 100% by VA Residents												
VA Resident Taxable Income	<	2.218.500	Ś	2.391.286	Ś	2.386.883	Ś	2.302.076	Ś	2.282.935	Ś	2.285.967
Entity Level Taxes Paid (Incl. Withholdine)	_	2,220,500	-	2,332,200	_	2,300,003	-	2,302,070	-	2,202,333	-	2,203,307
Income/Franchise Tax	5	165.999	s		s	_	s		5		s	
Non-Resident Withholding	-	203,333	-	167.390	-	167.082	-		-		•	
Personal Property Tax		9.384		19.097		23,500		15,307		19,448		19,416
Ballpark Fee (DC)		16,500		15,057		23,300		13,307		13,440		25,420
Business License (VA)		20,500						93,000		108,000		105,000
Paid by Entity	_	191.883	_	186.487	_	190.582	_	108,307	_	127,448	_	124,416
Paid by Entity	_	191,003	_	100,407	_	150,302	_	100,307	_	127,440	_	124,410
Individual Level Taxes (VA Resident)												
Non-Resident Tax		_		167.390		167.082		_		_		
Taxes Withheld (entity level)				(167,390)		(167,082)						
VA Tax on Entity Income		127,564		137,499		137,246		132,369		131.269		131,443
Tax Credit		127,304		(137,499)		(137,246)		132,309		131,209		131,443
Paid by Individual	_	127,564	_	(231,435)	_	(257,240)	_	132.369	_	131,269	_	131,443
r and by morvidual	_	127,304	_		_		_	132,309	_	131,209	_	131,443
Total Combined Taxes	\$	319,447	s	186,487	s	190,582	s	240,676	s	258,717	s	255,859
	-		-		_		-		_		_	







#### EXHIBIT 7: Local Business Tax Analysis - Case Study Detail IIIA[ii],B(ii), and C(ii) Professional Services Pass-Through Entity (PTE) with no DC Filing Requirement.

Assumptions

Total Revenues: \$ 30,000,000 | Income before Taxes: \$ 2,410,383 | 8.0%

						Business	Loc	ation				
			M	ontgomery		Prince			-	Arlington		City of
				County	G	eorge's Co.	Fai	rfax County		County	А	lexandria
	D	c		MD		MD		VA		VA		VA
A. Results - Owned 100% by DC Residents			_									
DC Resident Taxable Income	\$ 2,38	34,499	\$	2,391,286	\$	2,386,883	\$	2,302,076	\$	2,282,935	\$	2,285,967
Entity Level Taxes Paid (Incl. Withholding)												
Income/Franchise Tax	\$	-	\$		\$		\$		\$	-	\$	-
Non-Resident Withholding		-		167,390		167,082		115,104		114,147		114,298
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Gross Receipts Tax	1	16,500		-				93,000		108,000		105,000
Paid by Entity		25,884	_	186,487		190,582		223,411		241,595	_	238,714
Individual Level Taxes (DC Resident)												
Non-Resident Tax		-		167,390		167,082		132,369		131,269		131,443
Taxes Withheld (entity level)		-		(167,390)		(167,082)		(115,104)		(114, 147)		(114,298)
DC Tax on Entity Income	21	13,413		214,020		213,626		206,036		204,323		204,594
Tax Credit		_		(167,390)		(167,082)		(132,369)		(131,269)		(131,443)
Paid by Individual	21	13.413	_	46,630	_	46,544	_	90.932	_	90.176	_	90.296
,			_		_		_		_		_	
Total Combined Taxes	\$ 23	39,297	Ś	233,117	5	237,126	s	314,343	s	331,771	Ś	329,010
		-,	Ť	,	Ť		Ť		Ť		÷	,
B. Results - Owned 100% by MD Residents												
MD Resident Taxable Income:	\$ 2,38	34,499	\$	2,391,286	s	2,386,883	s	2,302,076	s	2,282,935	s	2,285,967
Entity Level Taxes Paid (Incl. Withholding)	3 2,30	14,433	,	2,391,200	-	2,300,003	-	2,302,070	-	2,202,933	-	2,203,907
Income/Franchise Tax	s		s		s		s		s		s	
Non-Resident Withholding	,		•		-		-	115,104	-	114,147	-	114,298
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
		16,500		19,097		25,500		15,507		19,440		19,410
Ballpark Fee (DC)	1	16,500		-				93.000		108.000		105.000
Business License (VA)		25,884		19.097	_	23,500	_	223,411	_	241,595	_	238,714
Paid by Entity		25,884		19,09/	_	23,500	_	225,411	_	241,595	_	238,/14
Individual Level Taxes (MD Resident)												
Non-Resident Tax Taxes Withheld (entity level)		-						132,369 (115,104)		131,269 (114,147)		131,443 (114,298)
								(y		( · )		
MD Tax on Entity Income	21	13,413		214,020		213,626		206,036		204,323		204,594
Tax Credit (State portion only)					_		_	(132,369)	_	(131,269)	_	(131,443)
Paid by Individual	21	13,413		214,020	_	213,626	_	90,932	_	90,176	_	90,296
Total Combined Taxes	\$ 23	39,297	\$	233,117	\$	237,126	\$	314,343	\$	331,771	Ş	329,010
C. Results - Owned 100% by VA Residents												
VA Resident Taxable Income:	\$ 2,38	34,499	\$	2,391,286	\$	2,386,883	\$	2,302,076	\$	2,282,935	\$	2,285,967
Entity Level Taxes Paid (Incl. Withholding)												
Income/Franchise Tax	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Non-Resident Withholding		-		167,390		167,082		-		-		-
Personal Property Tax		9,384		19,097		23,500		15,307		19,448		19,416
Ballpark Fee (DC)	1	16,500		-		-		-		-		-
Business License (VA)		-		-		-		93,000		108,000		105,000
Paid by Entity	2	25,884		186,487		190,582		108,307		127,448		124,416
Individual Level Taxes (VA Resident)												
Non-Resident Tax		-		167,390		167,082		-		-		-
Taxes Withheld (entity level)		-		(167,390)		(167,082)		-		-		-
VA Tax on Entity Income	13	37,109		137,499		137,246		132,369		131,269		131,443
Tax Credit		-		(137,499)		(137,246)		-		-		
Paid by Individual	13	37,109	_	-	_	-	_	132,369		131,269	_	131,443
			_		_							
Total Combined Taxes	\$ 16	52,993	\$	186,487	\$	190,582	\$	240,676	\$	258,717	\$	255,859
			_		_				_		_	

