

Draft Chairman's Mark of Major Tax Changes (Dec. 9)

Recommended Options (# from Options List)	Revenue ¹	
	A	B
Sales Tax		
1. Expand the sales tax to services selected by Professor Fox (1)	\$28.2 million	\$28.2 million
2. Add use tax line to personal income tax return (4)	\$1 million	\$1 million
3. Unify taxation of tobacco products (5)	\$7 million	\$7 million
4. Increase the general sales tax rate to 6% (6)	\$22 million	\$22 million
Individual Income Tax		
5a) Column A: Top rate of 8.5%, introduce new bracket at 6.5% for \$40,000 to \$80,000, and keep one set of brackets. Column B: Introduce two sets of brackets including: \$40,001-\$80,000 taxed at 6.5% for married and \$40,001-\$60,000 taxed at 6.5% for single, 8.95% rate begins at \$200,000 for singles and \$350,000 for married. Both columns: Conform to Federal filing status. Expand childless EITC. Eliminate: DC government employee home credit, deduction for long-term care insurance, deduction government pensions, low-income credit (7, 12, 19-21) ²	-\$46.5 million	-\$30.5 million
5b) Raise standard deduction to Federal levels (10)	-\$34.1 million	-\$34.1 million
5c) Phase out itemized deduction using DC rules at 7.5% rate	N/A	\$9.5 million
5d) Raise personal exemption to Fed level w/ Fed phase outs (10)	-\$62.3 million	-\$62.3 million
5e) Phase out personal exemption starting at \$150,000 at 5% rate	N/A	\$15.7 million
6) Extend the 8.95% rate permanently	N/A	\$31 million ³
Estate Tax		
7. Raise threshold to \$5.25 million—conform to Feds (25)	-\$15.8 million	-\$15.8 million
Business Taxes		
8. Reduce BFT/UBFT rate: 9.975% to 7.75% (A) or 8.25% (B) (28)	-\$74 million	-\$57 million
9. Exempt passive investment vehicles from UBFT (29)	TBD	TBD
10. Apportion using single weighted sales formula (33)	\$20 million	\$20 million
11. Lower commercial property tax rates to \$1.55 and \$1.80 (39)	-\$39.5 million	N/A
12. Levy a local services fee on employers: \$25/employee-quarter (36)	\$45 million	\$45 million
13. Miscellaneous policy/administration recommendations	N/A	N/A
Total Revenue Increase (all black numbers)	\$123.2 million	\$179.4 million
Total Revenue Decrease (all red numbers)	-\$272.2 million	-199.7 million
Total Net Package	-\$149.0 million	-\$20.3 million
Current Funding for Commission Recommendations	\$18.0 million	\$18.0 million
Need for Future General Fund Revenue	-\$131.0 million	-\$2.3 million

¹ Revenue estimates are the estimated change during the first full year of implementation.

² The current D.C. individual income tax brackets: \$0-\$10,000=4%; \$10,001-\$40,000=6%; \$40,001-\$350,000=8.5%; \$350,001=8.95%.

³ The 8.95% income tax rate currently expires on Dec. 31, 2015. Extending the 8.95% tax rate permanently increases revenue for three-fourths of the tax year 2016 and all of the tax year 2017 (which is \$31 million).