Testimony at Virtual Meeting Platform 1350 Pennsylvania Avenue, DC 20004
Wednesday, September 30, 2020, 9:00 am
The Committee of the Whole, Public Hearing on the following Legislation: B23-316, Tax Revision Commission Reestablishment Amendment Act of 2019

I am David Schwartzman, representing the DC Statehood Green Party. We urge you reject the creation of still another Tax Revision Commission (TRC). This initiative is a transparent attempt to postpone the consideration of a long overdue tax hike on our wealthy residents and big corporate sector that is urgently needed to provide revenue to address the deep social and economic crisis now being faced by our majority Black and Brown working class residents.

We don't need another TRC to inform the Council how to adjust our DC tax burdens which now bear heaviest on our working and middle class residents. We already know how to make our tax structure truly progressive , sustainable and more capable of generating essential revenue to fund a just budget. I testified on behalf of the DC Statehood Green Party to the last TRC in 2014. Its recommendations implemented by the DC Council gave us the present DC tax burdens with family income averaging $55.30 paying 9.8% as DC taxes, while DC millionaires pay 9.5% (ITEP).

You failed us in your disgraceful rejection of a very modest DC income tax hike on wealthy residents last July (1). New Jersey is implementing a 2% increase for millionaires (NY Times, 9/18/20, A1) and now New York is considering the same approach (The Hill, 9/23/20, p.9). This tax hike in New Jersey will recover a large share of the Trump tax cuts coming to these millionaires. You should follow New Jersey's example in addressing budget shortfalls and inadequate budgeting to address the deep crisis our working class residents now face.

The Council must take the lead in not only addressing the budget shortfall, but pass legislation to reduce DC's large racial and economic disparities in a just economic recovery.
Consistent with the FBC's critically important call on revenue enhancement, here is an alternative that the DC Council should implement:
1) Recover the big Trump tax cut for wealthy residents, amounting to $400 million in 2020 for $350K and above income by hiking their DC income tax rates and to begin to borrow from this future revenue now for the supplemental budget. This step would leave these taxpayers paying the same federal plus DC income taxes as before the Trump tax law was implemented (see my DC Line article on this subject: https://thedcline.org/2020/06/09/david-schwartzman-confronting-dcs-racial-wealth-and-income- gap-in-this-crisis/).
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2) Further, pass a surcharge on high income residents: a 3 percent surcharge on families earning over $500,000 a year would generate about $300 million in more revenue, helping to recover the additional tax cut that they are getting from the CARES Act.

3) Act now to take back subsidies to big developers building luxury housing and the big corporate sector and of course Defund the MPD to adequately budget for the most vulnerable in our community.
And in addition, the Council should provide income support totaling approximately $74 million to our low-income residents by a rebate of their sales taxes, starting with family incomes below

$25K, many who now live below the poverty level. This support would correspond to an average $800 rebate for these families (2).

The poverty level of income support for TANF is the main cause of child poverty in DC. The high level of child poverty in DC, especially in Wards 7 and 8, has a lasting negative impact on children and their families, indeed the whole DC community. Child poverty and homelessness are major factors in undermining school performance. Therefore, boosting the TANF income benefit should be a high priority for all concerned about human rights violations in our Human Rights City. The Council should increase income support for TANF to the Federal Poverty Level (FPL): approximately $90 million is needed to reach this goal (3).

Coupled with the creation of a DC Public Bank receiving revenue instead of Wall Street, DC could virtually eliminate child poverty and homelessness, which remain at shockingly high levels compared to the 50 states and major cities, as well as start to provide very affordable social housing.

And please do not accept the false claim that the very wealthy will move out of DC if their tax rates go up by a few percentage points. The top 5% in California pay 12.4% of their family income in state taxes, while in DC they pay 9.5% (https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf). Similarly, even though the top 5% in Virginia have long paid a lower overall rate of state taxes than the top 5% in DC, the rich in DC have not moved en masse to Virginia.

Please take note of the recent poll of DC voters commissioned by the DCFPI showing that 83% support hiking the taxes of the wealthy (https://www.dcfpi.org/press-releases/83- percent-of-d-c-voters-support-raising-local-taxes-on-wealthy-residents/).

Finally, as proposed by Tazra Mitchell (DCFPI) we support a new independent, non-partisan position within the Council Budget Office to conduct tax expenditure reviews and data-driven tax policy analyses.

