COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE OF THE WHOLE
COMMITTEE REPORT
1350 Pennsylvania Avenue, NW, Washington, DC 20004 DRAFT

TO: All Councilmembers

FROM: Chairman Phil Mendelson
Committee of the Whole

DATE: November 17, 2020

SUBJECT: Report on Bill 23-316, the "Tax Revision Commission Reestablishment Amendment Act of 2020"

The Committee of the Whole, to which Bill 23-316, the "Tax Revision Commission Reestablishment Amendment Act of 2019" was referred, reports favorably thereon with technical amendments, and recommends approval by the Council.

CONTENTS

I. BACKGROUND AND NEED

Bill 23-316, the "Tax Revision Commission Reestablishment Amendment Act of 2020,"[1] was introduced by Councilmember Mary M. Cheh and Councilmembers Allen, Bonds, Evans, Grosso, Nadeau, Todd, and R. White on June 4, 2019. Bill 23-316 would reestablish the Tax Revision Commission to submit a report of recommendations once every 10 years to consider revisions to the tax code.

The District first established a tax revision commission in 1977 to analyze the District's tax system and the administration of existing laws and urged that the Commission reach conclusions and make recommendations for developing innovate and equitable revenue sources.[2] That Commission engaged the services of a number of consultants to prepare research papers on aspects of the District's tax and revenue system. It utilized a nation-wide search for consultants and experts on specific tax types to guide the Commission's findings and recommendations.[3] This

[1] Originally introduced as the "Tax Revision Commission Reestablishment Amendment Act of 2019"
[2] Resolution 1-149.
[3] DISTRICT OF COLUMBIA TAX REVISION COMMISSION, FINANCING AN URBAN GOVERNMENT v-vi (1978).

Commission was formed and reported back to the District in 1978, less than a decade after the formation of our current Home Rule government.

The District experienced relative financial stability for most of the 1980s, but by 1994 the District began operating at a deficit. By 1995, the accumulated deficit was over $720 million leading Wall Street to drop the District's bond ratings to junk status. The District was unable to pay vendors, provide basic services to residents, or obtain lines of credit. At the same time, over 50,000 District residents fled to the surrounding suburbs, further eroding the tax base and exacerbating budget shortfalls. This led to the establishment by Congress of the District of Columbia Financial Responsibility and Management Assistance Authority (commonly known as the "Control Board") in 1995. The primary function of the Control Board was to balance the District's budget within four years. After four years of a balanced budget, the Control Board would be dissolved.

The Control Board was given broad authority over all aspects of District governance. It oversaw the readiness of essential emergency services; privatized some city functions, and rejected Council-approved budget expenditures that would have increased the deficit. It oversaw personnel changes at some agencies, rejected contracts between the District and associates of the Mayor, rejected Council legislation, and even went so far as to fire the superintendent of schools and replace him with its own appointed superintendent. However, many of these actions were considered marginal progress and it became clear that the District's financial challenges were deep rooted and structural.

The Control Board found that the District had a split identity. President Bill Clinton called this the "not quite" syndrome whereby the District was "not quite a State, not quire a city, not quite independent, not quite dependent." The District had to fund state functions without the broad tax base of a State. Medicaid funding was an example of this disparity – the District paid 50% of its Medicaid costs, the largest burden borne by any other city in the United States (New York City paid only 25% with the additional costs borne by the rest of the tax base of New York State). From schools to roads, the District had to fully support costs that any other city would have shared with a state government. Moreover, the District faced strict limitations on its revenue sources under the Home Rule Act including a ban on taxing nonresident income and on taxing federal government and embassy real property. While into the 1990s the federal government provided an annual payment to the District to address some costs incurred due to the District's status, it was not enough to address the structural deficits borne by the District.

In January 1997, President Clinton announced a revitalization plan for the District that encompassed two goals: first, revitalize the District as the Nation's Capital, and 2) improve prospects for Home Rule to succeed. To move the President's plan forward, the Office of Management and Budget and Congresswoman Eleanor Holmes Norton led efforts to develop a memorandum of understanding between the Council, the Mayor, and the federal government to effectuate the revitalization plan. At the same time, Congresswoman Norton began negotiations in Congress to develop legislation to implement the plan. After multiple hearings and negotiations behind the scenes, the final Revitalization Act emerged.

Provisions of the Revitalization Act were adopted by Congress as part of the Balanced Budget Act of 1997. Those provisions included federal assumption of $5 billion in unfunded pension liabilities, transfer of financing of District Courts to the federal government, transfer of District convicted felons to the Federal Bureau of Prisons, access to a U.S. Treasury line of credit, and establishment of the independent Chief Financial Officer. The District payment from Congress would be discontinued under the final legislation. A bitter pill that had to be swallowed, known as the Faircloth Attachment, was ultimately included that called for continuance of the Control Board's powers, as well as expanding them to oversee key District agencies. The Control Board's eventual Chair Alice Rivlin, however, made it clear that the goal should be to return the District to full control over its own functions.

The District working through the Control Board and the new Chief Financial Officer position produced its first balanced budget under the Revitalization Act in fiscal year 1996. Shortly after the Mayoral election of former Chief Financial Officer Anthony Williams in 1998, Ms. Rivlin relinquished control over District agencies, and thereafter Congress repealed the Faircloth Attachment in 1999, restoring Home Rule.[4] This return to home rule and responsible financial management was the result of the District taking a number of steps to bring financial order. The District better controlled its operating expenditures, engaged in strict budget preparation including a four-year financial plan, and right-sized its revenues.

Part of the fine-tuning of those revenues was the result of the second Tax Revision Commission. That commission was proposed by then-Council Chairman David Clarke in 1995 at the height of the beginning of the Control Board Era. Legislation establishing the Commission was adopted on April 26, 1996, and in June 1998, the Commission released its report entitled *Taxing Simply, Taxing Fairly*. In the introduction of the report, the Commission noted that:

> *"In reaching its recommendations, the Commission was guided by a straightforward set of principles. The District's tax system is an expression of community relationships between individuals and between the people and their government. That system should be easy to understand and manage, it should be fair to residents and businesses alike, and it should allow the District to create jobs and attract and retain residents. A review of the major recommendations shows how they are tailored to fit these principles."*[5]

Overall, the recommendations of the 1998 Commission contributed to the simplification of many District taxes including a broader, more equitable tax base. However, its importance was more than just its recommendations – it provided thorough analysis supported by data and facts as a lens to look at the raising of revenues. As noted by Chairman Clarke at the time of the introduction of the bill establishing that Commission, at the time, there were over a dozen bills that had been introduced to raise or change various taxes and that is was necessary to establish a

[4] Page 100
[5] DISTRICT OF COLUMBIA TAX REVISION COMMISSION, TAXING SIMPLY, TAXING FAIRLY transmittal letter (1998).

commission that could look at revenue issues comprehensively and in the light of tax theory; and to recommend how to reduce the tax burden, restore competitiveness, and promote equity.[6]

By 2010, the District had adopted fourteen consecutive balanced budgets and as part of the fiscal year 2011 budget (the fifteenth consecutive budget), the Council adopted a provision to revive a Tax Revision Commission.[7] While there is a scant legislative record on the establishment of that Commission, during an introductory statement by the proposer of the stand-alone legislation that would have revived the TRC, then-Chairman Kwame R. Brown stated that:

In recent months and years, a number of groups and individuals have made calls for the Council to amend the District's tax code. Many have pushed for a more progressive tax system.

> *"Our tax code touches every member of our community and has enormous impacts on the economy of the District of Columbia. I believe that any deliberation on potential changes to our tax structure must be done on the basis of the best interest of the District as a whole. We cannot do this piecemeal, or by saying "well, we need so-and-so dollars to solve our budget gap, so let's just add that amount by increasing a tax that we pick at random." What we really need, and what our residents deserve, is a responsible, holistic approach that considers vital factors like job growth, the ability of local small businesses to flourish, and whether our residents are facing a tougher burden than those in Virginia or Maryland. This is the only kind of approach that will result in recommendations that benefit the District of Columbia as a whole.*
>
> *"…"*
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> *"This was a much-needed step, necessary to get the District's budget in the black and make the District more competitive with its neighbors in Maryland and Virginia. But times have changed since the Control Board. The District is a world-class city, and our finances, though strained, are in order. Our tax base has evolved over time, and so has the reality of living and working in the District of Columbia. I think it is time for another deep and broad review of our tax system – one that will make the District an even better place to start a business, a better place to work, and a better place to call home."*

The 2013 recommendations of that Commission were thorough and well received by most. The report broadly identified three challenges for the District's tax system: non-progressive middle-class tax burden; uncompetitive business franchise tax rates; and revenue to make up for our lack of ability to tax income at the source. Subsequently, most of the recommendations of that tax revision were implemented over the ensuing years which made the District's tax system the most progressive in the United States and broadened the sales tax base.

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[6] Statement of Introduction of Chairman David A. Clarke for Bill 11-383, Tax Revision Commission Establishment Act of 1996 (in legislative record for Bill 11-383, Office of the Secretary to the Council).
[7] Fiscal Year 2012 Budget Support Act of 2011 § XXXXXX

However, in the years since implementing the 2013 recommendations, there have been increasing number of proposals to increase taxes on an *ad hoc* basis. Many of these measures were focused on spending needs without due consideration to the overall tax code. Several proposed amendments that would raise taxes during consideration of recent budgets were not proposed or debated until the date of consideration of the budget. These proposals, including elimination of the Qualified High Technology tax credit, a new Advertising Sales Tax, and raising income taxes on high earners, never received a public hearing for the Council to consider their implications. Indeed, most tax increases have not been considered on their merits through the Council committee process and are only proposed as a means to increase revenues during budget consideration. The Committee believes that a Tax Revision Commission is the best means to look at our taxes holistically. The Committee notes that a there is no requirement that recommendations of a tax revision commission be revenue-neutral, and that if there are pressing expenditure needs of the District, that such a commission could make recommendations that include revenue enhancements as it did in previous iterations.

Tax policy is multifaceted and must be looked at holistically. If there are indeed additional revenues needed to support increased expenditures, such additional revenues should not be considered in a vacuum. A Tax Revision Commission can examine our tax policy independent of our spending priorities. That is not to say that additional revenues are not necessary – indeed there may be a need and previous tax revision commissions have made such recommendations. A Tax Revision Commission can look at our needs and our resources and can make expert recommendations to the Council on a prudent path forward to ensure that the District remains competitive in the region, that our taxes remain the most progressive nationwide, and that we have adequate revenues to meet our growing needs.

Thus, the Committee of the Whole recommends the approval of Bill 23-316 the "Tax Revision Commission Reestablishment Amendment Act of 2020" as amended in the committee print.

II. LEGISLATIVE CHRONOLOGY

June 4, 2019	Bill 23-316, the "Tax Revision Commission Reestablishment Amendment Act of 2020" is introduced by Councilmember Cheh and Councilmembers Allen, Bonds, Evans, Grosso, Nadeau, Todd, and R. White, and is referred to the Committee of the Whole.
June 14, 2019	Notice of Intent to Act on Bill 23-316 is published in the *Register*.
August 7, 2020	Notice of a Public Hearing on Bill 23-316 is published in the *Register*.
September 30, 2020	A Public Hearing is held on Bill 23-316 by the Committee of the Whole.
November 17, 2020	The Committee of the Whole marks up Bill 23-316.

III. POSITION OF THE EXECUTIVE

The Chief Financial Officer submitted written testimony stating the purpose of the bill and noted that the Office of the Chief Financial Officer's Office of Revenue Analysis (ORA) provided significant analytical support to the most recent Commission and worked closely with Commission members and staff. ORA stands ready to provide support for this re-established Commission.

IV. COMMENTS OF ADVISORY NEIGHBORHOOD COMMISSIONS

The Committee received no testimony or comments from any Advisory Neighborhood Commission on Bill 23-316.

V. SUMMARY OF TESTIMONY

The Committee of the Whole held a Public Hearing on Bill 23-316, the "Tax Revision Commission Reestablishment Amendment Act of 2020" on September 30, 2020. The testimony summarized below is from that hearing. Copies of testimony are attached to this report.

Yesim Sayin Taylor, Executive Director, D.C. Policy Center, testified in support of the legislation and detailed some of this history of past commissions. She went on to discuss the importance of looking at tax policy broadly and not increasing taxes without considering the competitiveness and the size of the tax base.

Lisa Mallory, CEO, D.C. Building Association, testified in support of the legislation discussed the success of past commissions and cautioned against piecemeal tax policy.

