



## D.C. Tax Revision Commission

### MEETING MINUTES

Subject: D.C. Tax Revision Public Hearing  
Date: Nov. 12, 2013  
Time: 5:00 p.m. to 9:00 p.m.  
Location: Room W250 1101 4<sup>th</sup> Street, S.W. Washington, D.C. 20024

#### **Members Present:**

Anthony Williams	Mark Ein
Teresa Hinze	Kim Rueben
David Brunori	Ed Lazere
Catherine Collins	Stefan Tucker
Nicola Whiteman	

#### **Invited Speakers:**

The public hearing was open to members of the community interested in the work of the D.C. Tax Revision Commission.

#### **Staff:**

Gerry Widdicombe	Steven Rosenthal
Ashley Lee	Richard C. Auxier
Elisha Gaston	

## **I. Call to Order (Anthony Williams)**

Mr. Anthony Williams, the chair of the D.C. Tax Revision Commission (the “Commission”), called the meeting to order at 5:10 p.m. He began by thanking the Office of the Chief Financial Officer (OCFO), the Office of Revenue Analysis (ORA), and the Office of Tax and Revenue (OTR) for their exceptional contributions to the Commission’s work. He also thanked the members of the public who came to share their thoughts on the policy options being considered by the Commission, and announced that electronic copies of each speaker’s testimony would be made available on the Commission’s website. Mr. Williams notified those present that the Commission’s next meeting would be held on Nov. 18, 2013, from 3 p.m. to 6 p.m., in the same room (Room W250 1101 4th Street, S.W., D.C.).

## **II. Discussion of Commission Schedule and Deliberation Process**

Mr. Williams noted that the Commission is grateful to members of the public for voicing their thoughts and concerns, and that the contribution of the public is important to Commission. He added that the people scheduled to testify would be called forward in groups of three and that each speaker would be held to a three-minute limit in order to allow everyone an opportunity to speak.

Mr. Williams announced that Mr. Victor Hoskins, D.C.’s Deputy Mayor for Planning and Economic Development, would speak first.

## **III. Witness Testimony**

### **Testimony of Mr. Victor Hoskins**

Mr. Williams turned the floor over to Mr. Hoskins, who was joined by Jenifer Boss, Business Development Specialist, Office of the Deputy Mayor for Planning. He and Ms. Boss were there to testify about tax incentives for high technology companies, most notably the capital gains tax cut in the Qualified High Technology Company (QHTC) Enhancement Act. Mr. Hoskins said the legislation, which would reduce capital gains taxes to 3% for qualified firms and individuals, was essential for both increasing the amount of high-tech investment in D.C. and for keeping successful firms in the city when they cash out. He warned that without such changes D.C. could lose investment and jobs to Virginia.

### **Question & Answer**

Mr. Stefan Tucker asked, “What do you say to critics who say there is no evidence that targeted incentives like this work for tech companies?”

Mr. Hoskins responded that these critics are clearly misinformed, adding that, while in a similar position in Maryland, he attracted QHTCs from competitors like Pennsylvania, Delaware and Virginia, with exactly these kinds of targeted tax incentives.

Mr. Tucker asked why D.C. should focus specifically on QHTCs and not other businesses.

Mr. Hoskins responded that his economic development team is focusing on many sectors in addition to QHTCs. He added that QHTCs deserve the District's attention because they fit the city's profile and are an opportunity for sustained growth in the future.

Mr. Mark Ein thanked Mr. Hoskins and Ms. Boss, and congratulated them on doing a great job with the tech sector in D.C. He asked that the speakers clarify whether the specific legislation being considered reduces capital gains rates for D.C. residents investing in D.C. companies, and whether it is geared more toward benefitting investors, founders, or both. He asked whether, on the investor side, D.C. is trying to catalyze additional investment from people in the District, by showing that this is tax advantageous.

Ms. Boss answered, "yes," and explained that the incentive would help make people aware that there are options to invest in technology companies, and make them see that this is a sector that is worth the investment of their time and money.

