

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

Case Study Taxpayer Profiles



- 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

<u>Assumptions</u>							
Total Revenues:	\$ 30,000,000						
Income before Taxes:	\$ 2,410,383	8.0%					
	<u>Business Location</u>						
	Montgomery County	Prince George's Co.	Fairfax County	Arlington County	City of Alexandria		
	DC	MD	MD	VA	VA	VA	
I. Corporate Business (C-Corp)							
<u>A. Single State of Operations</u>							
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	
<u>B. Single State of Operations With No Taxable Income</u>							
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	
<u>C. Multiple State of Operations, One Base Location</u>							
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	39,500	31,000	31,000	52,000	59,500	58,000	
Total State/Local Taxes	\$ 259,207	\$ 242,497	\$ 246,542	\$ 235,239	\$ 246,046	\$ 244,624	
II. High-Tech Company (C-Corp.)							
<u>A. With Taxable Income</u>							
Income/Franchise Tax, net	\$ 1,000	\$ 126,378	\$ 126,378	\$ 118,655	\$ 115,166	\$ 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						
<u>B. With No Taxable Income</u>							
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)							
<u>A. Owned 100% by DC Residents</u>							
Entity Level Taxes	\$ 263,738	\$ 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	
<u>B. Owned 100% by MD Residents</u>							
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	
<u>C. Owned 100% by VA Residents</u>							
Entity Level Taxes	\$ 263,738	\$ 19,097	\$ 23,500	\$ 108,307	\$ 127,448	\$ 124,416	
Individual Level Taxes	123,432	167,390	167,082	132,369	131,269	131,443	
Total State/Local Taxes	\$ 387,170	\$ 186,487	\$ 190,582	\$ 240,676	\$ 258,717	\$ 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	

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

<u>Assumptions</u>	
Total Revenues:	\$ 30,000,000
Income before Taxes:	\$ 2,410,383 8.0%

	DC	Montgomery County MD	Prince George's Co. MD	Fairfax County VA	Arlington County VA	City of Alexandria 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 (lower):		\$ (47,360)	\$ (43,320)	\$ (17,306)	\$ 686	\$ (2,164)
Tax Cost/(Savings) as % of Income before 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 (lower):		\$ (7,787)	\$ (3,384)	\$ 81,423	\$ 100,564	\$ 97,532
Tax Cost/(Savings) as % of Income before taxes:		-0.32%	-0.14%	3.38%	4.17%	4.05%

Supporting Analysis

<u>Income Before Taxes</u>						
Gross Revenues	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
Operating Expenses	(27,240,000)	(27,240,000)	(27,240,000)	(27,240,000)	(27,240,000)	(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
<u>State Business Taxes</u>						
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)

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

	Montgomery County		Prince George's Co.	Fairfax County	Arlington County	City of Alexandria	TOTAL
	DC	MD	MD	VA	VA	VA	
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	\$ 44,145	\$ 121,702	\$ -	\$ 8,851	\$ 8,851	\$ 8,851	\$ 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	\$ 49,645	\$ 140,799	\$ -	\$ 16,601	\$ 17,851	\$ 17,601	\$ 242,497
3. MD Base (Prince George's)							
Income/Franchise Tax	\$ 44,062	\$ -	\$ 121,475	\$ 8,835	\$ 8,835	\$ 8,835	\$ 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	\$ 49,134	\$ 18,044	\$ 18,044	\$ -	\$ -	\$ 159,402	\$ 244,624



EXHIBIT 4: Local Business Tax Analysis - Case Study Detail IIA and IIB
High Technology (Software Developer) - Single State Operations

<u>Assumptions</u>		
Total Revenues:	\$ 30,000,000	
Income before Taxes:	\$ 2,410,383	8.0%
<u>Tax Credits:</u>		
Est. Base Expenditures	\$ 817,200	3% of operating expenses
Est. Excess Expenditures	\$ 544,800	2% of operating expenses