Tazra Mitchell, Policy Director, DC Fiscal Policy Institute, testified in opposition to the legislation and advocated for raising revenues to fund additional expenditures, and discussed spending priorities.

Rabbi Ilana Zietman, Public Witness, testified that the Council's focus should not be on a Tax Revision Commission but on all residents paying their fair share of taxes to support human services needs.

Ed Lazere, Public Witness, testified in opposition to the legislation and urged the Council to implement additional revenue measures as recommended by the previous Tax Revision Commission. He criticized the structure of the previous tax revision commission and the fact that its recommendations were largely revenue-neutral.

Ed Lazere, Public Former Tax Revision Commissioner, testified in opposition to the legislation and urged the Council to implement additional revenue measures as recommended by the previous Tax Revision Commission. He criticized the structure of the previous tax revision commission and the fact that its recommendations were largely revenue neutral.

Angela Franco, Interim President & CEO, DC Chamber of Commerce, testified in support of the legislation and spoke to the importance of competitiveness in the tax code as essential to attracting businesses and jobs to broaden the tax base. She cautioned against *ad hoc* tax policy.

Katharine Landfield, Public Witness, testified to the need to spend additional revenues on those with the greatest needs by raising taxes.

Keshini Ladduwahetty, Operations Director, DC for Democracy, testified in strong opposition to the legislation and the need to raise taxes to address income inequality. She criticized the former Tax Revision Commission leadership as too business friendly.

David Schwartzman, DC Statehood Green Party, testified in opposition to the legislation and called the bill an attempt to postpone consideration of needed tax increases to address income inequality.

Zachary Teutsch, Public Witness, testified in opposition to the legislation and called for the Council to independently make revenue and spending recommendations and to oppose outsourcing such efforts through a Tax Revision Commission.

Stephanie Sneed, Executive Director, Fair Budget Coalition, testified in opposition to formation of a Tax Revision Commission and discussed the inequities in the current tax code allowing the wealthy to abuse the tax code and placing the largest burden on lower income residents.

Kamolika Das, Institute on Taxation and Economic Policy, testified in opposition to the legislation and called on the Council to increase taxes without the need to study the policies more closely.

Joanna Blotner, DC Legislative Director, Jews United for Justice, testified in opposition to the legislation and asked the District to prioritize raising taxes to prevent cuts to expenditures and increase spending.

Amber Harding, Attorney, Washington Legal Clinic for the Homeless, testified that the bill is not *prima facie* objectionable, but that tax policy should be handled by the Council rather than an independent commission. She criticized the former commission as no objective and not accountable to the public.

Otis Pitney, Public Witness, testified in opposition to the legislation and urged the Council to raise taxes on the District's wealthiest residents, and that a Commission would delay such an increase.

Emma WestRasmus, Resource Generation DC, testified in opposition to the legislation and called for the equitable distribution of land, wealth, and power. She stated that a commission is not the urgent solution to advance equity and that the District does not have enough time to consider tax policy through an independent commission.

James Nash, Public Witness, testified in opposition to the legislation because he fears a Commission would delay or prevent raising taxes on wealthy District residents. He called on the Council to raise his taxes and testified that if his taxes are not raised, he may leave the District if the Council doesn't raise taxes and address injustice.

Kitty Richards, Strategic Advisor, Groundwork Collaborative, testified in opposition to the legislation and that she would normally support a commission to study tax policy but is opposed to a commission. She testified that now is not the time for such deliberation because the District must raise taxes to support additional spending priorities and that tax increases are not difficult decisions. She discussed a recent poll that found that residents favored tax increases if they would prevent budget cuts and address large revenue shortfalls.[8]

Brett Davis, Pastor, Georgetown Lutheran Church, testified in opposition to the legislation and encouraged the Council and the Mayor to focus on urgent matters and not defer needed tax increases. She indicated that a new commission would be tone deaf against the backdrop of the need to raise revenue.

Andrew Trueblood, Director, Office of Planning, provided testimony with suggestions for improvements to the legislation and other considerations that should be taken into account in reviewing commemorative works. There was no testimony or written comments in opposition to Bill 23-316.

VI. IMPACT ON EXISTING LAW

Bill 23-316, would amend D.C. Official Code § 47-461 *et seq.* to establish a new tax commission to analyze the District's tax laws, evaluate alternatives, and make recommendations for change. It is envisioned that the Commission's work would be similar to the product of previous tax revision commissions. Bill 23-316 would repeal the requirement from the previous commission that it analyze capital gains taxes and replaces that requirement with a broad mandate to analyze specific changes to taxes since the last commission. The bill updates various dates and deadlines from the previous tax revision commission to coincide with a new tax revision commission. Bill 23-316 would also amend the current law to trigger a new commission every 10 years after a previous commission.

VII. FISCAL IMPACT

Funds are not sufficient in the fiscal year 2021 through fiscal year 2024 budget and financial plan to implement the provisions of the proposed legislation. The Task Force will be supported by the Council. A copy of the November 16, 2020 Fiscal Impact Statement is attached to this report.

VIII. SECTION-BY-SECTION ANALYSIS

Section 1	States the short title of the Bill 23-316.
Section 2	Reestablishes the Tax Revision Commission.

[8] According the Chief Financial Officer's September 30, 2020 revenue estimate, revenues for FY 2020 were $222 million over the previous estimate, and, for FY 2021, $212 million below the previous estimate. Between FY 2022 and 2024, the CFO estimates that revenues will increase by $1.1 billion over the current level of $7.8 billion. The FY 2021 approved balanced budget for the District was $1.5 billion, or 9.6 percent, over the FY 2020 budget.

Section 3 — States that the bill is subject to appropriations.

Section 4 — Adopts the Fiscal Impact Statement.

Section 5 — Establishes the effective date by stating the standard 30-day congressional review language.

IX. COMMITTEE ACTION

X. ATTACHMENTS

1. Bill 23-316 as introduced.
2. Written testimony and comments.
3. Fiscal Impact Statement.
4. Legal Sufficiency Review.
5. Comparative Print for Bill 23-316.
6. Committee Print for Bill 23-316.

COUNCIL OF THE DISTRICT OF COLUMBIA
1350 Pennsylvania Avenue, N.W.
Washington D.C. 20004

Memorandum

To : Members of the Council

From : Nyasha Smith, Secretary to the Council

Date : June 05, 2019

Subject : Referral of Proposed Legislation

Notice is given that the attached proposed legislation was introduced in the Legislative Meeting on Tuesday, June 4, 2019. Copies are available in Room 10, the Legislative Services Division.

TITLE: "Tax Revision Commission Reestablishment Amendment Act of 2019", B23-0316

INTRODUCED BY: Councilmembers Cheh, Todd, R. White, Evans, Allen, Bonds, Nadeau, and Grosso

CO-SPONSORED BY: Councilmembers Gray and T. White

The Chairman is referring this legislation to the Committee of the Whole.

Attachment

cc: General Counsel
Budget Director
Legislative Services

Councilmember Charles Allen

Councilmember Anita Bonds

Councilmember Brianne K. Nadeau

Councilmember David Grosso

Councilmember Mary M. Cheh

Councilmember Brandon T. Todd

Councilmember Robert C. White, Jr.

Councilmember Jack Evans

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend Chapter 4 of Title 47 of the District of Columbia Official Code to reestablish the Tax Revision Commission and to require the Commission to submit a report of recommendations once every 10 years to consider revisions to the tax code.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Tax Revision Commission Reestablishment Amendment Act of 2019".

Sec. 2. Chapter 4 of Title 47 of the District of Columbia Official Code is amended as follows:

(a) Section 47-461(5) is amended by striking the phrase "in 1998" and inserting the phrase "in 2014" in its place.

(b) Section 47-462 is amended as follows:

(1) Subsection (b) is amended as follows:

(A) Paragraph (5) is amended by striking the word "establish" and inserting the phrase "establish or revise" in its place.

(B) Paragraph (7) is amended to read as follows:

"(7) To analyze the specific changes to the District's tax system since the Commission's most recent recommendations to determine the extent to which such changes are consistent with the principles identified in this section.".

(2) Subsection (c) is amended by striking the phrase "District of Columbia Tax Revision Commission by letter dated June 2, 1998, and entitled "Taxing Simply, Taxing Fairly"" and inserting the phrase "Commission on February 12, 2014" in its place.

(3) Subsection (d) is amended by striking the phrase "December 31, 2013" and inserting the phrase "one year after the Commission's appointment. Appointments to the Commission shall expire 60 days after the Commission submits its report." in its place.

(4) A new subsection (e) is added to read as follows:

"(e) Every ten years after the submission of the previous Commission's report, a new Commission shall be convened. The Mayor and the Chairman of the Council shall make new appointments consistent with the provisions of this subchapter, and may appoint members who have previously served on the Commission.".

(c) Section 47-463(c) is amended by striking the phrase "of the Fiscal Year 2012 Budget Support Act of 2011, passed on 2nd reading on June 14, 2011 (Enrolled version of Bill 19-203)" and inserting the phrase "of the Tax Revision Commission Reestablishment Amendment Act of 2019, as introduced on June 4, 2019 (Bill 23-XXX)" in its place.

Sec. 3. Fiscal impact statement.

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 4a of the General Legislative Procedures Act of 1975, approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

Sec. 4. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.

PUBLIC HEARING ON

Bill 23-316, the "Tax Revision Commission Reestablishment Amendment Act of 2019"

Before the Committee of the Whole

Chairman Phil Mendelson

Wednesday, September 29, 2020, 9 AM
Virtual Hearing via Zoom

Testimony of Dr. Yesim Sayin Taylor
Executive Director
D.C. Policy Center

Good morning, Chairman Mendelson and members of the Committee of the Whole. My name is Yesim Sayin Taylor and I am the Executive Director of the D.C. Policy Center, an independent, nonpartisan think tank committed to advancing policies for a strong and vibrant economy in the District of Columbia. I thank you for the opportunity to testify on the Tax Revision Commission Reestablishment Amendment Act of 2019.

The District is, in one very important way, much more committed to good tax policy than many other states and localities. There have already been two Tax Revision Commissions since the Revitalization Act (one in 1996, another one in 2012),[1] and both produced reform packages that guard sound principles: creating a simple, efficient tax system that maintains competitiveness by imposing as few disincentives as possible on economic activity while reducing tax burdens on low income residents. The District adopted both packages with small modifications.

But in between the adaptation of large tax reforms, sound tax principles could be forgotten. Especially when under pressure, the District's tax policy could collapse into an exercise in getting to a number to plug into the budget, with little consideration for what will keep our tax regime simple, fair, and competitive.

As an example, during the Fiscal Year 2019 budget cycle, in search for funding for the Metro and the arts, the city completely altered the structure of commercial property taxes with almost no analysis. At that time the Council created a three-tiered system that taxes the same value at different rates depending on a property's overall assessment.[2] This was done without any study or analysis of the potential economic impacts. When tenants pointed out that the taxes would be passed on to smaller establishments that happen to lease space in larger buildings, the city created a circuit-breaker type program, but for retail establishments only.[3] We ended up with a patched-up and complicated system that penalizes development, especially in parts of the city where development is needed the most.

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[1] There was also a Tax Revision Commission established in 1976, which provided recommendations for the D.C. Council in 1977. We could not find any documents on what this Commission studied and what it recommended.

[2] Prior to this change, the city taxed the first \$3M of assessed value at \$1.65 per \$100 of assessed value; and any assessed value above that at \$1.85. The Council changes meant the city began to tax properties valued under \$5 million at 1.65 percent, properties valued between \$5 million and \$10 million at 1.77 percent, and properties valued above \$10 million at 1.89 percent. This change generated \$40 million in revenue.

[3] This provision, targeting retail establishments with annual gross receipts of \$2.5 million or less, provided franchise tax deduction up to 10 percent of their rent or real property tax obligation, capped at \$5,000 per year.

And in the six months that followed this major tax change, the city first decreased, and then increased the tax rate for the top tier, signaling that there is a "risk premium" attached to investing in the city.

It is unreasonable to expect that a city's tax regime will be static. But especially for this reason, the establishment of a recurring Tax Revision Commission is important: The commission's work could be the basis for a catalogue of well-studied tax policy proposals that pursue the important goal of keeping the city competitive, while maintaining its tax regime simple and fair. The Tax Revision Commission can develop these policies outside the highly political environment of budget discussions, which do not always reward good tax policy. To be clear, tax revision commissions need to build consensus, too, but not in a political environment. In the past, this consensus has been a strong enough political pressure on District policymakers to deliver adoption.