Mr. Ein explained that Virginia has a credit for QHTC investors that is capped, and asked whether D.C. would institute a similar cap, and how it would work mechanically.

Ms. Boss said that the Virginia program includes two different benefits for investors to choose from. The tax credit on front-end investment is capped but the time-limited complete capital gains exemption is not capped.

Mr. Ein asked how Virginia decides who gets the tax credit if the program has a \$1 million cap.

Ms. Boss did not know how firms were selected and said it is possible the cap has not been hit yet. Mr. Gerry Widdicombe said that Virginia had increased the cap to \$5 million.

Ms. Boss added that the second program Virginia uses is an exemption from capital gains taxes rate on investments that are made within a certain time period.

Mr. Ein asked whether Ms. Boss and Mr. Hoskins had heard that this tax incentive was encouraging people to invest in Virginia as opposed to D.C.

Ms. Boss answered that she had heard this, and explained that even after all of these Virginia programs potentially sunset, D.C.'s rate will be higher than its neighbors.

Ms. Reuben commented that if it were true that the only thing entrepreneurs think about is the top marginal tax rate, there would be no investors in places like California.

Mr. Hoskins answered D.C. is uniquely positioned geographically and must therefore do more to attract QHTCs not just to the region but to D.C.

Ms. Reuben asked whether Mr. Hoskins and Ms. Boss had thought about limiting the credit.

Ms. Boss explained that her team thought about the available tax credits in 15 other jurisdictions. She added that although credits are good for angel investors, founders often seek to take advantage of the lower rates in neighboring jurisdictions, and simply cross the border when they are ready to liquidate

their shares. She clarified that the rate difference was crucially important to shareholders when the company was on the brink of growth, when companies are thinking about selling or doing an IPO.

Ms. Reuben asked whether the speakers thought that the angel investors in D.C. are generally local or scattered across the nation or world.

Mr. Hoskins explained that this depends on the type of business, and that there is an angel investor network that is rather extensive in D.C. He said his team is concerned with getting these local investors to support local businesses.

Ms. Whiteman added that the point was to try to attract investors and businesses to relocate as well, and that this is part of a larger economic development piece.

Mr. Ein asked the speakers to comment on the concerns of commissioners that the tax change would operate retroactively.

Mr. Hoskins commented that his team believes that retroactive application would likely be unfair.

Ms. Whiteman added that another one of the criticisms offered was that it would be better to give funds to companies upfront, rather than through the tax code.

Mr. Hoskins said that the current proposal to lower the capital gains rate allows the capital to make its own decision.

Ms. Reuben asked, "Don't you think it would be more profitable up-front when companies are cash strapped?"

Mr. Hoskins said that the kind of funding to which Ms. Reuben and Ms. Whiteman referred had been implemented in states like Maryland with mixed results, and explained that money was wasted because state governments are not particularly good at deciding which companies to invest in.

Mr. Ein added that a company that thinks it will make a certain amount buying founders stock in Virginia, pays less tax than D.C.'s 8.95% rate when it buys interest in a QHTC and sells the interest later.

Mr. Lazere pointed out that the Virginia tax credit defines a relatively small business, and that there is nothing in the current D.C. proposal that actually limits the credit to an early stage investment.

Ms. Boss said that the credit is only available if the company is headquartered in the District.

Mr. Lazere commented that a large and established company like Living Social would be able to take advantage of the QHTC credit.

Mr. Tucker said that he thought the credit was limited to companies earning less than \$3 million.

Ms. Boss explained that the \$3 million threshold applies in Virginia.

Mr. Lazere said that he'd spoken to some investors after the QHTC credit came up for deliberation, and that these investors were not exclusively D.C. residents. He asked whether someone who moves to Great Falls, who already has connections to D.C., will then only invest in Great Falls companies.

Mr. Hoskins explained that investors organize into regions, and that his concern is with the investors that actually invest in D.C.

