

D.C. Tax Revision Commission Policy Options
**Policy Option #19: Eliminate D.C. Government Employee
First-Time Homebuyer Credit**

MEMORANDUM

Proposal: Eliminating the D.C. government employee first-time homebuyer credit

Tax Type: Income

Origin: Robert Buschman

Commission Goal: Simplicity

Current Law

D.C. government employees, D.C. public charter school employees and individuals who have accepted an offer to serve as a D.C. police officer, firefighter, emergency medical technician and public school or public charter teacher are eligible for an annual \$2,000 income tax credit. The individual must also be a first-time homebuyer in D.C. An eligible taxpayer can claim the credit for five years.

Proposed Change

Eliminate the D.C. government first-time homebuyer credit.

Reason for Change

In addition to making the individual income tax system more complex, the credit has fairness problems as it only benefits certain homebuyers. Furthermore, the benefit can be administered more transparently as a part of a benefits package rather than through the tax code.

Pros

- Would make the D.C. individual income tax simpler and fairer.
- D.C. has experienced substantial economic and population growth over the past decade and the credit's justification—incentivizing highly qualified employees to move to D.C.—may no longer be applicable.

Cons

- Elimination of the credit would negatively affect the taxpayers who benefit from it. The credit was claimed by only 53 taxpayers in 2010 but 81% of these individuals had incomes between \$30,000 and \$75,000.
- Removes a recruitment tool for the D.C. government, and one that targets an especially important group of workers: teachers, police officers, firefighters, etc.

Revenue Impact

The Office of Revenue Analysis estimates that in the first year of implementation eliminating the D.C. employee first-time homebuyer's credit would raise \$97,167 in new tax revenue.