Being thoughtful and intentional about our tax policies is even more important today, as the District's revenue base is being decimated by the COVID-19-induced economic shocks. What has made the District attractive to residents, workers, and businesses—density, amenities, transportation infrastructure, quality of life elements such as nightlife, sports, and cultural events—are likely going to be on hold for the near future. Rapid transition to telework means that even after we have a cure or a vaccine, commuter activity (and the benefits it brings, including demand for office space in D.C.) could be impaired. In the long run, the city would have to ensure that it remains a "destination" for workers, residents, and businesses; and a stable tax environment that does not change haphazardly can help.

Tax increases pay for important investments worthy of public support. But erratic tax policy that does not consider the bigger economic impacts does not serve the best interests of the District of Columbia. And when revenue initiatives sometimes counter the goals the budget tries to achieve on the expenditure side, they cause the city to spin its wheels on important issues such as housing affordability and increasing economic activity. They impose a pure cost on future growth.

The District needs no reminder that public investments can continue to increase only if the city continues to grow. And poor tax policy that does not sufficiently weigh the importance of economic growth will frustrate government investments.

Yesim Sayin Taylor is the Executive Director of D.C. Policy Center

Additional Reading:

- District's tax policy is moving away from first principles, May 21, 2018, D.C. Policy Center
- The District's Proposed Fiscal Year 2020 Budget is a Harbinger of Great Fiscal Reckoning, April 24, 2019, D.C. Policy Center
- Tax policy under the District's new "fiscal normal," June 16, 2020, D.C. Policy Center

Testimony of the District of Columbia Building Industry Association

Before the

Committee of the Whole

Chairman Phil Mendelson, Chair

Public Hearing
on

Bill 23-316, the "Tax Revision Commission Reestablishment Amendment Act of 2020"

Virtual Hearing via Zoom
September 30, 2020
9 am

Good morning Chairman Mendelson, members of the Committee, and staff. My name is Lisa Mallory, and I am Chief Executive Officer of the District of Columbia Building Industry Association ("DCBIA"). I am also a longtime resident of Ward 4. DCBIA is the leading voice of real estate development in the District of Columbia.

Thank you for the opportunity to testify this morning on Bill 23-316, the Tax Revision Commission Reestablishment Amendment Act of 2019. We are pleased that Councilmember Mary Cheh introduced this Act last year, joined by a majority of her colleagues, and that the Chairman is holding this hearing. DCBIA strongly supports this legislation, which would reestablish the Tax Revision Commission, which last issued a report in 2014, and require it to reconvene every 10 years and submit a report to the Mayor and Council.

In my testimony, I will explain why it is so important at this time that the Council require the Commission to reconvene, why it is an effective tool for deciding tax policy, and how the District can ensure the Commission's success if the Act is enacted.

DCBIA has been a consistent advocate for the District to have carefully conceived tax policy that advances the economic competitiveness of the city and ensures its long-term health. A vibrant private sector and commercial and residential real estate industry are critical to helping the District achieve its many ambitious policy goals, not just as major contributors to the city's revenues, but also as partners, whether it is cutting carbon emissions in half by 2032 or producing 36,000 new housing units by 2025. We have seen this year just how important it is to grow the economy and responsibly manage our finances and reserves. Due to the wisdom and tough decisions of leaders in the past, the District has so far been able to continue services without major furloughs or deep cuts during the ongoing public health emergency. However, more challenges and uncertainty lie ahead. Continued discipline, leadership, and collaboration are necessary to ensure that we have an economic recovery that lifts all residents and businesses.

The Tax Revision Commission is an effective tool for the strategic policymaking that this moment calls for. It is a panel of experts and stakeholders tasked with studying the District's tax system and making policy recommendations for officials based on agreed-upon principals. As we have seen in recent years, it is tempting for elected officials to simply make piecemeal changes to the tax code to pay for priorities year to year. For example, in 2019, the Council adopted increase commercial real property taxes and made the District's deed and recordation taxes the highest in the country. And earlier this year, the Council considered—and to its credit rejected—several tax increases on businesses and residents that were only put forth in the final weeks of the budget process. These unvetted political decisions, sometimes made in the final hour, are not a sound way to do tax policy, yet they have a direct effect on the District's economic wellbeing and our capacity to be an equitable city for all. In contrast, the Tax Revision Commission is an opportunity undertake a thorough, deliberative, and public process to inform these decisions to have credibility across the District.

Credibility was a key component of the last Commission's effectiveness, and it was made possible by its membership and the leadership. By law, the Commission comprises five members each appointed by the Mayor and the Chairman, consisting of three tax experts, one community representative, and one business representative, and the Chief Financial Officer. This gives the Commission subject-matter expertise and representation by diverse viewpoints. For the last Commission, the Chairman appointed former Mayor Anthony Williams as the Chairperson. As a respected former elected official and private sector leader, Mayor Williams was exactly what the Commission needed to be effective and credible. We think that the legal framework for the last Commission, and how it was applied to appoint members and leadership, was critical to its success and should be a template for future Commissions.

It is fitting that this hearing is being held on the day the CFO announces his amended revenue estimates. Now is the right time to reestablish the Tax Revision

Commission to prepare for our recovery and weather the next storm. Thank you for the opportunity to testify. I am happy to answer any questions you may have.

Testimony of Tazra Mitchell, Policy Director, DCFPI
Committee of the Whole Budget Public Hearing
Bill 23-316, Tax Revision Commission Reestablishment Amendment Act of 2019
September 30, 2020

Chairperson Mendelson and members of the Committee, thank you for the opportunity to testify. My name is Tazra Mitchell. I am the Policy Director at the DC Fiscal Policy Institute (DCFPI). DCFPI is a "think and do tank" that promotes opportunity and widespread prosperity through rigorous research and policy solutions to address DC's racial and economic inequities. Our work is grounded in the belief that tax justice is racial justice; it is gender justice; and it is economic justice.

We can all agree that rigorous, transparent, and regular evaluations of District tax policy is an essential practice for informing smart policy choices. And we can agree that the last Tax Revision Commission process led to some positive improvements to the District's tax code, particularly the expansion to the District Earned Income Tax Credit, which benefits low-income workers. However, DCFPI believes that another Tax Revision Commission is not the solution that we need in this unprecedented moment; nor is it the process best designed to consistently bolster data-driven policies over consensus-driven policies, which are often less evidenced-based. Good, timely policy is the goal.

Right now, our District is in crisis. Revenues are shrinking. Tens of thousands of our neighbors are out of work, going hungry, and falling behind on rent.[1] And every day, small businesses are announcing that they made the tough call to shut their doors for good. Black and brown residents and businesses are suffering the most. The havoc that the pandemic is wreaking illustrates why revenue changes may be urgently needed before a once-in-a decade tax commission can put forward its recommendations. We can't afford to delay action when we already know what works: progressive tax policy changes are how we put people first and get our economy back on track.

Today, my testimony will focus on:

- Why District leaders should take bold, swift action to save lives and protect livelihoods;
- Better policy alternatives to a Tax Revision Commission that are available, such as expanding capacity in the Council Budget Office and holding a revenue hearing earlier in the budget process; and,
- Suggestions to improve Bill 23-316 if it moves forward.

We Need Progressive Revenue Changes Now

The District doesn't need another tax commission or white paper to suggest how to respond to the pandemic and economic crisis or how to build an inclusive recovery. The primary goal of revenue policy is to raise enough revenue to meet the critical needs of DC residents, and a guiding principle is to do so in a way that asks more from those with the greatest ability to contribute. We can and should do both.

The solution is to require high-income people and businesses that continue to thrive even during these hard times to contribute more, and voters agree.[2] There is already ample evidence that the pandemic is thriving on income inequality. High-income people and those with wealth have avoided the worst economic effects of the recession: they've been less likely to lose their jobs, benefitted from a rebounding stock market, and seen an increase in luxury home values.[3] Meanwhile, the District's top earners pay a *smaller* share of their income on total local taxes compared to the middle class[4]—and they're disproportionately benefitting from the federal Tax Cuts and Jobs Act, which turbocharged tax cuts for the wealthy, the supermajority of whom are white.[5] It is a policy choice to allow this to continue while half of DC children in renter households were in households that didn't get enough to eat, were behind on rent, or both, in July.[6]

These are racialized choices, given the District's history of systemic racism, our stark racial income and wealth divides, and how the pandemic is hitting Black and brown DC residents the hardest. Residents who are Black and low-income would benefit the most from tax increases that target DC's wealthy residents and profitable corporations. That's because they stand to suffer most from a budget that fails to adequately address the child care and housing crises. There are big needs in our city and these challenges will worsen if we fail to center tax and racial justice in our response.

Better Ideas are Available

While the DC Council needs to improve how it vets tax policy, DCFPI does not believe that the Tax Revision Commission is the process best designed to consistently bolster data-driven policies (including qualitative data of people with lived experiences) over consensus-driven policies, which are often less evidenced-based. Good policy is the goal.

For example, even though the last Tax Revision Commission sought to create a fair and competitive tax system, it recommended to lower the franchise tax from 9.975 percent to 8.25 percent in order to match Maryland's tax rate. Yet, research presented to the Commission showed that a cut to the franchise tax wasn't warranted. DC had out-performed surrounding jurisdictions in business and job growth in the last decade, despite having a higher corporate income tax rate. The recommendation also meant that a business' income would have been taxed at a lower rate than moderate-income residents' income in DC.[7]

An alternative to the Tax Revision Commission is for the DC Council to fund additional capacity in the Council Budget Office to conduct ongoing, non-partisan research and analysis of recommendations to improve the District's tax system. This would ensure that neutral experts are keeping a pulse on the latest tax research, fairly assessing how District tax policies are meeting their intended goals, and periodically developing evidence-based recommendations that would be timely and available to Council and the public. This office is well-equipped for this role as they already offer fiscal policy research and analysis to members of the Council and the public. And, additional capacity to do this work is even more important given that the DC Council does not have professional, non-partisan committee staff. This work would be complementary to some of the work that the Office of Chief Financial Officer conducts, such as tax expenditure reviews.

Another complementary idea that DCFPI raised earlier this year[8] that would improve how the DC Council makes its revenue decisions is to put all tax responsibilities—from income and sales taxes to economic development tax policy—in the Committee of the Whole (COW), where every Councilmember serves. Revenue decisions affect the ability to fund Council-wide priorities, and every Councilmember deserves an opportunity to shape those decisions. It makes sense to amend the budget process to include a COW hearing on revenues after budget oversight hearings but before the hearing on the Budget Support Act, which includes policy changes. This would ensure that lawmakers have an early opportunity in the budget process to assess and debate whether changes to the tax system are needed to keep up with growing needs. And, it would ensure that any stakeholders that would have been on the Commission, or any District resident, would have time to use their voice to help shape the outcome.

Improvements to B23-316

If Council were to move forward with the Tax Revision Commission, it should update the guiding principles that direct the work of that body. The previous Tax Revision Commission operated in an era of budget surplus, a couple years into the economic recovery; that's not the scenario that we're facing today. The principles that guided the previous Tax Revision Commission's work also provided unwarranted attention on maintaining "competitiveness" with surrounding jurisdictions,[9] despite the large majority of studies by economists finding that interstate differences in tax levels have little if any effect on relative rates of state economic growth.[10]

A better prescription for boosting the District economy would be to amend the criteria to focus more on principles that advance adequacy, inclusive economic growth, and racial equity. Recommendations should ensure there is adequate revenue to meet growing needs so all DC residents can benefit from our city's growing prosperity. Recommendations should be grounded in the understanding that economic growth without broad prosperity is not good enough; it must be inclusive. And, racial equity requires that recommendations ask more from DC's richest households and profitable businesses to pay their fair share, on the whole, so we can have more revenue to invest in things that act as building blocks of economic growth, like schools.

To elaborate, the Tax Revision Commission's recommendations should be evaluated both with an eye towards how they affect residents and the broader community by income *and* race. Assessing if and how a policy would have a disparate impact by race—by disaggregating data by race from a model-based distributional analysis, for example—is paramount to building truly equitable and sustainable tax systems. I think we can all agree that a continued colorblind approach to tax policy is outmoded and ineffective.

Further, any subsequent Tax Revision Commission should be more intentional about soliciting input from the general public, particularly people with lived experiences.

DCFPI is eager to see progress on improving adequacy and equity in our tax code and willing to help in any way we can. Thank you for the chance to testify.