Exhibit 7: Case Study Detail IIIA(ii), B(II), and C(ii)



#### EXHIBIT 8: Local Business Tax Analysis - Personal Property Schedule

#### I. Business Personal Property

The case studies asssume that a business will have a total investment in personal property equipment and software equal to 8% of gross revenues (4% software, 3% computer equipment, and 1% furniture), all acquired within the last 10 years.

Depreciable Li Method/Conv			3 year SL/HY		5 year //200/HY	7 year M200/HY			
Year			Canned	c	omputer	Office		Cu	rrent Year
Acquired	96	5	oftware	E	quipment	Furniture	Total	De	preciation
2013	20%	\$	240,000	\$	180,000	\$ 60,000	\$ 480,000	\$	84,574
2012	15%		180,000		135,000	45,000	360,000		114,221
2011	15%		180,000		135,000	45,000	360,000		93,791
2010	10%		120,000		90,000	30,000	240,000		34,115
2009	10%		120,000		90,000	30,000	240,000		13,047
2008	10%		120,000		90,000	30,000	240,000		7,860
2007	5%		60,000		45,000	15,000	120,000		1,340
2006	5%		60,000		45,000	15,000	120,000		669
2005	5%		60,000		45,000	15,000	120,000		0
2004	596		60,000		45,000	15,000	120,000		0

\$ 1,200,000 \$ 900,000 \$ 300,000 \$ 2,400,000 \$

349,617



100%

The assessed values are computed based on each jurisdication's specific depreciation formula. The jurisdiction tax rate is applied to the assessed value, less any exemptions, to arrive at a the personal property tax expense used in these case studies.