Mr. Lazere asked, "To what extent do the ones who invest in D.C. now live in D.C.?"

Mr. Hoskins said that he did not have a sense of what percentage of investors currently live in D.C. He added that his friends who are venture capital investors invest in D.C. and live in Maryland.

Mr. Williams clarified that the question is, whether but-for these incentives, there would be a dearth of investment, since the only persons who could take advantage of them are D.C. resident investors.

Mr. Lazere said that given the inherent risks in investing he did not see why a promised tax cut would incite people to invest. He said providing a limited up-front credit made more sense.

Mr. Ein said that investors may be somewhat indifferent to a lower back end rate than entrepreneurs, and that the credit would not go to the more hopeful entrepreneur, who believes herself to be creating a gigantic company.

Mr. Williams thanked the Deputy Mayor for his service to the District, and thanked Ms. Boss for her contributions as well.

#### **Testimony of Mr. David Schwartzman of D.C. Citizens for Tax Justice**

Mr. Williams turned the floor over to Mr. David Schwartzman, representing D.C. Citizens for Tax Justice. Mr. Schwarzman put forth several suggestions for making D.C.'s tax system more progressive, sustainable, transparent and accountable. He argued that implementing these reforms would be an important step toward reducing poverty and inequality in D.C. His complete testimony is posted on the Commission's website.

#### **Testimony of Ms. Erica Taylor, Executive Director of the D.C. Fair Budget Coalition**

Ms. Taylor urged the Commission to consider increasing the earned income tax credit (EITC) for childless workers, adding more high income tax brackets, and bringing the personal exemption and standard deduction up to federal levels. She said such changes would make D.C.'s taxes fairer. Her complete testimony is posted on the Commission's website.

#### **Question & Answer**

Ms. Teresa Hinze thanked Ms. Taylor, and noted that many of her ideas are currently being considered by the Commission.

Mr. Lazere also expressed his appreciation for Ms. Taylor’s statements about workers without children, and thanked Mr. Schwartzman for his testimony. He asked if either of them had any suggestions for their proposal to provide sales tax credits to low-income families.

Mr. Schwartzman suggested giving the biggest credits to small businesses.

Mr. Williams thanked Mr. Schwartzman and Ms. Taylor for their time.

#### **Testimony of Mr. Jim Dinegar, CEO, Greater Washington Board of trade**

Mr. Dinegar asked the Commission to consider its goal of tax competition in a broader context, looking beyond the suburbs to states such as Pennsylvania and Delaware. He said D.C.’s current taxes put the city at a disadvantage.

#### **Testimony of Ms. Barbara Lang, President and C.E.O. of the D.C. Chamber of Commerce**

Ms. Lang discussed some ideas for tax reform aimed at supporting entrepreneurs and small businesses in D.C. She also noted her strong opposition to a gross receipts tax and local services fee. Her complete testimony is posted on the Commission’s website.

#### **Testimony of Mr. Stuart Solomon, Federal City Council**

Mr. Solomon discussed D.C.’s potential for continued economic growth and expansion. He made several suggestions for corporate tax reform, aimed at shaping a more competitive regional tax environment. Mr. Solomon’s presentation included several statements (many of them anonymous), from area business leaders and representatives, describing D.C.’s corporate tax as a significant factor driving decisions to locate in or relocate to neighboring jurisdictions.

#### **Question & Answer**

Mr. Williams thanked the witnesses for their testimonies, and asked Ms. Lang to elaborate on her opposition to a local services fee.

Ms. Lang said the “head tax” amounts to a commuter tax. She said the tax is unfair to non-profits because unlike for-profit businesses, they cannot capture that revenue in other ways.

Ms. Reuben commented that she has nothing against non-profit businesses, but asked whether there is a more accessible way to acknowledge that they are currently receiving services that they are not necessarily paying for.

Ms. Lang said that not all non-profits are receiving services from the city.