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[1] Alyssa Noth and Tazra Mitchell, "Before the Pandemic, DC's Economy was Booming, but COVID-19 is Increasing Hardship," DCFPI, September 17, 2020.
[2] DCFPI and DC Action for Children, "83 Percent of DC Voters Support Raising Local Taxes on Wealthy Residents," June 17, 2020.
[3] Sam Waxman, "States Should Tax Wealth to Respond to COVID-19," Center on Budget and Policy Priorities, September 23, 2020.
[4] ITEP, "Who Pays?: District of Columbia," September 2018.
[5] ITEP, "TCJA by the Numbers, 2020," August 28, 2019.
[6] Noth and Mitchell (2020).
[7] Ed Lazere, "DC Tax Commission Crunch Time," DCFPI, December 5, 2013.
[8] Tazra Mitchell, "A Path to Better Budgeting: Move Tax Policy Responsibilities to the Committee of the Whole," DCFPI, January 24, 2020.
[9] The 5 criteria that guided the previous Tax Revision Commission's work were: (1) Provide for fairness in apportionment of taxes; (2) Broaden the tax base; (3) Make the District's tax policy more competitive with surrounding jurisdictions; (4) Encourage business growth and job creation; and, (5) Modernize, simplify, and increase transparency in the District's tax code.
[10] Michael Leachman and Michael Mazerov, "State Personal Income Tax Cuts: Still a Poor Strategy for Economic Growth," Center on Budget and Policy Priorities, May 14, 2015.

Testimony of Jesse Rabinowitz, LGSW, MSW, Advocacy & Campaign Manager at Miriam's Kitchen
For the Public Hearing on the Tax Revision Commission Reestablishment Amendment Act of 2019
before the Committee of the Whole
September 30, 2020

Chairperson Mendelson and members of the Committee, my name is Jesse Rabinowitz and I am the advocacy and campaign manager at Miriam's Kitchen, where we work to end chronic homelessness. I am testifying today about the connection between creating a more equitable tax structure and creating a DC where everybody has access to the housing and other resources they need to thrive.

Now is the time to act, not deliberate

During the last budget season, many Councilmembers advised waiting until fall to better understand the economic harm of COVID-19 on DC's economy. (I'll note that this was said while simultaneously rejecting even modest changes to DC's tax code, like those proposed by Councilmember Allen). I see little measurable indication that DC residents are doing better now than in July. In fact, Miriam's Kitchen is serving on average 100 more meals a day than during the start of the pandemic, indicating an increase in poverty, food scarcity, and homelessness.

Now that fall is here, it's time to stick to your commitments and take decisive action by putting real revenue-raising options on the table. Failure to act now is a tactic endorsement of the status quo of continued gentrification, displacement, hunger, and educational divides. Our clients at Miriam's Kitchen living outside don't need a commission, they need housing. This housing can be funded now through bold, progressive fiscal policies.

We need tax changes, not tax commissions.

Focusing on bringing back a Tax Revision Commission is ill-advised at this time. DC's most recent Tax Revision Commission took 2 years to complete and still the Council ignored many of the bold changes, like the Head Tax while approving tax cuts for the wealthy. In times of crisis, we need action, not white papers. Just like the newly formed Police reform commission did not stop MPD from murdering Deon Kay, the Tax Revision Commission simply cannot act with the urgency needed to address the human distress fueled by the COVID-19 crisis.

I urge the Council to listen to the many experts testifying today and to respect the will of DC voters who overwhelmingly support raising taxes on our wealthiest residents to meet DC's pressing human needs. We are standing on the shore watching a tidal wave form. The solution is to get to higher ground as quickly as possible, not form a commission to discuss possible exit routes.

Tax policy is essential for racial justice

Reevaluating our tax structure to ensure that our wealthiest neighbors and businesses pay their fair share is both essential to meeting basic human needs and crucial for achieving justice. In a city and in a country founded on, buttressed by, and still operating with a system of racialized capitalism, we cannot separate fiscal policy from equity. You simply cannot champion ending homelessness and other justice issues while continuing to uphold a tax and economic system that privileges the few over the many. This Council continues to lift up racial equity as a guiding value. Unless this commitment is matched with fundamentally restructuring and redistributing wealth in DC, this commitment to equity will be like Black Lives Matter painted on 16th street, performative and symbolic, but devoid of meaningful change.

Progressive taxation can shrink the racialized income gap that allows some DC residents to own mansions and second homes while thousands of people sleep without roofs over their heads. Moreover, the implications for our wealth gap have negative results for democracy, community, and safety and continue to exacerbate DC's racialized caste system. By shrinking income disparities and creating a just tax structure, you can catalyze recovery and create opportunities for our neighbors who have been left out for far too long.

Nearly every day for the past 6 years, I talk to people experiencing homelessness who are rightly frustrated with the lack of housing juxtaposed to the massive increase in development and wealth. These clients, who are overwhelmingly Black and older, cannot understand why a city with so much money and self-proclaimed progressive leaders chooses to allow homelessness to exist. Truthfully, I can't either. I don't understand how, when presented with chances to secure funding for vital needs, our elected officials instead continue to balance the budget on the backs of our poorest neighbors.

As a Jew, I've spent the past several weeks, during the High Holiday Season, thinking about the power of redemptive change. It's my hope that this body will realize that prioritizing the needs of the wealthy while chronically underinvesting in our poorest neighbors is unjust and inconsistent with our self-proclaimed progressive city. We cannot delay action any longer to correct for centuries of race-based wealth disparities. Miriam's Kitchen calls on the Council to reorient their attention away from a new Tax Revision Commission and towards acting now to ensure all DC residents pay their fair share so that all DC residents can thrive.

Ed Lazere

★ ★ ★ for DC Council At-Large

Testimony of Ed Lazere
Independent Candidate for DC Council At-Large
Hearing on Bill 23-316, the "Tax Revision Commission Reestablishment Amendment Act of 2019"
DC Council Committee of the Whole
September 30, 2020

Chairman Mendelson and members of the Committee, thanks for the opportunity to testify today. My name is Ed Lazere, and I am a candidate for DC Council At-Large.

I had the honor of serving on the most recent DC Tax Revision Commission, led by Mayor Williams. It was a deeply meaningful experience in many ways, and I appreciate being a part of it. But I also feel that it was a flawed approach to developing sound tax policy, and I am here today to oppose this bill to establish a regular tax commission. Instead, I encourage the Council to take the best from the last commission and incorporate it into the Council's regular operations.

The best aspect of the DC Tax Revision Commission is that the District devoted substantial resources to research on tax policy. We learned about the importance of reviewing tax expenditures for their effectiveness. We gained new knowledge on business income taxes in DC and the surrounding region and on many other topics.

However, I also found the process to be flawed in fundamental ways tied to its structure. First, through the commission the Council delegated important revenue policy recommendations to people who are not responsible to DC residents. This led the commission to make recommendations that the public may not have agreed with. For example, while the commission started with a goal of developing recommendations that were revenue neutral, we ended up making recommendations that had a substantial net loss of revenues. In another example, the commission recommended a cut in taxes for residents with $5 million estates. Yet tax cuts for the wealthy and tax cuts that require offsetting service reductions are things many DC residents would oppose.

Beyond that, the Commission's leaders made the decision near the end of the process to create a report by consensus, with no dissenting opinions. That forced me to vote for things that I opposed in order to get things that I wanted, and it turned the commission into a negotiation between business interests and low-income interests, rather than a reasoned debate on sound tax policy. For example, the commission recommended cutting the estate tax despite no research or expert testimony to support it, just because one commissioner wanted it. And the commission recommended deep cuts in business income taxes, despite research showing that current tax policy was not hurting DC's business competitiveness, because the business interests on the Council wanted it.

This means that the people appointed to any tax commission are likely to have more impacts on the outcomes than the findings of its research.

I also am concerned that holding a tax commission every 10 years suggests that we should engage in major tax reform only once a decade, rather than regularly reviewing and improving the tax code.

The Council doesn't need a commission to inform good tax policy, just as it doesn't rely on commissions for most of its policymaking. Instead of a tax commission, I encourage the Council to add one or more staff to the Council budget office to engage in ongoing tax policy research, including on issues of interest raised by Council members. In addition, I encourage the Council to find ways to engage the entire body in regular conversions about revenue policy, given how important that is to how the District finances services. I support having the full Council to engage in at least one hearing and conversation on revenue policy early in the budget season each year.

Thank you for this opportunity to testify. I am happy to answer any of your questions.

Testimony of Angela Franco, DC Chamber of Commerce

Before the Committee of the Whole on September 30, 2020

on

Bill 23-316, the Tax Revision Commission Reestablishment Amendment Act of 2019

Good Morning Chairman Mendelson and members of the Committee of the Whole. I am Angela Franco, Interim President & CEO of the District of Columbia Chamber of Commerce. On behalf of the member companies of the Chamber, the nearly hundreds of thousands of individuals they employ, and the millions of dollars in District tax revenue they provide yearly to the District's coffers. I am pleased to offer our support and comments on **Bill 23-316, the Tax Revision Commission Reestablishment Amendment Act of 2019.**

Today, the DC Chamber is working aggressively to expand the economy in the District by attracting new jobs and creating economic opportunities for our members to move out of this crisis to a restored economy. The DC Chamber also focuses on issues that impact our future growth and community development, including workforce development, international trade, and tax reform. At the DC Chamber of Commerce, we believe that it is important for the growth and development of our jurisdiction that we focus on economic diversification and policies like Bill 23-316 that support the interests of the business community and foster job creation so that the District's economy progresses competitively.

Over the years, the DC Chamber has analyzed our economic and regulatory landscape from the perspective of ensuring the District becomes and remains the best place to live, work, and do business. In doing so, we understand that at the center of this work is how we build a competitive city, one that is attractive not just to businesses, but workers and residents all at once. The DC Chamber fully believes that tax rules should be simple, predictable, and easy-to-understand to improve compliance and reduce costs. Reestablishing the tax revision commission every 10 years will help ensure that goal is met. However, the unpredictability of business conditions, including new taxes made outside of the commission's recommendations, additional regulations, and other employer requirements, is one of the most highly cited concerns for profitability among DC businesses[1] before the public health crisis began. Tax differences between jurisdictions, especially in a regional economy such as ours, have a noticeable effect on where businesses locate. These tax differences must be highlighted and analyzed to ensure the Mayor and the Council are making informed decisions regarding tax policies that do not result in the reduction of our tax base due to companies turning to other states that have more favorable tax policies. Accordingly, the DC Chamber of Commerce proposes that the reestablished Tax Revision Commission consider the following recommendations

[1] DC Chamber of Commerce (2019): "The 2019 State of Business Report: Building a Competitive City" available at https://www.dcchamber.org/dc-commerce/reports-publications/

Require Economic Impact Statements for All Legislation

Consistent with the Tax Revision Commission's purpose to encourage business growth and job creation, the Chamber recommends the implementation of economic impact analysis for all proposed legislation. DC law specifies that among the many functions of the commission, the commission is to identify economic activities that are either beneficial or detrimental to the District's economy and which should be either encouraged or discouraged through tax policy. The commission is also charged with recommending changes in the District's current tax policies and law. Thus studying the process by which other jurisdictions incorporate the economic impact analysis into their policymaking process would assist the commission and the District in determining the full effect of policy matters. While as a legislative body, the Council reviews the fiscal impact to the District when considering bills, there is a real economic impact on policies that are not just finance and revenue-related. These policies can have an impact on the workforce, jobs, small businesses, in addition to the revenue collected by the city. In the past, the DC Chamber's economic impact task force has reviewed such processes in other jurisdictions and can reconvene provide support and suggestions to the commission on this effort.

Elimination of Ad Hoc Tax Policy

Consistent with the Tax Revision Commission's objective to establish criteria and a conceptual framework for evaluating current and future taxes the Chamber recommends the elimination of ad hoc tax policy. At times, tax changes are not made through the traditional legislative process and we have seen taxes considered without a public hearing and input from impacted stakeholders which is a concern and adds to the uncertainty of the District's tax laws. Now, as we are amid a pandemic thoroughly considering fiscal policies as Bill 23-316 would propose instead of the ad hoc manner we have seen recently is the appropriate route to retain businesses in the District and maintain a strong financial position.