	Years 1-5 DC	Years 6+ DC	Montgomery County MD	Prince George's Co. MD	Fairfax County VA	Arlington County VA	City of Alexandria 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 higher or (lower):			\$ 108,878	\$ 108,878	\$ 116,462	\$ 171,114	\$ 219,024
Years 6+: Compared to DC - Taxes are higher or (lower):			\$ (33,755)	\$ (33,755)	\$ (26,171)	\$ 28,481	\$ 76,391
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 higher or (lower):			\$ (17,500)	\$ (17,500)	\$ (2,193)	\$ 55,948	\$ 106,916

Supporting Analysis

Income Before Taxes

Gross Revenues	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
Operating Expenses	(27,240,000)	(27,240,000)	(27,240,000)	(27,240,000)	(27,240,000)	(27,240,000)	(27,240,000)
Depreciation	(349,617)	(349,617)	(349,617)	(349,617)	(349,617)	(349,617)	(349,617)
MD R&D Tax Credit Add-Back	-	-	78,996	78,996	-	-	-
	2,410,383	2,410,383	2,489,379	2,489,379	2,410,383	2,410,383	2,410,383

State Business Taxes

Personal Property Tax	-	-	-	-	15,307	19,448	19,416
Ballpark Fee (DC)	16,500	16,500	-	-	0	0	0
Business License (VA) - Note 1	-	-	-	-	0	54,000	105,000
	16,500	16,500	-	-	15,307	73,448	124,416

State Taxable Income	\$ 2,393,883	\$ 2,393,883	\$ 2,489,379	\$ 2,489,379	\$ 2,395,076	\$ 2,336,935	\$ 2,285,967
State Income / Franchise Tax	\$ 238,790	\$ 238,790	\$ 205,374	\$ 205,374	\$ 143,705	\$ 140,216	\$ 137,158

Notes:

- 1) Arlington County assumed to have between 200 and 500 employees (for lower BPOL rate)
- 2) 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)**

<u>Assumptions</u>							
Total Revenues:	\$ 30,000,000						
Income before Taxes:	\$ 2,410,383	8.0%					
		<u>Business Location</u>					
		Montgomery County MD	Prince George's Co. MD	Fairfax County VA	Arlington County VA	City of Alexandria VA	DC
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	\$ -	\$ -	\$ -	\$ -	\$ -	
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	\$ 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	\$ 237,854	\$ -	\$ -	\$ -	\$ -	\$ -	
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	263,738	19,097	23,500	223,411	241,595	238,714	
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	
Total Combined Taxes	\$ 340,042	\$ 233,117	\$ 237,126	\$ 314,343	\$ 331,771	\$ 329,010	
C. Results - Owned 100% by VA Residents							
VA 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	\$ -	\$ -	\$ -	\$ -	\$ -	
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)	16,500	-	-	-	-	-	
Business License (VA)	-	-	-	93,000	108,000	105,000	
Paid by Entity	263,738	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	123,432	137,499	137,246	132,369	131,269	131,443	
Tax Credit	-	(137,499)	(137,246)	-	-	-	
Paid by Individual	123,432	-	-	132,369	131,269	131,443	
Total Combined Taxes	\$ 387,170	\$ 186,487	\$ 190,582	\$ 240,676	\$ 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: \$ 2,410,383 8.0%					
	DC Salary Deduction/Exemption: \$ 720,350					
	Business Location					
	DC	Montgomery County MD	Prince George's Co. MD	Fairfax County VA	Arlington County VA	City of Alexandria 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	90,298
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	\$ -	\$ -	\$ -	\$ -	\$ -
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
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	90,298
Total Combined Taxes	\$ 268,187	\$ 233,117	\$ 237,126	\$ 314,343	\$ 331,771	\$ 329,010
C. Results - Owned 100% by VA Residents						
VA Resident Taxable Income:	\$ 2,218,500	\$ 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	-	-	-
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	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	127,564	137,499	137,246	132,369	131,269	131,443
Tax Credit	-	(137,499)	(137,246)	-	-	-
Paid by Individual	127,564	-	-	132,369	131,269	131,443
Total Combined Taxes	\$ 319,447	\$ 186,487	\$ 190,582	\$ 240,676	\$ 258,717	\$ 255,859