Mr. Tucker asked how universities and other large non-profits, that require ambulance and fire services, fit into the picture. When Ms. Lang pointed out that these non-profits provide many key services to D.C., Mr. Tucker responded that we all provide services to the city.

Ms. Lang said that non-profits like her organization hire residents and contribute in many ways, including by helping to bring in more business.

Mr. Mark Ein noted that Mr. Solomon's report includes several compelling quotes, but asked why they were all anonymous.

Mr. Solomon said that his sources were hesitant to speak openly on the record for obvious reasons. He said that among those quoted were real estate firms, professional service firms including law firms, regional companies, local companies, and others, representing a broad range of the business community. He added that all of these individuals are in the position of determining where people work and where companies locate.

Ms. Lang said that she could give an example that could be made public. She mentioned a fairly large construction company that was in D.C. for many years but recently moved to Virginia. She added that the company's tax burden decreased by almost \$1 million in their first year after relocation.

Mr. Lazere said that taxes for most residents are lower in D.C. than in Maryland and Virginia, but the system is negatively impacted by mobility issues. He asked if there was a way of taxing those who come into the city with plates that are not from the region through a toll or some other mechanism.

Mr. Solomon noted that the technology exists to instantly determine whether the traffic coming in is local or not.

Mr. Lazere asked whether Congress would approve such a tax.

Mr. Solomon noted that identifying the visitor is not the hard part, and that this kind of idea could realistically only work if the toll helped to ease congestion or provide another benefit.

Mr. Lazere noted that one of the proposals was a targeted property tax credit for small businesses, and asked for the panel's comments.

Ms. Lang mentioned that the Chamber of Commerce was very much in support of the proposal for tech investors put forth by Mayor Gray.

Mr. Lazere commented that measuring competitiveness is not just about comparing tax rates, and reminded the Commission that D.C. has one of the lowest commercial vacancy rates in the region. He added that the evidence does not suggest that the commercial property tax has made D.C. uncompetitive.

Mr. Dinegar commented that the competitive disadvantage has more to do with reputation rather than just the dollar, and that the District's credibility was harmed, for example, by the continued collection of the stadium tax during years of substantial surplus revenue collections.

Ms. Lang added, on the surplus issue, that there was \$400 million of surplus in 2012, as a result of five additional business taxes that were raised. She said that she asked for that money back, but did not receive it, and commented that the management of tax policy in D.C. is lacking.

### **Testimony of Ms. Beth Marcus, Citizen**

Ms. Marcus testified against the option to tax out-of-state municipal bonds. Ms. Marcus said such a tax is unfair to seniors and, if adopted, force her to move out of D.C. Ms. Marcus' complete testimony is available on the Commission's website.

### **Testimony of Mr. Dan Wedderburn, Chair of Government Reform Committee of D.C. for Democracy**

Mr. Wedderburn presented several ideas for making D.C.'s taxes fairer, including the addition of more tax brackets at higher income levels. His complete testimony is available on the Commission's website.

### **Question & Answer**

Mr. David Brunori remarked that Mr. Wedderburn's recommendation to reduce taxes on low income residents with refundable sales tax credits would produce untargeted relief since those not filing an income tax return would not receive the tax break. Additionally, administration would be difficult since a separate form would be required. He also asked Ms. Marcus who typically buys municipal bonds.

Ms. Marcus said that exempting bond income does not necessarily target wealthy taxpayers, just retired residents. She reiterated that bonds are primarily a retirement vehicle, and that the percentage of holders with extremely high income is very few.

Mr. Brunori expressed surprise at this statement, and said that it always seemed to him to be a vehicle for tax minimization among the affluent. He added that continuing the exemption means that D.C. subsidizes other cities, which does not make much sense.

Ms. Marcus pointed out that several states, including Utah had reciprocity arrangements with D.C. as a result of its current exemption for out-of-state bonds. She said this encourages people in other states to buy D.C. bonds.