Analysis of the Impact of Tax and Statutory Fees

Consistent with the Tax Revision Commission's purpose to encourage business growth and creation, the Chamber recommends that the reestablished tax revision commission consider not just potential changes to tax laws and policy, but also statutory fees and how taxes have been adopted in the District. In previous budget proposals, we have seen revenue raisers framed as surcharges or fees (i.e. billing for hospitals proposed in FY11, telecom surcharges, the steel plate fee in construction, and public space fees) and even assessments on the employer community that also would have an impact on the District's competitiveness as a jurisdiction.

Propose New Tax Incentives for Growing Sectors

We know that the previous Commission was charged with analyzing aspects of the Qualified High Technology Company (QHTC) incentive. Given recent legislative actions that eliminated that incentive, we suggest the Commission review the structure of the former incentive and make a recommendation for a replacement program and other targeted incentives to promote growth in growing sectors. The commission should look into the industries that have flourished and are forecasted to grow post-pandemic to ensure the District's tax incentives align with economic growth patterns. We believe that it will l be the local businesses to help drive our economy and pull us through these strained economic times.

Thank you for your time and consideration of the District of Columbia Chamber of Commerce's viewpoint. The DC Chamber looks forward to working with you to find optimal solutions to the challenges facing our city. I am available to answer any questions you may have at this time.

Testimony of Katharine Landfield, Public Witness
Committee of the Whole Public Hearing
Bill 23-316, Tax Revision Commission Reestablishment Amendment Act of 2019
September 30, 2020

Good morning, Chairman Mendelson and members of the committee. My name is Katharine Landfield and I live in Ward 3. I am a former long-time school social worker and am deeply concerned about the well-being of working poor Black and brown families in DC. I volunteer with Fair Budget Coalition, JUFJ, and PAVE, to advocate for policies that can improve the hardships my students faced. Our DC community is in crisis, and we need nimble responses to our revenue shortfall. A years-long tax commission process is simply not timely or useful in addressing our dire pandemic recovery needs.

At this time, it is critical to grow the city's revenue by finding ways for the highest earners and the most profitable businesses to contribute their fair share. Specifically, I urge you to start by increasing the income tax on the top 10% of earners, including my own family. After that, let's continue on with other ideas that jurisdictions are using to make the tax system fairer and more functional for meeting their states' needs.

Those in the bottom halves of income and wealth - who are overwhelmingly non-white - face significantly higher rates of unemployment, loss of wages, exposure to Covid illness and even death, leaving them unable to pay the rent or buy they food they need.

But we are in a K-shaped recovery that has allowed me and most of affluent DC - which is, not coincidentally, overwhelmingly white - to remain secure during the pandemic. I often feel as if I am living on a different planet when I read about the nightmare others are living through.

After the Great Recession, we saw a drastic widening of the racial wealth and income gaps and intensified housing loss. We are already seeing this happen again. We need the Council to act quickly to prevent further entrenchment of disparities.

In this context, it is useful to be reminded that these are choices. We have power to change the rules of our tax system. We can change them in order to shape and achieve more equitable outcomes. We must set an intentional course to a just recovery. There is no racial justice without tax justice.

However, thus far, the mayor and the Council have asked for no shared sacrifice from those of us who are most comfortable. It is urgent that we pay our fair share. And please do not believe the howls that the affluent cannot afford it; we most certainly can, simply by doing a bit of budgeting. Moreover, research has already shown that the vast majority of us won't move out of DC to flee higher taxes, especially when those taxes lead to more stable, healthy, and flourishing communities.

It is time to raise taxes on the highest income earners and the wealthy in order to ensure that our city becomes the truly inclusive and equitable city that we all profess to want.

Thank you.

Testimony of Kesh Ladduwahetty
DC for Democracy before the
Committee of the Whole hearing on
"Tax Revision Commission Reestablishment Amendment Act of 2019" (B23-316)
September 30, 2020

Chairman Mendelson and Councilmembers, my name is Kesh Ladduwahetty, and I am Operations Director for DC for Democracy, an all-volunteer progressive organization with over 700 members. We are part of the Fair Budget Coalition.

I am testifying today to represent our members' strong opposition to bill B23-316, the Tax Revision Commission Reestablishment Amendment Act of 2019. Our community is facing a crisis that is unprecedented in my lifetime. In the last twenty years, rising wealth and income inequality have harmed our community, with particular harm to Black and brown communities. The pandemic and the resulting economic crash have turned that harm into catastrophe, again especially for Black and brown DC residents. Federal government aid was a lifeline, but much of it ran out in July. Further aid is not likely, due to gridlock in the Senate. Local revenue forecasts were drastically reduced this summer and will be further reduced.

We are in a crisis that the DC Council must address with appropriate urgency. The last thing we need is a Tax Revision Commission that will take years to research and deliberate. We need the DC Council to use its legitimate powers now to protect the public against disaster.

DC for Democracy actively participated in the last Tax Revision Commission. We attended meetings, testified, and advocated for reforms to make our tax system more fair. That commission was chaired by the sitting head of the Federal City Council, one of the most powerful business lobbies in DC. And while the commission included other members who represented the vast majority of DC residents, the leadership ensured that corporate interests were favored. We should not repeat such an unbalanced approach.

It is time for the DC Council to take responsibility for raising adequate revenues to address the crisis at the scale it demands. The obscene income inequality of recent decades is not due to merit or natural law; it is due to economic policies that allow a few at the top to take far more than their fair share. The most recent example is the Trump tax bill, where the wealthiest 5% of DC residents got $564 million in tax cuts in 2019 alone (Chart 1). This inequality is also baked into the DC tax code, which may be the least regressive in the nation, but is certainly not progressive or fair (Chart 2). It is basically a flat tax that exacts the same percentage of taxes at all income levels, a policy goal long sought by right wing interests.

The Council needs to set this right by taking responsibility for raising the revenues we need to meet this crisis in the fairest way possible. Create a new position within the Council Budget Office to research tax policy and outline policy options that will both further racial equity and ensure fiscal responsibility. This position can be very helpful with the revenue side of the annual budget process. Councilmembers can then debate these recommendations and weigh the political considerations involved. As our elected representatives, you are better qualified to do this work than another commission.

Thank you.

Chart 1: https://itep.org/finalgop-trumpbill-dc/

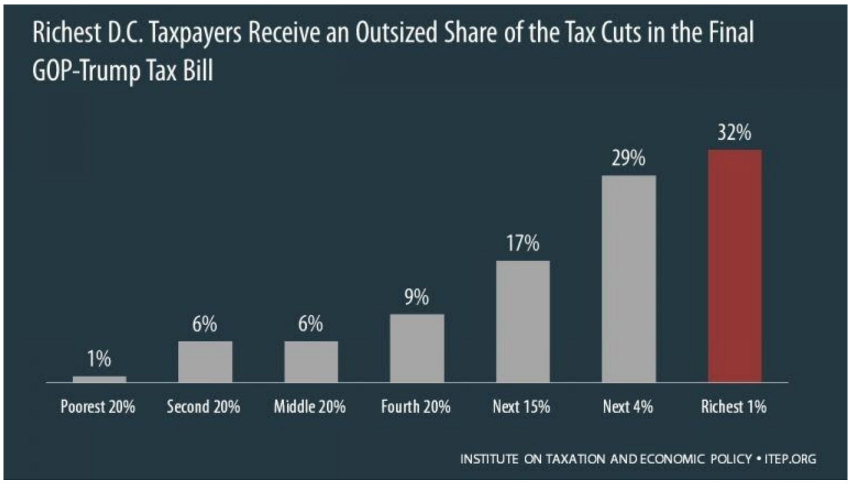
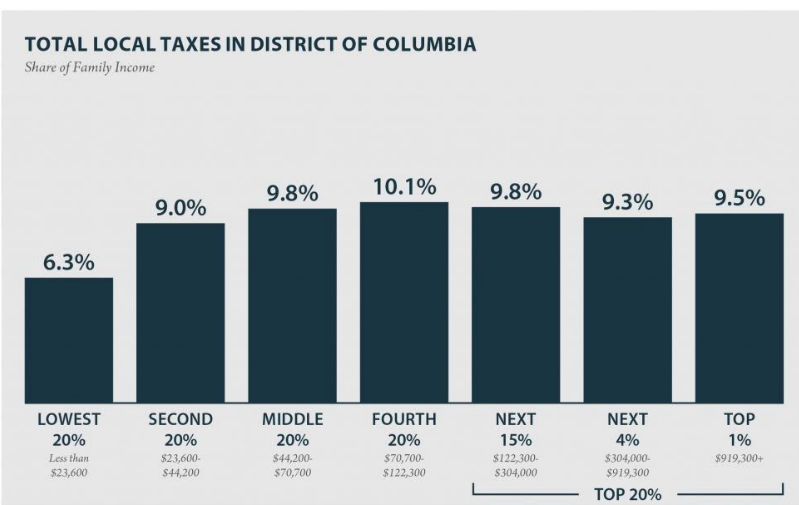


Chart 2: https://itep.org/washington-dc/



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?

David Schwartzman
Chair, Political Policy & Action Committee
DC Statehood Green Party
and our Party's representative to the DC Fair Budget Coalition
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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

Teutsch Testimony on Bill 23-316 "Tax Revision Commission Reestablishment Amendment Act of 2019"

Councilmembers Mendelson, Bonds, Silverman, and Pinto, it is an honor to be with you today--thank you for the opportunity to testify.

I urge you to oppose Bill 23-316. The intent is good but the mechanics will weaken the Council and undermine democratic accountability.

Like other jurisdictions, DC has many incongruities in its tax and revenue system and there are many opportunities to make it more effective and efficient. We should fix the incongruities and pursue opportunities to improve. We should create a more graduated income tax bracket system, we should fix loopholes that undermine our intent on estate taxes and many other specific revenue mechanisms. We should evaluate these issues, study them, and identify solutions. The right mechanism is for the Council, itself, to directly oversee and operate the process, including identifying the questions, directing the research into them, developing the proposals, evaluating them, debating them, and voting on them. Outsourcing the responsibility for directing the research and making the proposals would weaken the Council in one of the most critical areas: revenue, finance, and tax.

As Councilmembers, you speak with voters on a daily basis and are accountable to them. And that is precisely why you should own all aspects of the processes concerning the hardest decisions. You need resources to revise the system. By adding a policy research arm to the Council, as most other major cities and states have, we will add policy-focused staff. That staff will add the capacity needed to address these issues internally at the Council. You--and as a result, DC--would then have internal bandwidth so that an ongoing basis as urgent matters arise and federal tax law changes requiring local changes to avoid inefficiencies which create bad outcomes for DC. We are in the midst of a critical moment in DC and we need the expertise in-house for moments like this. We can begin now to build that internal bandwidth now rather than outsourcing.

Many local stakeholders have useful information to contribute to the process. If business people want to participate, they can lobby (as they already do), testify (as they already do), and share proposals. Policy experts will do the same as can members of non-profits and other local organizations. Elected officials have a responsibility and a unique ability to adjudicate between these perspectives.

Many of you chose to support this Commission when there was less exigency to address the issues. There is great wisdom to changing one's view when the world changes. The pandemic has made this matter critical in a way none of us anticipated in 2019 so we should add internal bandwidth so we can address these issues more effectively, expediently, and accountably than we could with an outsourced solution like the TRC.

I have spoken with thousands of voters in 2020, and the campaign I chair, for Janeese Lewis George, had over 100,000 voter contacts. Every single voter who shared a concern about taxes worried our rates were not sufficiently progressive. Few if any of the people who served on the original tax commission, before which I testified, have a velocity of conversations with voters anything like what each of you has. Councilmember Pinto, I recall reading about your campaign and just how active you were in reaching out to voters in Ward 2, calling dozens or even over 100 per day. You learned from them and that was a critical experience. People who have had those conversations should be the ones to direct the research, make the proposals, and make the decisions on these kinds of critical issues.

When important work is done by people who are accountable to voters, democracy is strengthened. When that work is outsourced to people who don’t face voters, democracy is weakened. I ask you to strengthen democracy and prevent weakening the Council.

Committee of the Whole
September 30, 2020
Re: Proposed Tax Revision Commission

Stephanie Sneed
Fair Budget Coalition
stephanie@fairbudget.org

Good morning members of the Council,

My name is Stephanie Sneed, I'm the Executive Director of the Fair Budget Coalition. While usually this is the time to plan our annual budget recommendations, we are here today to stand with our members and colleagues in opposition the formation of a Tax Revision Commission.

Over the weekend the number 750 reverberated all over the news cycle, $750 the dollar amount that the NY Times discovered President Trump paid on his federal taxes in 2016 and 2017. While friends and family members reeled in disgust, the majority of the DC advocacy community only saw what we knew confirmed at the highest level.

