

My name is Jesse Lovell. I am a resident of Ward 3 and a DC resident of 15 years. I am a renter, and I work in the not-for-profit sector. And I give most of the rest of my time to issues affecting the District of Columbia.

My chief concern today is defining what we mean when we talk about tax reform, particularly progressive tax reform. Of all the taxes that exist in our world, I have to say that my favorite, by far, is the income tax. That's not to say that I love paying income taxes, but I do appreciate the federal income tax system's basic principle of fairness. People pay according to their ability to pay, rather than according to a single, arbitrary rate for all or an assessed value for a piece of property that might change quickly, especially in a place like Washington, DC.

I believe tax reform in DC needs to focus first and foremost on progressive income taxes. I see two basic principles. Fairness, or progressivity; and adaptability. First, the system needs to be progressive to start with, and DC's really isn't there yet. The current system, to me, seems a bit schizophrenic. We recognize the need to keep income taxes lowest for the poorest and low for the less poor, yet we seem to abandon that logic for those earning any amount above \$40,000. Given our city's high cost of living, I would consider those earning incomes at or near \$40,000 to be very much at the lower end of middle class. In 2011, the District enacted a slightly higher rate on incomes above \$350,000 – roughly 75% of the annual salary of the President of the United States – but this rate is set to expire in 2015. We should not let that rate expire. But I think we should also look at establishing a higher bracket for the increasing number of residents whose salaries dwarf even the President's. I don't say this just because I believe the super-wealthy should pay more, though.

The second tax reform principle is adaptability to the times. This city is much different from the District I moved to in 1998. Back then, as the city was emerging from serious financial problems, our income tax system was much less progressive even than today's. The District is now flush with revenue, and doing well at attracting investment by almost any measure. But that can't last forever. We need to keep a careful eye out for ongoing signs of trouble, both nearby and around the country.

While the District's average wage is well above the national average, averages hide many of the realities of living in an increasingly expensive city. The DC Fiscal Policy Institute cited a study in 2009 by Wider Opportunities for Women which concluded that a single-parent family of three in the District would need an income of more than \$41,000 after taxes to meet basic needs. Families shouldn't have to be two-income just to get by.ⁱ Am I saying that the District needs to provide more assistance to both low- AND moderate-income households? Yes, in some form or another.

I think we can pursue a number of different goals at the same time through tax reform. First, fairness, as I discussed. Second, growth and stability. Putting more money in the hands of moderate-income residents who now may not be able to afford significant purchases helps our economy. Business owners always need to attract as large a loyal following as possible to ensure their own viability. We should avoid putting the District in the position of having to rely on the spending of our richest residents.ⁱⁱ

Finally, looking at DC's taxes in comparison to our surrounding jurisdictionsⁱⁱⁱ, I believe these reforms are "viable." The District currently provides the lowest overall tax burden in the Washington Metropolitan Area for those with incomes ranging from as low as \$50,000 to as high as \$150,000 (the highest income level cited in the study).

In summary, I believe this Commission should propose a reduction in the income tax rate for taxpayers currently near the lower margin of the District's 8.5% bracket, I believe the Commission should propose to at least maintain the District's 8.95% bracket, and I believe the Commission should propose the phasing in of a new bracket for our highest income earners akin to high-income tax rates established in Maryland and New Jersey.

Thank you for your time.

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