Mr. Ein commended Mr. Wedderburn for his consistence attendance record, and thanked him for his interest in this process. He commended Ms. Marcus for the thoughtfulness and specificity of her testimony, and asked her what people would do if D.C. enacted the bond tax.

Ms. Marcus replied that if the tax is grandfathered, then there would eventually be a limit to how much investing can be done in D.C. bonds due to limited supply. She cautioned that the community of bond investors is a retired and generally very mobile population, not tied to D.C. jobs.

Mr. Williams thanked the witnesses for their testimony.

### **Testimony of Mr. Andrew Kline, General Counsel of the Restaurant Association of Metropolitan Washington**

Mr. Kline spoke against the recommendation to increase sales tax levied on restaurant meals and drinks. He argued that it would be a blow to customer retention for area restaurants. His complete testimony is posted on the Commission's website.

### **Testimony of Mr. Solomon Keene, President of the Hotel Association of D.C.**

Mr. Keene spoke against increasing the hotel sales tax. He argued that increasing the tax rate would be contrary to the Commission's avowed purposes of encouraging business growth and job creation. He noted that D.C. must compete with hotels just across its border with far lower tax rates. He said the rate is especially sensitive to conventions and groups that book numerous rooms. His complete testimony is posted on the Commission's website.

### **Testimony of Mr. John Cavanaugh, President and C.E.O. of the Consortium of Universities**

Mr. Cavanaugh argued that a payment in lieu of tax (PILOT) program is wrong for D.C because; (1) universities are not a drain on services for which they do not pay; (2) universities help spur economic growth and provide a range of services that are needed and would otherwise be costly for the District; and (3) universities are uniquely restricted in their ability to grow their business to pay new taxes compared to every other economic sector. His complete testimony is posted on the Commission's website.

### **Question & Answer**

Mr. Tucker pointed out that a significant portion of restaurant and hotel employees are D.C. residents, and said raising these sales taxes would hurt D.C. residents as well as visitors. He added that Mr. Kline made a good point about the difference between D.C. and Virginia sales taxes, and that customers do not only pay for tax, but also pay for parking, because there are no parking fees at many locations outside D.C. He said that he was comfortable with what he felt amounted to D.C. restaurants bearing their burden, and that he would not want to drive them away.

Mr. Keene added that there are more than 14,000 hotel employees, from entry level all the way to middle manager and senior manager positions, which create opportunities for upward mobility for residents.

Ms. Hinze said that the comments about the difference in sales taxes in D.C. and Virginia included lots of examples for high-volume purchases, and asked whether any consideration was given to the notion, that to the extent that people "double the tax" to pay their tips, there could be a bump in restaurant worker salaries.

Mr. Brunori asked Mr. Keene to compare the relative hotel vacancy rates between D.C. and Virginia.

Mr. Keene said that the vacancy rate in D.C. is lower because demand is higher, but he did not know the exact vacancy rates in D.C. versus Virginia hotels, but could get them.

Ms. Nicola Whiteman commented that two of Dr. Cavanaugh's points, made in response to complaints that universities are not paying their fair share and relying on D.C.'s services, were valid. She noted that students volunteer all over the District, and asked if Mr. Cavanaugh has quantified the different ways that universities contribute to the District.

Mr. Cavanaugh said that it is hard to put a monetary value to the contributions of universities, but estimated that there are tens of thousands of students participating in a wide array of efforts, including volunteering to provide legal services or healthcare services to low-income residents. He added that one of the reasons many cities decide against PILOTs is recognition of the value provided by higher education and the non-profit community.

Mr. Williams noted that hotels and restaurants are hiring entry-level employees in D.C., and help residents to go from welfare to work. He commented that the hotel and restaurant tax increases being considered would decrease jobs, and added that the same principle applies to potential taxes on universities.

Mr. Lazere asked whether any consideration would be given to the actual rankings of D.C. business competitiveness, and asked what the value is of those indices if they don't match the reality of how well the city is doing.