Wealthy people are able to abuse and take advantage of our flawed tax code, and it is not just President Trump. It is also people like our neighbor Jeff Bezos, and other wealthy citizens who are able to escape paying what is their fair share of the economy.

While there is a time and a place for strategic planning, slow implementation, and thoughtful debate, this is not that time. A new Tax Commission would only serve to delay what has been meaningful movement toward progressive tax reform. We have seen incredible work by Councilmember Charles Allen, Councilmember Trayon White, and Councilmember Brianne Nadeau, and we believe this work should be continued.

In 2013, when the last Tax Commission was convened, despite progressive recommendations being made, Council didn't implement all of the recommendations. Council disproportionately left ideas on the table that would have benefited low income Black and brown residents. We can't go down that path again. We don't have two years to wait on recommendations, this is something that should be handled through annual revenue hearings and through regular engagement on ongoing tax policy review.

We are in an economic recession and we must resist the calls for austerity and cuts made to our most critical services. Our tax structure needs to change now. We have urgent needs which require action--a tax commission would delay this work. Wealthy DC residents have received extreme federal tax cuts and the District should recoup those cuts to benefit our residents in need.

The tax changes our coalition has advocated for are moderate, but the needs are great. We have to work together to make tax changes now as revenues are falling and our communities need more. We see how much low-income families in DC have been harmed and are struggling to survive. Those families who were on the brink are now in full on crisis.

In 2013 and 2014, the median wealth for white, Latinx, and Black families in the Washington DC area was $284,000, $13,000 and $3,500 respectively, according to a survey study conducted by the Urban Institute. Making white families' wealth 81 times that of Black families in DC. This is unacceptable.

Black DC residents have the most COVID-19 deaths, face double-digit unemployment rates, and are more likely to be low-wage employees on the front lines as well as business owners left out of federal COVID-19 relief. These communities are already sacrificing and giving to their communities, can we not as the wealthy to do the same?

Just tax policy can help District residents mitigage the harm of the recession and reverse course: only with political will, can we see this Council uplift the values they have purported. Tax policy can and should be a tool for racial justice and equity.

Thanks you for the opportunity to testify.

COUNCIL OF THE DISTRICT OF COLUMBIA, COMMITTEE OF THE WHOLE

ITEP Testimony on Bill 23-316, Tax Revision Commission Reestablishment Amendment Act of 2019

September 30, 2020

Chairman Mendelson, committee members — thank you for this opportunity to submit testimony. My name is Kamolika Das, and I represent the Institute on Taxation and Economic Policy (ITEP), a non-profit, non-partisan research organization that provides timely, in-depth analyses on the effects of federal, state, and local tax policies.

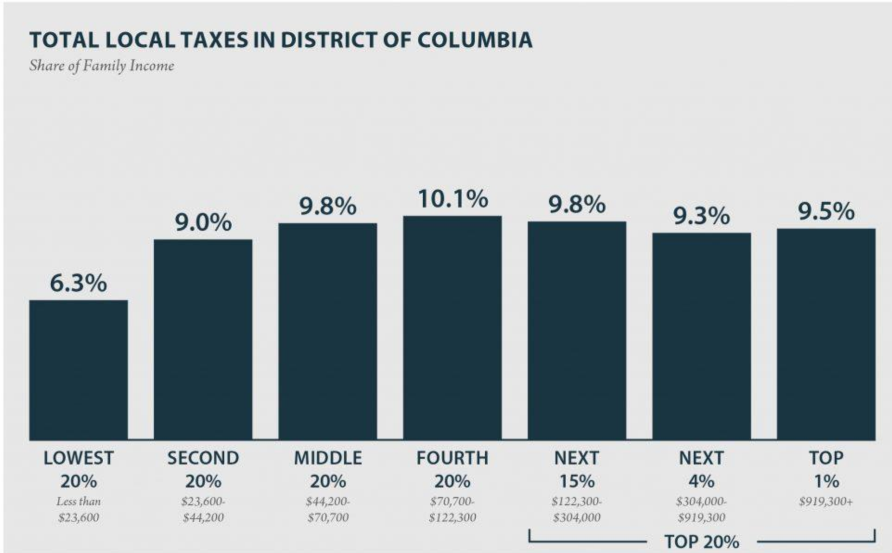
ITEP participated in the last Tax Revision Commission from 2012-2013, providing recommendations for achieving a more adequate and equitable tax system and distributional analyses for a number of proposals that were considered in the final report recommendations. During the course of the last Commission's work, tax policy changes were deliberately and systematically considered, leading to some positive changes in the District such as increasing the standard deduction and expanding the earned income tax credit (EITC) to childless workers, as well as the identification of further policy changes that could be made to create a better tax system.

I am here today to:

1. Encourage the DC Council to quickly and efficiently enact "shovel-ready" progressive, revenue-raising tax policies and not delay these necessary tax changes through another time-intensive Tax Revision Commission process;
2. Clarify that clear tax policy solutions to achieve a more adequate and equitable tax system have already been identified through past efforts and do not require further study; and
3. Allay any concerns about the unintended consequences of increasing taxes for high-income earners

DC Should Not Delay Progressive Tax Policy Changes

We appreciate the DC Council's intentions to reestablish the Tax Revision Commission as a way to avoid any ad-hoc tax changes in response to the current health and economic crisis. However, DC already has clear guidance about what actions it can take to improve tax fairness and respond to the urgent budgetary concerns you are hearing from advocates today. With an eviction crisis looming and high unemployment rates, DC cannot wait for a multi-year study to progressively raise revenues. Further, DC does not need to wait for additional studies to determine that top earners in DC continue to pay a proportionately smaller share of their income on total local taxes compared to the middle class[i] and that raising taxes on high-revenue earners is appropriate at a time when half of DC children in renter households are not getting enough to eat[ii] but top earners are less likely to have been laid off and many have seen their disposable incomes increase during the pandemic.[iii]



Source: ITEP, *District of Columbia: Who Pays? 6th Edition*

Past Learnings & Resources Point to the Right Policy Changes to Adopt

From 2012 through 2013, the Tax Revision Commission held over two dozen meetings and three public hearings to assess various policy ideas. Some of the ideas were adopted, while others are still available for the Council to act or improve upon now.

Known and ready solutions for further improving the adequacy and equity of DC's tax system include:

- Create new tax brackets starting at either $150,000 or $250,000;
  - The Commission recommended establishing a new middle-class tax bracket between $40,001 and $350,000. Since then, DC established a new bracket for filers between $40,001 and $60,000, but there is undoubtedly room for more progressive bracket differentiation at the top. Proposals for new brackets starting at $150,000 or $250,000 impact relatively few DC residents but create much needed revenue.

- Increase tax rates for the brackets starting at $350,000 and $1,000,000;

- Cap the maximum itemized deduction that a taxpayer can claim; and

- Reinstate the $2 million estate tax exemption from 2017.[1]

[1] The 2012-2013 Commission's recommendation to raise the estate tax threshold from $1 million to $5.25 million and then index it for inflation was a misstep that cost DC revenue and worsened racial wealth inequality in the District. Throughout the nation, only 2.56 percent of estates, on average, owe any state estate taxes; further, households with net worth above the estate tax threshold are overwhelming white (Center for American Progress, https://www.americanprogress.org/issues/race/news/2017/11/16/442836/4-ways-repealing-estate-tax-expand-racial-wealth-gap/).

Evidence Disproves Concerns Regarding Taxing High Earners, Economic Growth & Millionaire Tax Flight

In 2013, a key issue for the Commission was tax parity in the DC-Maryland-Virginia region such as similar top income tax rates, estate tax thresholds, sales tax rates, etc. to maintain "competitiveness." But recent data demonstrates that many of the fears associated with higher taxes on high earners are unfounded. A common objection to higher taxes for the rich is that it will slow economic growth. However, ITEP has found that average incomes have grown more quickly in states with the highest top tax rates.[iv] The findings do not suggest that higher state income tax rates *cause* faster growth, but they cast doubt on the idea that increased top rates lead to economic declines.

Further, despite claims that capping the State and Local Tax (SALT) Deduction at $10,000 per year would cause high-earner migration, new IRS data reveal just the opposite – that states with higher income or property taxes such as California, New York, and New Jersey have seen *more* growth in millionaire tax returns than other states in the last few years.[v] DC has also seen a small uptick in millionaire growth, a statistic that is unlikely to change due to marginally higher top rates that do not impact their standard of living. Contrary to one-off anecdotes or media headlines, high-income households value the quality of life offered by higher taxes.

This is doubly true since top earners in DC are already paying less tax than prior to the Tax Cuts and Jobs Act (TCJA). In 2020 alone, the top 1 percent is expected to receive an average tax cut of over $54,000 and the top 5 percent is expected to receive approximately $13,400.[vi] Nationally, white tax filers received 79 percent of the TCJA tax cuts compared to 5 percent for Black tax filers. At the same time, many low- and middle-income taxpayers with multiple dependents saw their tax burdens increase due to the elimination of the personal exemption, despite the higher standard deduction.[vii] Low- and middle-income residents, who are disproportionately Black and brown, are far more likely to flee DC than high-earners because DC has not sufficiently invested in programs and services that keep it affordable. DC has the opportunity to make those investments now, with or without a new Tax Revision Commission.

Other states have taken the lead on increasing taxes on top earners to address critical needs. New Jersey recently reached a deal to raise $390 million by increasing the tax rate on incomes of more than $1 million from 8.97 percent to 10.75 percent, matching the rate for incomes over $5 million. Lawmakers in California, New York, and Rhode Island have also proposed similar measures and ballot initiatives are underway in Illinois and Arizona to allow voters to directly approve higher taxes on their state's richest residents.

Now is the time to enact "shovel ready" progressive tax policy changes that will enable DC to respond to the critical needs of this moment without any unnecessary delays. I urge members of the Council to do so.

Thank you for the opportunity to testify and I am happy to answer any questions.

Respectfully submitted,

Kamolika Das
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www.itep.org

[i] Although DC personal income taxes are technically progressive, taxpayers earning less than the median household income pay a tax rate nearly as high as millionaires when accounting for combined state and local taxes (property, sales, excise, and income taxes).

[ii] Elliot C. Williams, "Half Of D.C. Children Who Live In Renter Households Aren't Getting Enough To Eat, New Report Shows," *DCist,* August 20, 2020 https://dcist.com/story/20/08/20/dc-census-bureau-half-children-rental-housing-hunger/

[iii] Meg Wiehe and Carl Davis, "The Rich Are Weathering the Pandemic Just Fine: Tax Them," Institute on Taxation & Economic Policy, September 3, 2020 https://itep.org/the-rich-are-weathering-the-pandemic-just-fine-tax-them/

[iv] Carl Davis, "Another Reason to Tax the Rich? States with High Top Tax Rates Doing as Well, if Not Better, than States Without Income Taxes," Institute on Taxation & Economic Policy, September 23, 2020 https://itep.org/another-reason-to-tax-the-rich-states-with-high-top-tax-rates-doing-as-well-if-not-better-than-states-without-income-taxes/

[v] Carl Davis, "Millionaire Population Swells in Blue States Despite Migration Fearmongering," Institute on Taxation & Economic Policy, September 3, 2020 https://itep.org/millionaire-population-swells-in-blue-states-despite-migration-fearmongering/

[vi] Institute on Taxation & Economic Policy, "TCJA by the Numbers, 2020" August 28, 2019 https://itep.org/tcja-2020/

[vii] Hannah Kohanzadeh, "Taxes in the District: The Evolution of DC Tax Rates Since the Early 2000s," DC Fiscal Policy Institute, May 2, 2018 https://www.dcfpi.org/all/taxes-in-the-district-the-evolution-of-dc-tax-rates-since-the-early-2000s/#_edn4

JEWS UNITED FOR JUSTICE

TESTIMONY OF JOANNA BLOTNER
DC LEGISLATIVE DIRECTOR, FAMILY AND ECONOMIC SECURITY CAMPAIGNS
JEWS UNITED FOR JUSTICE

Committee of the Whole Hearing:
23-316 - Tax Revision Commission Reestablishment Amendment Act of 2019
Wednesday, September 30, 2020

Good morning and thank you for allowing me to testify. My name is Joanna Blotner and I am testifying on behalf of Jews United for Justice. For more than two decades JUFJ has worked to advance economic, racial, and social justice in Washington, DC by mobilizing the local Jewish community to action. And **now** is a time for action to ensure our policies, taxes, and budgets reflect our city's motto and values: Justice to All.

