



D.C. Tax Revision Commission

Tax Policy Options for Consideration During Deliberations

Sept. 26, 2013

The D.C. Council authorized the District of Columbia Tax Revision Commission (“the Commission”) on Sept. 14, 2011 through an amendment to D.C. Code Section 47-460. The Commission is an independent body consisting of 11 members appointed by the Mayor and Chairman of the D.C. Council.

The purpose of the Commission is to comprehensively review the D.C. tax system of and recommend changes to the Mayor and D.C. Council which (1) provide for fairness in apportionment of taxes; (2) broaden the tax base; (3) make the District’s tax policy more competitive with surrounding jurisdictions; (4) encourage business growth and job creation; and (5) modernize, simplify, and increase transparency in the District’s tax code.

After receiving numerous presentations and research papers from tax policy experts, testimony and letters from the Mayor and members of the D.C. Council, soliciting the thoughts and ideas of the public and our commissioners, the staff of the Commission has assembled a list of policy options for the commissioners to consider. All materials submitted to the Commission have been posted on our website (dctaxrevisioncommission.org) and are available to the public.

The Commission’s deliberations will take place during a set of meetings in September, October and November. These meetings will be open to the public. Please see our website for the Commission’s complete and detailed schedule.

The full policy option list is presented below and has been made available to the public to promote transparency. Please note:

- **The policy option list is not final.** The policy options below are not the recommendations of the Commission. They are options for consideration by the Commission. The staff attempted to reflect the full range of policy options that have been presented to the Commission—whether by a policy expert, elected official, commissioners or member of the public—without endorsing any of them.
- **“Policy Option” descriptions are purposefully brief.** This list was created to succinctly present the range of options available to the Commission. Many ideas are not flushed out in full so that the list can remain on three pages. Several options—such as lowering individual income tax burdens—contain numerous policy changes than cannot be represented on one line of text. For the Commission’s deliberations, the staff will assemble policy option memos that will describe each option in more detail. These memos will also be made available to the public and posted on our website prior to the meetings.

- **“Goals” align each policy option with one or more of the five stated objectives of the Commission.** In several cases, the goal is an indirect impact of the policy option.
- **“Revenue” indicates the direction of the revenue impact of a policy change taken in isolation, based on various assumptions.** A more precise revenue estimate for each proposal will be provided by the Office of Revenue Analysis for the policy option memos and may be updated during deliberations. Any revenue estimate for a policy options does not reflect other changes that may make the change net revenue neutral.
- **“Origin” only describes the source of the policy option.** It is not an endorsement of the proposal by the attributed person.

At this stage, he Commission is not soliciting additional policy options. The public is strongly encouraged, however, to submit any thoughts or reactions on the options presented here or discussed at the deliberations.

Please contact the Commission via our website: dctaxrevisioncommission.org.

D.C. Tax Revision Commission Policy Options: Deliberations Draft [Sept. 26, 2013]

#	Policy Option	Goal(s)	Revenue*	Origin**
Sales Taxes				
1	Expand sales tax to additional services (construction, storage, etc.)	Broaden tax base	Increase	W. Fox
2	Expand tax base on goods: food, snacks or non-prescription drugs	Broaden tax base	Increase	W. Fox
3	Assert click-through nexus: online firms w/ DC affiliates collect tax	Broaden tax base	Increase	W. Fox
4	Add use tax line to the personal income tax return	Fairness	Increase	W. Fox
5	Unified taxation of tobacco products	Broaden tax base/modernize	Increase	Public
6	Increase the sales tax rate on parking, hotels, rental cars, restaurants	Competition	Increase	Public
Individual Income Taxes				
7	Decrease middle-income burden: create/raise brackets or lower rates	Fairness	Decrease	Buschman/Tucker/Evans
8	Increase progressivity by adding more high-income brackets	Fairness	Increase	E. Lazere/Public
9	Reduce upper income tax rates	Competition	Decrease	Buschman/J. Evans
10	Raise standard deduction/personal exemption to federal levels	Fairness/simplicity	Decrease	M. Cheh/E. Lazere
11	Increase Earned Income Tax Credit (EITC) benefits: all workers	Fairness	Decrease	M. Cheh
12	Increase EITC benefits specifically for a childless workers	Fairness	Decrease	M. Cheh
13	Eliminate non-custodial parent EITC (still eligible for childless EITC)	Simplicity	Negligible	R. Buschman
14	Conform D.C. itemized deduction phase out with federal phase out	Simplicity	Decrease	R. Buschman/V. Gray
15	Create personal exemption phase out (conform w/ federal limit)	Fairness	Increase	E. Lazere
16	Conform D.C. filing statuses w/ federal options (reduce from 8 to 5)	Simplicity	Negligible	R. Buschman
17	Eliminate the low-income credit	Simplicity	Increase	R. Buschman
18	Eliminate survivor's benefits exclusion (D.C. and federal government)	Broaden tax base/simplicity	Increase	R. Buschman
19	Eliminate D.C. employee first-time homebuyer credit	Broaden tax base/simplicity	Negligible	R. Buschman
20	Eliminate \$500 subtraction for long-term care insurance	Broaden tax base/simplicity	Negligible	R. Buschman
21	Eliminate \$3,000 exclusion D.C./federal government retiree pensions	Broaden tax base/simplicity	Increase	R. Buschman
22	Eliminate homeowner/renter property tax credit (Schedule H)	Broaden tax base/simplicity	Increase	R. Buschman
23	Eliminate exemption for out-of-state municipal bonds	Broaden tax base/simplicity	Increase	R. Buschman
Estate Tax				
24	Eliminate the estate tax	Competition	Decrease	V. Gray/Public
25	Raise threshold from \$1 million to \$2 million or \$5.25 million (federal)	Competition	Decrease	M. Cheh/S. Tucker/Public
26	Change threshold to a credit -- removing "bubble" problem	Competition	Decrease	Public
27	Defer estate taxes until the death of the surviving spouse	Competition	Decrease	Public