Mr. Kline said he wonders what the city's economy would look like if it had a more receptive climate for business. He added that operators of small businesses will explain how hard it is to find good employees and stay in business in the District.

Mr. Lazere asked whether restaurants wouldn't have the same complaints in any other jurisdiction in the country.

Mr. Kline acknowledged the truth of Mr. Lazere's comment, but added that these issues could be made more difficult by government policies.

Mr. Lazere said that a survey asking people if they pay more sales tax reveals that they don't know.

Mr. Kline responded that customers are sold short, and should get credit for noticing tax differences.

Mr. Tucker pointed out that paying employment taxes is required by federal law for every business with employees, and that a PILOT would not impose a liability far beyond current expectations. He added that the employees of non-profits use D.C. services over and above what their employers might provide to the District, but pay no real estate taxes. He said the PILOT program is an opportunity to negotiate something that compensates D.C. for services that it provides.

Mr. Cavanaugh pointed out that universities do provide services to D.C. residents for no charge, and added that the exempt property percentage is much lower than it was in 2000.

#### **Testimony of Ms. Thais Austin, Citizen**

Ms. Austin argued that deed recordation and transfer taxes negatively affect property transactions. Ms. Austin recommended reducing such taxes by about a half for buyers who have sold in the past six months. Her complete testimony is posted on the Commission's website.

### **Testimony of Mr. Rick Rybeck, Director of Just Economics, LLC**

Mr. Rybeck discussed his recommendation to tax land and buildings at different rates. His complete testimony is posted on the Commission's website.

### **Testimony of Ms. Keshini Ladduwahetty, Citizen**

Ms. Ladduwahetty discussed making the D.C.'s taxes more progressive and discussed the connection between a regressive tax structure and income inequality. Her complete testimony is available on the Commission's website.

### **Question & Answer**

Mr. Lazere thanked all of the witnesses for testifying, and thanked Ms. Ladduwahetty for the chart (also posted online) that she provided the Commission. He added that the Commission is thinking about how to make the system fairer, and that her charts are very helpful.

Mr. Tucker complimented Ms. Ladduwahetty for saying in one page what many take 10 pages to say.

Ms. Whiteman remarked that if someone sells their first home then purchases a second home in D.C., when they could have simply cashed out, maybe they need some relief on the amount they need to assemble to make the purchase happen. She added that one of the most difficult things to do is the "move-up purchase," and decreasing transfer and recordation taxes would help growing families.

Ms. Reuben asked for clarification on how much the reduction in deed recordation tax would be.

Ms. Hinze thanked Ms. Austin for raising this issue, and noted that she has raised it several times.

### **Testimony of Ms. Tanja Castro, D.C. Building Industry Association**

Ms. Castro argued against proposals to increase deed recordation and transfer taxes and commented on various proposals for revising real property taxes. Her complete testimony is posted on the Commission's website.

### **Testimony of Mr. Robert Pohlman, Coalition for Nonprofit Housing and Economic Development**

Mr. Pohlman expressed his coalition's opposition to lowering deed recordation taxes because such taxes are tied to low-income housing support. His complete testimony is posted on the Commission's website.

### **Testimony of Mr. Robert Malson, President of the D.C. Hospital Association**

Mr. Malson voiced his association's opposition a PILOT program and local service fee. He asked that his remarks be associated with Mr. Cavanaugh's earlier remarks. His complete testimony is posted on the Commission's website.

## **Question & Answer**

Mr. Tucker noted that a number of his clients are on Ms. Castro's letterhead, and he believes that residential properties should have a lower combined recordation and transfer tax than commercial properties. He asked if the D.C. Building Industry Association had done any analysis of how much each 0.1% of residential property tax relief might cost the District.

Ms. Castro noted that she was not aware of any such analysis, and remarked that the tax has not been at 2.9% for very long, though such studies may exist.