This past Monday, Jews around the world observed Yom Kippur. Some may know this holiday as a day of fasting and atonement. But this is not simply a holiday of atonement for spiritual or religious transgressions. Rather, the holiday is a collective repentance for the ways in which we have all individually - and societally - caused harm to one another, failing to keep a social covenant that guarantees compassion, dignity, and justice to all. The words we read each Yom Kippur from the Biblical book of Isaiah (58:6-7) speak to the core of this holiday:

> *"This is the fast G-d requires [this is the path of atonement G-d demands of us]: Remove the shackles of the oppressed, free those who are chained unjustly. Share your food with all who are hungry; share your home with the poor and homeless; give clothes to those in need; do not turn away your neighbor, or the stranger in your midst."*

This year, these words weigh heavier on my heart than usual. Here in DC we have failed to fully house and feed those in need in our most prosperous times; and now, with nearly one billion dollars in revenue loss, a looming unemployment insurance and eviction crisis, and a national reckoning with racial inequality, this Council is kicking the can down the road once again by debating the merits of a tax commission meanwhile tens of thousands of residents are panicking about how to pay tomorrow's rent.

Having served on the city's Jobs, Wages, and Benefits Task Force in 2016, I fear the repetition of a similar process for how we assess taxes and respond in this moment. Commissions are drawn out processes where appointees often experience steep learning curves and deeply entrenched biases, and, disappointingly, too few participants take their role seriously enough to even show up to meetings with any regularity. This means a commission will likely take years to produce recommendations, and those recommendations will very likely be biased against the very residents most in need. Our residents deserve better than a lengthy, undemocratic process to assess matters as important as taxes. Especially heading into a recession which demands nimble policy making, a tax revision commission is the wrong vehicle for our city. In fact, it is worth noting this bill was introduced last year in a time of prosperity and budget surpluses, and did not (nor could it) in any way consider the situation we now find ourselves in.

For these reasons, JUFJ opposes the Tax Revision Commission Reestablishment Amendment Act of 2019. Instead, we call on our elected leaders to act with alacrity and the moral conviction to prioritize our DC residents who are suffering most acutely from the effects of this pandemic. This means acting to prevent cuts to core services - like permanent supportive housing, free meals, rental assistance, and subsidized child care - ***and*** **it means putting more revenue on the table by raising taxes to meet existing and growing needs.**

The data are clear: it is time to ask more of DC's wealthiest residents who benefited from $500 million in federal tax cuts in recent years while our racial wealth gap and budget demands grew. It should also be abundantly clear that millionaires should not be paying virtually the same income tax rates as our essential frontline workers who are earning $60,000 a year. We should not need another three-year commission process for our elected leaders to pass policies to meaningfully raise revenue and set the District on a path to a just recovery that invests *now* in helping our residents build back better.

This is not to say that analysis and updates to our tax code are not needed; they are. A better option, however, might be to hire a full-time tax analyst for the Council Budget Office to provide professional, independent, data-driven analyses at regular intervals, similar to the economic impact studies the office has conducted in recent years. Reports from this office would allow Councilmembers and more members of the public to access impartial data and take timely, prudent next steps. If the Council does choose this option for a more impartial and regular tax review, that should not prevent us from acting with urgency *now* to meet this moment, such as through enacting a temporary income tax surcharge on high-end earners.

Taxes and budgets are fundamentally moral issues. Both our budget actions and our inactions speak volumes about values. Let's not let another year go by before we make amends for the harm we have done by failing to ensure racial and economic justice to all.

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The Washington
LEGAL CLINIC
for the Homeless
A Voice for Housing and Justice

COMMITTEE OF THE WHOLE
Public Hearing
Bill 23-316, Tax Revision Commission Reestablishment Amendment Act of 2019
Wednesday, September 30, 2020 at 9:00AM

Testimony of Amber W. Harding

Thank you for the opportunity to testify today. My name is Amber Harding and I am an attorney at the Washington Legal Clinic for the Homeless. The Legal Clinic envisions – and since 1987 has worked towards – a just and inclusive community for all residents of the District of Columbia, where housing is a human right and where every individual and family has equal access to the resources they need to thrive. Because these core elements of our mission depend on having sufficient revenue as a city to support lifesaving programs, we have been actively engaged in DC tax policy for decades.

There's nothing objectionable on its face about a bill that restarts the Tax Revision Commission. This bill was introduced in 2019, back when the Council was rethinking how wise it was to have one Councilmember chair a committee that controlled tax policy, particularly when it turns out that Councilmember was engaged in questionable ethical behavior, to say the least. The economy was good, even if income inequality was getting worse. Tax policy is often viewed as complicated and wonky, and looking to a group of experts to provide recommendations and guidance made some sense, abstractly.

No one was anticipating a global pandemic and the worst recession we have ever experienced. But that is the crux of the problem with this bill. Tax policy shouldn't be developed once a decade divorced from assessments of whether there is enough revenue to meet the pressing needs of DC residents. Tax policy should not exist in a vacuum, and tax proposals may be urgently needed before a commission can make its recommendations.

When the Council decides to lift the eviction moratorium, what will it do to respond to the resulting tsunami of evictions? Will it throw its hands up and say there just isn't enough revenue to provide eviction prevention funds? That's penny wise, pound foolish. Even if the Council is inured to the pain and trauma and eviction, surely it knows that homelessness costs more than keeping people in their housing. Or will the Council say they can't act to increase revenue to prevent those thousands of evictions because they are waiting for the

Commission to make recommendations? Those recommendations will come too late for thousands of DC residents.[1]

Because of the real life consequences of decisions, tax policy is also not something that should be developed behind closed doors by a group of people that by definition (having been appointed by the Mayor and the Chair) already have more access to elected leaders than the average DC resident. Tax policy should not be esoteric and elite—it should be grounded in real needs and accessible to those who pay the taxes.

Tax policy should be discussed openly and publicly, with opportunities for all DC residents to testify in support or in opposition to specific proposals. While the last Tax Review Commission held some general public input sessions, they were not as accessible as public hearings, there was no legislative record, and there was no opportunity to provide support or opposition to specific proposals. Instead, the recommendations of the Commission came out and several of their recommendations made it into annual budget without any opportunity for public hearing or vetting on their particulars. This Council should be committed to exploring ways to be more democratic in its procedures and decisionmaking, not less.

That is not to say expertise and research play no part in developing tax policy. They do—but not to the exclusion of taxpayers. We would support adding staff to the DC Budget Office to provide technical assistance or research to lawmakers on tax proposals and bills. At the hearing on the bill, the same experts that would have been appointed to the Commission can join DC residents in testifying publicly in support of or opposition to the bill.

We agree that we need a better process for vetting tax policy, and that leaving it to the final hours of budget season is not ideal. We do not believe that the Commission is the right approach. Last year we strongly encouraged the Committee on Business and Economic Development to hold hearings to hear ideas for tax proposals, so they would be fully vetted prior to the Committee of Whole vote on the budget. We asked them to hold hearings or roundtables on tax policy suggestions even if the Chair did not support their passage, as a way to have a more public and open process. We reiterate these recommendations today.

[1] As I have testified to in the past, a perception (rightful or not) of economic scarcity has been shown to "produce[s] racial bias in the distribution of economic resources." https://www.ncbi.nlm.nih.gov/pubmed/28910122

Testimony by Emma West Rasmus, Member - Resource Generation DC
September 30, 2020

Thank you to the Chair and members of the Committee. My name is Emma West Rasmus, a DC resident in Ward 1, and I am testifying on behalf of Resource Generation DC and the 50 dues-paying members and hundreds more actively engaged in our work across the District. Resource Generation is a multiracial membership coalition of young people, ages 18-35, with wealth and/or class privilege committed to the equitable distribution of wealth, land, and power. We are committed to ensuring that the greatest and most unjust inequality in human history ends with our generation.

I am here to express our opposition to the Tax Commission: it is simply not the urgent solution we need to address the current budget crisis.

Why do we oppose the creation of a Tax Commission? The Tax Commission established in 2011 took multiple years to advance policy changes. Quite simply, we don't have time on our side during this recession; we need more urgent solutions that will provide relief as quickly as possible. That is how we put people first and get our economy back on track.

What we support instead:

1. We agree that regular, comprehensive, holistic, data-driven reviews of current DC tax policy are essential. As opposed to a Commission, the District needs that role to be held by more neutral and expert analysts. We support the creation of a new independent, non-partisan position within the Council Budget Office to conduct tax expenditure reviews and data-driven tax policy analyses.

2. We support increasing taxes on residents with wealth and high incomes as well as on businesses that are still thriving. The members of Resource Generation are included in this population and we firmly stand in support of building greater tax equity into our system. We WANT to be paying more to support the needs of our community. The Council should act with urgency to advance economic justice in our tax code.

We are facing unprecedented rates of job, housing, and food insecurity. Even before the coronavirus, we were facing a deeply rigged and unjust economy. The racial wealth gap in our DC community is staggering, with white families holding 81 times the median household wealth of Black families, according to a 2013 study conducted by the Urban Institute. It seems likely that the gap has only gotten worse given the state of income inequality in DC.

The only way we're going to meet the needs of all DC residents is by putting new revenue on the table. We must not delay strategic, urgent action to create just recoveries. We oppose the creation of the tax revision commission, and know that raising revenue and addressing current DC tax policy in an urgent, neutral, expert way is what this moment calls for.

Thank you for this chance to share this testimony with you today.

Good morning Council Members. My name is James Nash, and I speak as a tax-payer who lives in Ward 4 and as a parishioner of St. Matthew's Cathedral where I have served in our homeless ministries program for many years.

I am opposed to Bill 23-316 primarily because I fear the Tax Revision Commission will delay or prevent what is most critical for the health of our community: raising taxes on the more wealthy members of our community so our city has the money to help those who are poorest.

I say this as a person who is relatively well-off. Please raise my taxes so we can end chronic homelessness and offer assistance to the many DC residents who are struggling because of the pandemic. The need is critical. I see it every Monday in the faces of the people we are serving at St. Matthew's. I take this position because of my Christian faith and because it is necessary to preserve my humanity when confronted with the overwhelming needs of the people we serve.

I also take this position because there is plenty of evidence that ending chronic homelessness will actually save the city money in the long run. A TRC filled with self-interested partisans, however, is unlikely to be open to this evidence. Instead, I believe the city should review its tax policy with the aid of independent non-partisan analysts who can make reasonable evidence-based recommendations that will restore equity to our tax system, preserve our city's fiscal integrity and address the fallout from the pandemic.

We are facing big increases in unemployment, mass evictions, and therefore big increases in our homeless population. We need to be ready for bold, swift and smart responses to these many problems.

I will say it one more time: please raise my taxes to help the most vulnerable members of our community. Do not plug up our system with needless commissions.

Doesn’t Feel Like a Recession? You Should Be Paying More in Taxes

Richards, Kitty; Stiglitz, Joseph E . New York Times (Online) , New York: New York Times Company. Sep 3, 2020.

FULL TEXT

It’s not only the right thing to do, it’s good economics.

As the coronavirus pandemic —and Congress’s undersize response —wreaks havoc throughout the economy, tax receipts are cratering. This means that state and local governments are facing enormous revenue shortfalls at the exact time they are dealing with large additional demands. So far, states and localities have responded by slashing spending and jobs, with 1.5 million public-sector workers laid off by the end of June.

The federal government, which unlike most states does not have to balance its budget every year, could solve the problem tomorrow by providing fiscal relief to states and localities, like the $1 trillion provided by the HEROES Act that passed the House in May.

But regardless of whether Congress acts, states and localities can bolster their local economies and support their residents by raising taxes on those who have not been hard hit by the recession. This is not only the right thing to do from a humanitarian standpoint, it is sound economics.

Spending cuts are enormously harmful to the people who rely on government services and the public workers who lose their jobs. In a recession, cuts also damage the broader economy, causing layoffs to ripple through the community.

When you fire a teacher, you harm her family and her. But you also harm the local grocery store where she shops, and all the other people and businesses she gives money to.

Using conservative estimates, these ripple effects mean that each dollar of spending the state cuts leads to a drop of at least $1.50 in the gross domestic product, and there are reasons to believe that the drop is as much as $2.50. With state budget shortfalls forecast to approach $300 billion this fiscal year, a spending-cut-only approach to balancing state budgets will cause at least a $450 billion reduction in G.D.P.— more than 2 percent.

