

Tax Administration Policy Options Transmitted to CFO Designate Jeffrey DeWitt by the D.C. Tax Revision Commission

Policy Options

Notes

I. Public Testimony Policy Options Provide to the Tax Revision Commission and Commissioner Options

- 1 Establish system for evaluating tax incentives for jobs and growth

- 2 Collect/compile tax data at neighborhood level

- 3 Increase tax admin resources for enforcement
- 4 Adopt a Taxpayer Bill of Rights
- 5 Replace the Real Property Tax Appeals Commission (RPTAC) with the previous Board of Real Property Appeals (BRPA)
- 6 Return to triennial assessments
- 7 Hire more OTR employees
- 8 Reduce penalty and interest on minor mis-filings, particularly for low-income tax filers and small businesses.
- 9 Improve customer service in general, but particularly during individual income tax filing season (Jan 15th -- April 30th)

D.C. is now evaluating tax incentives prior to approval, evaluating tax incentives on a biannual basis, and Councilmember Cheh has introduced legislation to evaluate a tax incentive after it has expired to see the incentive accomplished what it intended to accomplish.

Intended to assist in economic development attraction and analysis. In particular, aggregate restaurant and retail clothing information would be very useful in marketing all DC neighborhoods.

Intended to increase revenue collections for D.C.

Many states and cities have Tax Payer Bills of Rights

The stated reason for this is that RPTAC commissioners are city employees and, thus, are not impartial but concerned about revenue growth. BRPA had volunteers.

Would ease the burden of D.C. government property assessors

To provide better customer service and improve collections

The current penalties and interest charged for minor mis-filings appear very large and costly. DC taxpayers often face delays in learning about the status of their tax payments and refunds, particularly during the individual income tax filing season.

II. Tax Revision Commission Consultant Linda Tanton, former Deputy Comptroller for Maryland -- Issues and Policy Options

- 10 Continue to work to obtain a new Integrated Tax System (ITS)

- 11 Continue to work to obtain and implement a new phone system

- 12 Re-Evaluate Adjustment/Refund Review Process

1. Office of Tax and Revenue (OTR) proceed with project and the Mayor and City Council provide funding to OCFO to fully implement.

2. Resources be provided to OCFO to supplement existing staff to enable core mission of agency to continue while subject matter experts are engaged in implementation.

Work to implement the new phone system and install features that will enhance both the taxpayer and employee experience.

While these reviews will be more automated with an new ITS, current controls should be reviewed to determine if the multiple levels of review can be reduced for at least a portion of the refund population before ITS is implemented.

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- 13 Separation of Duties for Adjustments
- 14 Enhance Support Functions (Information Technology, Personnel, Training and Procurement)
- 15 Employee Morale
- 16 Enhance Taxpayer Information on Website and Outreach to Public
- 17 Review the statutory and regulatory requirements for the lockbox for each tax type with the goal of having the lockbox serve the needs of the District without creating undue administrative burdens and delays in processing for the taxpayers.
- 18 Explore Establishing a New level of Appeal for Real Property Assessments

III. Other Experts

- 19 Allow Schedule H homeowner filers to take their credit on their property tax bill rather than their income tax return.

IV. Deputy CFO Stephen Cordi, Office of Tax and Revenue

- 20 Click-Through Nexus
- 21 Add Use Line to Personal Income Tax Return
- 22 Replace Business Franchise and Unincorporated Business Franchise Tax with an Expanded Gross Receipts Tax

Notes

Urge OTR to review current organization of this function to determine if more efficient to create one unit to perform adjustments requested throughout the agency and implement controls within that unit.

OCFO look for ways to enhance the ability of the support services to serve OTR. IT appears resource constrained and cannot service OTR in a timely manner. Several OTR positions appear to have too high job requirements--for example, a junior collections officer does not need a CPA to perform the job.

Create a Leadership Development Program to identify future leaders of OTR and provide them with training.

1. OTR request additional resources, both personnel and technical, to enhance website material with goal of increasing voluntary compliance.

2. Review existing outreach programs to constituent groups to determine if there are additional resources that would enhance educational opportunities to taxpayers.

OTR cannot process any returns or payments for some of the lockbox taxes, even if taxpayers send them directly to OTR through the mail or a personal visit to the office. This creates delays in processing these documents and payments for taxpayers and creates the potential for misapplication of payments that taxpayers have made.

Explore the feasibility of establishing a new appeal level with judges who have real property assessment background with the goal of expediting the resolution of these matters. Maryland has such a system.

This will improve the cash flow for Schedule H homeowner filers.

Do not recommend. Recent experience in other states has shown this to be unlawful and unproductive.

Do not recommend. Compliance is extremely low.

Do not recommend. OTR has just finished the significant undertaking of implementing combined reporting for D.C.'s business taxpayers. OTR would like to avoid another significant change in business taxation, in the absence of a pressing reason for change.

Policy Options

23 Split Property Tax -- Land and Building Separately

V. Chairman of the Real Property Tax Appeals Commission (RPTAC) Gregory Syphax

24 Split Property Tax -- Land and Building Separately

25 OTR reorganize its assessors into specialty groups

26 More Training for OTR Assessors

VI. Inspector General Report of November 16, 2012

27 The Inspector General contracted with Almy, Gloudermans, Jacobs and Denne to review the District's Management and Valuation of Commercial Real Property Assessments.

Notes

Do not recommend. There are not enough land transactions with which to value land for most D.C. properties. Thus, OTR projects a "sharp jump" in property assessment appeals.

Do not recommend. Too hard to value land and improvements separately. Would lead to many more appeals.

OTR is implementing this change.

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The Almy Report made 28 recommendations, many are complete as of December 1, 2013 and all but one of the remaining recommendations are in various phases of implementation.