Mr. Pohlman cautioned the Commission to consider the impact that changes to commercial property taxes might have on small businesses, and asked that the Commission ensure that small businesses in a more progressive structure be protected. He added that, assuming the purchases of smaller properties are by small businesses, he wants to be sure that a small business can purchase commercial property without getting hit with the rate.

Mr. Lazere asked Mr. Pohlman whether he has a specific range for residential versus commercial taxing thresholds.

Mr. Pohlman said that when an owner sells and pays transfer tax they can afford it, but this is not the case for recordation tax, and he asked why D.C. treats those identically.

Ms. Reuben asked Mr. Malson how the Commission should differentiate between types of nonprofits.

Mr. Malson said that he is of the opinion that nonprofits should be left out of taxation altogether, since differentiating is difficult to do without a precise method in place. He added that this would be cleaner, and easier on the administration. He said that it is easy for nonprofits to begin to point out the differences among themselves, and that it is better to focus that energy elsewhere.

Mr. Tucker commented that a PILOT could be effectively done with credits to businesses for services that are provided to the community, and said that there should be some discussion about what could be done to work something out.

### **Testimony of Mr. Ed Rehfeld, Citizen**

Mr. Rehfeld voiced his support for progressive tax reform as a method of reducing income inequality. His complete testimony is posted on the Commission's website.

### **Testimony of Mr. Jim Schulman, Citizen**

Mr. Schulman urged the Commission to split the land and improvement portions of the property tax. His complete testimony is posted on the Commission's website.

### **Testimony of Ms. Bonita Pennino, American Cancer Society**

Ms. Pennino argued for rationalizing D.C.'s tobacco taxes. She urged the Commission to improve fairness by eliminating some of the advantages that some tobacco products enjoy over others. Her complete testimony is posted on the Commission's online resource page.

### **Question & Answer**

Mr. Tucker asked whether Ms. Pennino's consortium has come up with legislative language for rationalizing all tobacco taxes.

Ms. Pennino said they do and are working with Commission staff on this issue.

Ms. Reuben asked if there is information available about the health risks posed by electronic cigarettes.

Ms. Penino said that her coalition recommends including those in the list of tobacco products, because the nicotine in these products is derived from tobacco.

### **Testimony of Ms. G. Lee Aikin, Citizen**

Ms. Aikin raised several administrative issues and offered several specific recommendations. Her complete testimony is posted on the Commission's website.

### **Testimony of Ms. Janet Brown, Citizen**

Ms. Brown argued that the tax system should be made more progressive, and noted her willingness to pay her fair share as a member of a relatively high-income household. Her complete testimony is posted on the Commission's website.

### **Question & Answer**

Ms. Hinze thanked both witnesses for talking about the fact that citizens want to stay in D.C. for other reasons besides taxes. She praised Ms. Aikin's hard work, and noted that it is hard to look at the administration of the system and how fees would lead to training.

Mr. Lazere echoed the thanks of the other Commissioners, and voiced his appreciation to the witnesses for making the connection between taxes and the services and quality of life that residents enjoy, which attract many others as well. He added that lower taxes on residents makes D.C. more competitive.

### **Testimony of Ms. Kaitlin Peter, Citizen**

Ms. Peter discussed some of the issues created by D.C.'s extremely high deed recordation and transfer taxes, and provided the Commission with calculations of the prohibitive costs that she and her partner would endure if she were to attempt to purchase a \$300,000 home. Her complete testimony is posted on the Commission's website

**Testimony of Mr. Sam Jouler, Citizen**

Mr. Jouler urged the Commission to address growing income inequality in D.C. His complete testimony is posted on the Commission's website.

**Testimony of Ms. Brianne Nadeau, Citizen**

Ms. Brianne Nadeau presented several recommendations for making D.C.'s tax structure more progressive and equitable. Her complete testimony is available on the Commission's website.

**Testimony of Mr. Jesse Lovell, Citizen**

Mr. Lovell urged the Commission to make D.C.'s tax structure more progressive by the individual income tax brackets. His complete testimony is available on the Commission's website.