*Estimated for the option in isolation. Does not reflect other changes that may make the net change revenue neutral. "Negligible" indicates change is less than \$1 million.
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Business Taxes				
28	Eliminate or reduce BFT/UBFT rate to 8.25% (MD rate)	Competition/business growth	Decrease	Evans/CBM/Whiteman
29	Repeal unincorporated business tax	Competition/business growth	Decrease	J. Evans
30	Create a de minimis exemption for the BFT and UBFT	Fairness	Unknown	Public
31	Replace BFT & UBFT tax w/ an expanded gross receipts tax	Simplify/broaden tax base	Neutral	N. Francis
32	Expand nexus from physical to economic presence	Broaden tax base	Increase	N. Francis
33	Apportion using single weighted sales formula	Broaden tax base	Increase	N. Francis
34	Reduce capital gains tax (income) to 3% for high tech firms	Competition/business growth	Decrease	Mayor Gray
35	Create a Certified Business Enterprise tax credit (property or income)	Competition/business growth	Decrease	Mayor Gray
36	Levy a local services tax on all D.C. employers (~\$50-75 per employee)	Broaden tax base	Increase	Public
37	Eliminate DC Water PILOT; replace w/ utility tax on water/sewage	Broaden tax base	Neutral	Public
Property Taxes				
38	Reduce rate difference between Class 1 and Class 2	Competition/business growth	Unknown	Kenyon/Whiteman/Public
39	Reduce Class 2 rates: \$1.65 to \$0.90 and \$1.85 to \$1.10	Competition/business growth	Decrease	Mayor Gray
40	Create small business tax credit & eliminate the \$1.65 rate (Class 2)	Business growth	Unknown	E. Lazere
41	Eliminate or combine Class 3 & Class 4	Simplification	Unknown	D. Kenyon
42	Expand circuit breaker relief & tie to property tax (not income tax)	Fairness	Decrease	M. Bell/M. Bowser
43	Eliminate the senior tax credit	Broaden the tax base	Increase	M. Bell
44	Eliminate or reduce the homestead deduction	Broaden the tax base	Increase	M. Bell
45	Legislate equal yield budgeting	Competition	Neutral	M. Bell
46	Split property tax: land and buildings	Business growth	Neutral	Public
Residential Property Tax Credit				
47	Eliminate the assessment limitation	Broaden the tax base	Increase	D. Sjoquist
48	Reduce assessment limit increase from 10% to 5%	Competition	Decrease	D. Sjoquist/Evans
49	Increase minimum (currently 40%) for taxable assessment	Broaden the tax base	Increase	D. Sjoquist/Public
Property Tax Expenditures/Exemptions				
50	Eliminate "miscellaneous" exemptions	Broaden the tax base	Increase	M. Bell
51	Develop Boston-like PILOT program (negotiate revenue)	Broaden tax base/fairness	Increase	M. Bell/S. Tucker

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52	Establish criteria for legislative tax exemptions	Transparency	Negligible	M. Bell
53	Implement systemic review/sunset of legislative expenditures	Transparency	Negligible	M. Bell/M.Cheh
54	Adopt criteria for granting tax abatements	Transparency	Negligible	M. Bell
Deed Recordation & Deed Transfer Taxes				
55	Increase the combined commercial tax rate from 2.9% to 4.9%	Competition	Increase	R. Green
56	Eliminate combined tax for all property or reduce to 0.433% (VA rate)	Competition	Decrease	R. Green
57	Eliminate the "bump" at \$400,000 by using marginal rates (residential)	Fairness/modernize	Decrease	R. Green
58	Create more progressive brackets w/ marginal rates (residential)	Fairness	Decrease	R. Green
59	Raise exemption from 120% of HUD low income to 200% (residential)	Fairness	Decrease	R. Green
60	Waive taxes for first-time homebuyers	Competition	Decrease	R. Green
Tax Administration/Review				
61	Establish system for evaluating tax incentives for jobs and growth	Modernize, transparency	Unknown	M. Cheh/Public
62	Collect/compile tax data at neighborhood level	Modernize, transparency	N/A	Public
63	Increase tax admin resources for enforcement	Modernize, transparency	N/A	S. Tucker
N/A	Additional options TBD after Nov. 4 meeting on tax administration	Modernize, transparency	N/A	TBD

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