Exhibit 6: Case Study Detail IIIA(i), B(i), and C(i)



**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		Business Location				
	Total Revenues:	\$ 30,000,000	Montgomery County MD	Prince George's Co. MD	Fairfax County VA	Arlington County VA	City of Alexandria VA
Income before Taxes:	\$ 2,410,383	8.0%					
A. Results - Owned 100% by DC Residents							
DC 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	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	213,413	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	213,413	46,630	46,544	90,932	90,176	90,296	
Total Combined Taxes	\$ 239,297	\$ 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	25,884	19,097	23,500	223,411	241,595	238,714	
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)	-	-	-	(132,369)	(131,269)	(131,443)	
Paid by Individual	213,413	214,020	213,626	90,932	90,176	90,296	
Total Combined Taxes	\$ 239,297	\$ 233,117	\$ 237,126	\$ 314,343	\$ 331,771	\$ 329,010	
C. Results - Owned 100% by VA Residents							
VA 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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)	16,500	-	-	-	-	-	
Business License (VA)	-	-	-	93,000	108,000	105,000	
Paid by Entity	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	137,109	137,499	137,246	132,369	131,269	131,443	
Tax Credit	-	(137,499)	(137,246)	-	-	-	-
Paid by Individual	137,109	-	-	132,369	131,269	131,443	
Total Combined Taxes	\$ 162,993	\$ 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 assume 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.

Year Acquired	%	Canned Software	Computer Equipment	Office Furniture	Total	Current Year Depreciation
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	5%	60,000	45,000	15,000	120,000	0
	100%	\$ 1,200,000	\$ 900,000	\$ 300,000	\$ 2,400,000	\$ 349,617

II. Personal Property Assessed Value

The assessed values are computed based on each jurisdiction's specific depreciation formula.

The jurisdiction tax rate is applied to the assessed value, less any exemptions, to arrive at the personal property tax expense used in these case studies.

Year Acquired	Personal Property Assessed Value					
	DC	Montgomery County MD	Prince George's County MD	Fairfax County VA	Arlington County	City of Alexandria 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 include software	Includes software	Includes software	Does not include software	Does not include software	Does not include software
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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.

	Montgomery County	Prince George's County	Fairfax County	Arlington County	City of Alexandria
	DC	MD	MD	VA	VA
Corporate Income/Franchise Tax Rate	9.975%	8.25%	8.25%	6.00%	6.00%
High-Tech (1) Years 1 - 5	0.000%				
High-Tech (1) Years 6+	6.000%				
Non-Profit	0.000%				
Minimum Tax : Receipts \$1M or less				\$250	
Minimum Tax : Receipts greater than \$1,000,000				\$1,000	
Salary for Owner Services (D-30)				30%	
Exemption (D-30)				\$5,000	
R&D Tax Credit (Max. allowed)					
Basic Credit %		3.00%		\$25,050	\$25,050
Growth Credit		10.00%			
BPOL Published Tax Rates (per \$100 revenues):					
Corporate Business (Consultant)				\$0.31	\$0.36
Professional Services				\$0.31	\$0.36
R&D (non-govt.)				\$0.31	\$0.18
R&D (govt.)				\$0.03	\$0.18
Software Developer				\$0.00	\$0.18
Non-Profit (non-UBIT receipts) (2)				\$0.00	\$0.00
<i>Note: The local jurisdictions have the authority to waive or reduce the BPOL rate.</i>					
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)					
High-Tech	\$3.40	\$2.585	\$3.181	\$4.57	\$5.00
Non-Profit (4)	\$0.00	\$0.00	\$0.00	\$4.57	\$5.00
Exemption	\$225,000			\$0.00	\$0.00
Non-Resident Withholding (PTE)		7.00%	7.00%	5.00%	5.00%
Non-Resident Individual Rates (Max.)		7.00%	7.00%	5.75%	5.75%
Individual Tax Rates (Max) - State	8.95%	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.



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 - Business Valuation
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 - Consulting
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 - Taxation
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 - Privately-held Businesses



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