So I ask our Mayor and DC Council once again: Why are those most affluent in our community pampered while low-income people continue to suffer? Will you act now for a just recovery?

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DC Statehood Green Party
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Footnotes
(1) “But the council voted 8 to 5 to reject a tax increase on incomes higher than $250,000, proposed by council member Charles Allen (D-Ward 6). Under Allen’s proposal, income between $250,000 and $350,000 would have been taxed at 8.75 percent instead of 8.5 percent, while income between $350,000 and $1 million would have been taxed at 8.95 percent instead of 8.75 percent. The highest tax rate, on income over $1 million, would have risen to 9 percent from

8.95 percent. In all, the increases would have raised about $12 million annually." (https://www.washingtonpost.com/local/dc-politics/dc-council- budget-vote/2020/07/07/52a9eb40-c05d-11ea-b4f6-cb39cd8940fb_story.html)

(2) **Proposed Sales/Excise Tax Rebate in DC Income Tax schedule**
The most regressive part of DC's tax burden for residents are the sales/excise taxes with low-income folk paying the highest percentage of family/individual income for these taxes. We can provide a rebate for sales/excise taxes in the DC income tax schedule targeted at low-income residents. This rebate would directly address income insecurity and the fact that many in the less than $25,000 income bracket are living below the poverty line, and those below $50,000 below a self-sufficiency income given DC's high cost of living. The rebate would reduce the income tax owed and could commonly result, just as the DC EITC, in a payment directly to the tax payer. The rebate could be progressively implemented over several years, starting with families/individuals making less than $25,000 annual income. Therefore, I submit that pressing for legislation to add this Sales/Excise tax rebate to the DC income tax schedule be considered both a short and long-term strategy of FBC.
Here is how I came up with estimates of the cost of such a rebate. The ITEP data refers to Family Income, while the IRS data is Individual Returns. A good first approximation to a rebate corresponding to Family Income is the Adjusted Gross Income (AGI).

Source: IRS 2017 data, https://www.irs.gov/statistics/soi-tax-stats-historic-table-2

	All returns	<$1	1 < 10K	10K < 25K	25K < 50K
AGI	$34.16 billion	-700 million	174 million	982 million	2.917 billion

WHO PAYS? ITEP 2018: https://itep.org/whopays/washington-dc/

Family income	<23.6K	23.6-44.2K	44.2-70.7K
Sales & Excise Taxes	6.4	5.3	4.5 (% of Family Income)

Here some computed results assuming all the sales/excise taxes are rebated: Total AGI for less than $50,000 income: $4.073 billion
5.5% of income gives a rebate of $224 million or $1,303/return (171,960 returns).

Total AGI for less than $25,000 income: $1.156 billion
6.4% of income gives a rebate of $74 million or $798/return (93,260 returns), with families earning $25K getting a $1,600 rebate.
(David Schwartzman, May 15, 2020)

(3) Estimate of funding required to bring TANF income benefit up to the Federal Poverty Level (FPL):

According to the CBPP (footnote a) in FY 2019 the DC monthly benefit for a family of 3 increased to $642 corresponding to 36.1 % of the Federal Poverty Level (FPL). Therefore this family of 3 would get $1,778/month at the Federal Poverty Level (644/0.361 = 1,778). In DC, 6,573 families, corresponding to 13,800 children (the June 2019 level) gave an average of 2.1 children/family, i.e., 3 family members (footnote b). Therefore, the total income support for TANF in 2019 was close to $50.64 million. If this income support were raised to 100% FPL, then $140.27 million would be needed. **Hence, the increment in funding for TANF income support to reach 100% FPL is approximately $90 million**, not taking into account the change in the cost of living as well as potential change in the number of TANF recipients by FY 2021, pending the performance of complementary programs and economic conditions. This estimate is rather modest given the size of the DC budget, and if implemented would have a major impact towards reducing child poverty.

(a) https://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20- percent-in-most-states.

(b) Office of Family Assistance:
https://www.acf.hhs.gov/sites/default/files/ofa/tanf_recipients_fy19.pdf,
https://www.acf.hhs.gov/sites/default/files/ofa/tanf_families_fy19.pdf,
https://www.acf.hhs.gov/sites/default/files/ofa/tanf_childrecipients_fy19.pdf