			Personal	Pro	perty Assess	ed \	/alue			
					Prince					
Year		Mo	ntgomery		George's	Fair	rfax County	Arlington		City of
Acquired	DC	Co	unty MD	С	ounty MD		VA	County	Ale	xandria VA
2013	\$ 210,000	\$	348,000	\$	348,000	\$	138,000	\$ 165,000	\$	165,000
2012	112,500		162,000		162,000		78,750	92,250		92,250
2011	67,500		63,000		63,000		54,000	67,500		67,500
2010	28,500		39,000		39,000		24,000	24,000		33,000
2009	25,500		36,000		36,000		13,800	13,800		16,500
2008	22,500		33,000		33,000		10,800	10,800		13,500
2007	9,750		15,000		15,000		3,900	3,900		5,250
2006	8,250		14,250		14,250		3,900	3,900		5,250
2005	8,250		14,250		14,250		3,900	3,900		5,250
2004	8,250		14,250		14,250		3,900	3,900		5,250
	\$ 501,000	\$	738,750	\$	738,750	\$	334,950	\$ 388,950	\$	408,750

Does not Does not Does not Does not include Includes Includes include include include software software software software software software

DC Note: Assets assumed placed in Service Jan. 1 for 1/2 year depreciation taken in the year placed in service.



#### EXHIBIT 9: Local Business Tax Study - Tax Rates Used in Case Studies

The following taxes, credits, and rates are based on current tax law existing as of July 31, 2013.

Corporate Income/Franchise Tax Rate High-Tech (1) High-Tech (1) Minimum Tax: Receipts \$1M or less		DC 9.975% 0.000% 6.000% 0.000% \$250	Montgomery County MD 8.25%	Prince George's County MD 8.25%	Fairfax County VA 6.00%	Arlington County VA 6.00%	City of Alexandria VA 6.00%
Minimum Tax : Receipts greater than	\$1,000,000	\$1,000					
Salary for Owner Services (D-30)	\$1,000,000	30%					
Exemption (D-30)		\$5,000					
R&D Tax Credit (Max. allowed)	Basic Credit %		3.00%		\$25,050	\$25,050	\$25,050
	Growth Credit		10.00%				
BPOL Published Tax Rates (per \$100 revenu	es):				\$0.31	\$0.36	\$0.35
Corporate Business (Consultant) Professional Services					\$0.31 \$0.31	\$0.36	\$0.58
					\$0.31	\$0.36	\$0.35
R&D (non-govt). R&D (govt.)					\$0.31	\$0.18	\$0.35
Software Developer					\$0.00	\$0.18	\$0.35
Non-Profit (non-UBIT receipts) (2)  Note: The local jurisdictions have the auti	hority to waive or r	educe the BPOL i	rate.		\$0.00	\$0.00	
Ballpark Fee							
Gross Receipts from \$5,000,000 to	\$8,000,000	\$5,500					
Gross Receipts from \$8,000,001 to	\$12,000,000	\$10,800					
Gross Receipts from \$12,000,001 to	\$16,000,000	\$14,000					
Gross Receipts greater than	\$16,000,001	\$16,500					
Non-Profit		\$0					
Personal Property Taxes:							
Tax Rate (per \$100 Assessed Value) (3)		\$3.40	\$2.585	\$3.181	\$4.57	\$5.00	\$4.75
	High-Tech	\$0.00	\$0.00	\$0.00	\$4.57	\$5.00	\$4.75
Exemption	Non-Profit (4)	\$0.00 \$225,000	\$0.00	\$0.00	\$0.00	\$0.00	\$4.75
Non-Resident Withholding (PTE)			7.00%	7.00%	5.00%	5.00%	5.00%
Non-Resident Individual Rates (Max.)			7.00%	7.00%	5.75%	5.75%	5.75%
Individual Tax Rates (Max) - State		8.95%	5.75%	5.75%	5.75%	5.75%	5.75%
Individual Tax Rates (Max) - County			3.20%	3.20%			

#### Notes

- 1 Rate is 0% for the first five years (starting with the first year of taxable income) and is 6% thereafter.
- 2 Arlington County assesses BPOL on receipts in excess of \$2.5M for certain non-profit organizations.
- 3 Montgomery County Personal Property Tax Rate is for Bethesda Urban District (\$1.898 base rate + \$.687 special service area tax).
  May also be subject to local tax on personal property.
  - Prince George's County Personal Property Tax Rate is for College Park (\$2.343 base rate + \$.838 town rate)
- 4 The personal property of Alexandria-based non-profits is generally taxable, with some exceptions.







### Services

- Accounting & Auditing
- Business Valuation
- CBM Financial
   Services, LLC
- Consulting
- Retirement Audits
- Taxation

### Industry Specialties

- Automotive
- Construction/RealEstate
- Not-for-ProfitOrganizations
- Privately-heldBusinesses





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