**Testimony of Mr. Jeremy Koulish, Citizen**

Mr. Koulish urged the Commission to make the tax system more progressive, and to take specific measures such as increasing the EITC for childless workers. His complete testimony is available on the Commission's website.

**Testimony of Ms. Elizabeth McNichol, Senior Fellow with the Center on Budget and Policy Priorities**

Ms. McNichol voiced her concerns about introducing equal yield budgeting for commercial property taxes. Her complete testimony is posted on the Commission's website.

**Testimony of Ms. Ruth Caplan, Citizen**

Ms. Caplan discussed suggestions for decreasing the tax burden on low- and middle-income taxpayers, which included suggestions for broadening the tax base. Her complete testimony is posted on the Commission's website.

**Question & Answer**

Ms. Reuben asked Ms. Caplan what an appropriate top tax rate would be for individual income taxes, adding that it would have to be pretty high to make up for all of the other suggested changes to the income tax.

Ms. Caplan said that she was not certain about the specifics. She added that the Commissioners have the expertise, and that she leaves it to them to make the numbers work.

Mr. Brunori encouraged his fellow commissioners to read Ms. McNichols testimony very closely, and to pay close attention, because it complies well with the idea of how to run a good tax system.

Ms. Hinze remarked that there is some tension between the idea of creating guiding principles now, and allowing the D.C. Council the leeway to make new decisions about policy every time there is a surplus.

### **Testimony of Ms. Janelle Treibitz, Citizen**

Ms. Treibitz urged the Commission to make D.C.'s tax system more progressive. Her complete testimony is posted on the Commission's website.

### **Testimony of Mr. Matt Gardner, Institute on Taxation and Economic Policy**

Mr. Gardner urged the Commission to adopt several recommendations to increase the progressivity of D.C. taxes. He also presented ideas for funding tax relief for low- and middle-income residents, such as an itemized deduction phase out. His complete testimony is posted on the Commission's website.

### **Question & Answer**

Mr. Lazere said that one of the issues with the itemized deduction phase out is uncertainty about how exactly to make D.C.'s phase out work in a dual tier system with the federal phase out so that avoid the double haircut is avoided.

### **Testimony of Mr. Rob Wohl, Citizen**

Mr. Wohl urged the Commission to take actions to make the tax system more progressive, and discussed some of the implications of maintaining a regressive tax system. His complete testimony is posted on the Commission's website.

### **Question & Answer**

Mr. Williams said that D.C. can smooth out some economic inequalities, but also needs enough money to pay for costs. He asked if there was a limit to taxing affluent residents.

Mr. Wohl remarked that D.C. had a problem with economic growth for decades, and the real problem is about the distribution recent economic growth. He added that this should be on policy makers minds right now, because they hear from the rich who have the ability to make some noise, and can more easily come to the podium.

### **Testimony of Mr. Campbell Johnson**

Mr. Johnson pointed out that the focus need not be on economic development at the top, because D.C. does not need a 100,000 new people when it has the option to uplift those that are already in its borders. He added that eliminating technical skills training programs was a tragic mistake for which the Council bears some responsibility.

## **IV. Commission Business**

Mr. Williams indicated that the deliberations were coming to a close, and thanked all present for their participation in the public hearing.

Mr. Widdicome informed the Commission that Ms. Reuben and others met for the first subcommittee meeting prior to the public hearing. He added that the subcommittee hopes to take a number of the policy options and examine how some of the moving parts work together.

Ms. Reuben asked if the Commission was okay with the subcommittee's plan to examine distributions beyond those of low-income people, to make predictions about how the various proposals would affect different groups of taxpayers. She stated that the subcommittee would consider options like adding or removing exemptions, filing status changes, rate adjustments, and changes to Schedule H. She added that the subcommittee planned to bring information to the Commission on Nov. 18

#### **V. Adjournment**

Mr. Williams announced that the meeting was adjourned at 9:40 p.m.