Tax increases, especially on high-income people who aren’t living paycheck to paycheck, are much less economically damaging, costing the economy only around 35 cents for every dollar raised. States and localities that raise taxes on the rich to increase spending will create at least $1.15 of economic activity for every dollar raised, and most likely closer to $2.15 or more.

State and local spending never bounced back from the deep cuts made during the Great Recession, with devastating consequences for the U.S. economy. Had federal assistance enabled state and local spending to recover fully, the unemployment rate would have dropped to 4.4 percent in 2013, but instead we didn’t hit that level until 2017.

These spending cuts did not just reduce G.D.P., they left core state services underfunded. Take education. Just before the pandemic, public school systems had two million more students in kindergarten through 12th grade than before the Great Recession, and 77,000 fewer employees to teach them and run their schools. As of mid-May, public-sector layoffs had already surpassed their total for the entire Great Recession. With the school year still going, more than 750,000 K-12 education employees had already lost their jobs.

This at a time when education funding should be expanding. The Trump administration’s failure to control the pandemic has made it impossible in most places to safely open schools at current funding levels, but large budget increases to support smaller class sizes, building retrofits and other innovations could make it possible for kids to attend classes in person rather than on the computer. Instead, many districts are shuttering buildings and laying off teachers and other staff members.

This will have consequences for kids, families and our economy for years to come, and it is also stymying whatever recovery is possible: One in five out-of-work adults has stopped working because of the need to supervise online learning or care for younger children.

Some worry that state residents and businesses can't afford a tax increase during the pandemic, but the truth is that many can, and it's easy to target them through progressive taxation. Tens of millions of workers have lost their jobs since the beginning of the Covid-19 crisis, but almost half of Americans report that their household has not lost any employment income at all, according to Census Bureau data. That figure jumps to two-thirds for households bringing home more than $200,000 per year.

The current situation is stacked on top of enormous existing inequality, with state and local tax policies that frequently ask the most of those least able to pay. The bottom 20 percent of earners pay, on average, a state and local effective tax rate more than 50 percent higher than that paid by the top one percent.

At the same time, state budget cuts fall disproportionately on those who are hardest hit by the pandemic. Black and Latino Americans have been infected with the coronavirus at three times the rate of whites, and died from the disease twice as often. They have also lost jobs and seen their incomes drop at a higher rate than white Americans, and they are disproportionately affected by public-sector layoffs.

Some will argue that states can't raise taxes by themselves because of interstate competition, but economic evidence shows that even in boom times progressive state tax increases don't harm state economies or lead rich people to flee. Now, with education and public health on the chopping block without higher taxes, moving to a low-tax, low-services state is likely to be still less appealing, even for the wealthy: States that institute ruthless cutbacks will prove to be far less attractive places to live.

Economic recovery will require more funding for state and local services. Some steps should be obvious: The 15 states that have not implemented Medicaid expansion, for example, could provide health insurance to millions of Americans, drawing billions of federal dollars into their local economies and over time reducing their overall spending out of local resources. All it would take is a willingness to cover 10 percent of the costs of expansion now.

Some problems will require creativity to solve. For instance, where normal schooling is unsafe, instead of laying off teachers and moving instruction online, school districts could hire more educators, repurpose empty office space and provide all students with the small, contained "learning pods" now favored by the wealthy.

Some states, and their voters, are taking bold action. Oklahoma and Missouri just voted to expand Medicaid by ballot initiative. Arizona voters will decide in November on an ambitious plan to raise more than $900 million a year for education through a 3.5 percent income tax surcharge on the top one percent of Arizonans.

The economic impact of the pandemic is daunting, and it would be better for the federal government to step in. But Americans are living through a catastrophe. They cannot afford for their state and local leaders to abdicate responsibility. States, cities and school districts must require their wealthiest residents to pay higher taxes right now.

The alternative is unacceptable: cutbacks in basic services that will weaken our social fabric and harm our potential for years to come, and a grinding recession that may last for years after the pandemic is brought under control.

Kitty Richards (@KittyRichardsDC) is a fellow at the Roosevelt Institute and strategic adviser to the Groundwork Collaborative. Joseph E. Stiglitz (@JosephEStiglitz), a university professor at Columbia University, is a 2001 recipient of the Nobel in economic science, chief economist of the Roosevelt Institute and the author of "People, Power, and Profits: Progressive Capitalism for an Age of Discontent."

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DETAILS

Subject:	Great Recession; Tax rates; Medicaid; Funding; Economic conditions; Pandemics; Gross Domestic Product--GDP; Economic growth; Coronaviruses; Progressive taxes; State budgets; Layoffs; New Deal; Learning; Education; COVID-19; Tax increases
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Testimony for Committee of the Whole, Public Hearing
B23-316, Tax Revision Commission Reestablishment Act of 2019
September 30, 2020
Rebecca Barson

Thank you to the Committee for the opportunity to submit written testimony for the public hearing on B23-316, the Tax Revision Commission Reestablishment Act of 2019. My name is Rebecca Barson, and I am a resident of Woodley Park in Ward 3 and own a small business. I am also a volunteer leader with Jews United for Justice (JUFJ), where I serve as co-chair of the DC Leadership Council and recently served as chair of JUFJ's #JustRecoveryDC Campaign. JUFJ is a community of thousands of Jews and allies committed to advancing social, racial, and economic justice in DC.

I strongly oppose this legislation because another Tax Revision Commission is not the solution we need in this moment. As a result of the pandemic, revenues are plummeting. Too many DC residents and small businesses are in crisis - concerned about their literal survival. As a small business owner, I see so many others who are struggling to hang on. I see the restaurants closing in my neighborhood. I see the incredible challenges of navigating the District's unemployment system. We are in an emergency and need to act with urgency. However, a Tax Commission process isn't designed to do that - it is a process that takes years, reflects the narrow experiences of those who happen to become appointed, and misses the urgency of the need to find solutions <u>now</u> to get DC's economy back on track.

In addition, we already know what the solutions are - we need to put revenue on the table and ask those who continue to have the most to contribute more of their fair share to support those who are suffering the worst impacts of this pandemic and related recession. This is not the time for "both sides" solutions that ask everyone to tighten their belts while contributing too little to solve the problem. Instead, by asking people with high incomes and businesses who are continuing to thrive to contribute more at this time, we can lift all boats: policies that create greater equity will also to help stimulate the economy going forward.

I do support the idea that we should regularly review DC's current tax policy - however, I do not believe that a Tax Commission is the way to do it. Instead of a Commission made up of volunteer appointees, the Council could create a new, independent, "non-partisan" position within the Council Budget Office who would be tasked with researching and putting forward recommendations to improve the District's tax system, to ensure and advance equity in the District, and to maintain its fiscal integrity.

We need courageous leaders who will take the bold, swift actions <u>now</u> to save lives and protect livelihoods - it's time to ask more of those who have more, and say "no" to actions that are only kicking the can down the road, like another Tax Commission.

Thank you for the opportunity to share my thoughts with you.

Tax Revision Commission Reestablishment Amendment Act of 2019
Bill 23-316

Before the Committee of the Whole

The Honorable Phil Mendelson, Chairman

September 30, 2020, 9:00 AM

Comments submitted by
Fitzroy Lee, Deputy Chief Financial Officer
Office of Revenue Analysis

Jeffrey S. DeWitt
Chief Financial Officer
Government of the District of Columbia

Thank you for the opportunity to provide comments on Bill 23-316, the "Tax Revision Commission Reestablishment Amendment Act of 2019" (the "Bill"). The Bill amends current law[1] to re-establish the Tax Revision Commission (the "Commission"), for the purpose of preparing comprehensive recommendations to the Council and Mayor regarding the District's tax structure. The Commission is tasked under current law with:

(1) Analyzing revenue productivity and stability, efficiency, equity, simplicity of administration, and the effect on the District's economy;

(2) Proposing innovative solutions for meeting the District's projected revenue needs while recommending modifications to tax rates;

(3) Identifying economic activities which are either beneficial or detrimental to the District's economy, and which should be either encouraged or discouraged through tax policy;

(4) Recommending changes in the District's current tax policies and laws;

(5) Establishing or revising criteria and a conceptual framework for evaluating current and future taxes; and,

(6) Identifying unused and duplicative tax credits and tax abatements and recommending policy changes to improve the way the District utilizes tax expenditures.

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[1] Chapter 4 of Title 47 of the D.C. Official Code.

The Bill adds a requirement for the Commission to specifically analyze changes to the District's tax system that have occurred since the Commission concluded its previous round of work in February 2014.

Within a year of its appointment, the Commission is required to submit its recommendations to Council and the Mayor in a form similar to the 2014 report. The report must be accompanied by draft legislation, regulations, amendments to existing regulations, or other specific steps for implementing the recommendations. Like previous iterations of the Commission, it will be composed of ten members and a chairperson. The Mayor and the Council will each appoint five members and the Chairman of the Council will appoint the chairperson. The Chief Financial Officer will be an *ex officio* member. Each member will serve without compensation.

The Office of the Chief Financial Officer's Office of Revenue Analysis ("ORA") provided significant analytical support to the most recent Commission and worked closely with Commission members and staff. ORA stands ready to provide support for this re-established Commission.

Thank you for the opportunity to provide comments on behalf of the Office of the Chief Financial Officer.

DRAFT COMPARATIVE PRINT
Committee of the Whole
November 17, 2020

§ 47-461. Council findings.

The Council of the District of Columbia finds that:

(1) Many District residents and businesses are already overburdened by current taxation levels.

(2) The health of the District's tax base and its potential for economic growth require the maintenance of a competitive tax burden between the District and neighboring jurisdictions.

(3) Present tax policies and laws are in need of evaluation with respect to their equitability, productivity, efficiency, and effect on economic growth;

(4) New or broadened revenue sources must be explored as possible substitutes for current uncompetitive rates to meet the District's revenue needs, but they must be evaluated carefully in terms of their equity and their effect on economic growth.

(5) The last comprehensive study of District taxes occurred in ~~1998~~2014, and more recent tax changes have been somewhat piecemeal and sometimes made without regard to the system as a whole or knowledge of long-term effects.

§ 47-462. Tax Revision Commission - Established; submission of recommendations.

(a) There is established a Tax Revision Commission ("Commission") with the purpose of preparing comprehensive recommendations to the Council and the Mayor which:

(1) Provide for fairness in apportionment of taxes;

(2) Broaden the tax base;

(3) Make the District's tax policy more competitive with surrounding jurisdictions;

(4) Encourage business growth and job creation; and

(5) Modernize, simplify, and increase transparency in the District's tax code.

(b) Specific functions of the Commission shall include the following:

(1) To analyze the District's current tax system in terms of revenue productivity and stability, efficiency, equity, simplicity of administration, and effect upon the District's economy;

(2) To propose innovative solutions for meeting the District's projected revenue needs while recommending potential modifications to tax rates;

(3) To identify economic activities which are either beneficial or detrimental to the District's economy and which should be either encouraged or discouraged through tax policy;

(4) To recommend changes in the District's current tax policies and laws;

(5) To establish or revise criteria and a conceptual framework for evaluating current and future taxes;

(6) To identify unused and duplicative tax credits and tax abatements and recommend policy changes to improve the way the District utilizes tax expenditures; and

~~(7) To analyze a proposal to tax the capital gain from the sale of common or preferred shares of a Qualified High Technology Company, as defined in § 47-1817.01(5)(A), at the rate of 3% if the:~~

~~(A) Shares of the Qualified High Technology Company were held by the investor for at least 24 continuous months; and~~

~~(B) Qualified High Technology Company was headquartered in the District of Columbia on the date of sale.~~

(7) To analyze the specific changes to the District's tax system since the Commission's most recent recommendations to determine the extent to which such changes are consistent with the principles identified in this section.

(c) The Commission shall submit its recommendations in the form of a report or reports similar in form and scope as those transmitted by the ~~District of Columbia Tax Revision Commission by letter dated June 2, 1998, and entitled "Taxing Simply, Taxing Fairly"~~ Commission on February 12, 2014. The report or reports shall be accompanied by draft legislation, regulations, amendments to existing regulations, or other specific steps for implementing the recommendations.

(d) The Commission shall submit to the Council and the Mayor its final report no later than December 31, 2013.

(e) Every ten years after the submission of the previous Commission's report, a new Commission shall be convened. The Mayor and the Chairman of the Council shall make new appointments consistent with the provisions of this subchapter, and may appoint members who have previously served on the Commission.

§ 47-463. Tax Revision Commission — Composition; selection of Director.

(a) The Commission shall be a nonpartisan body composed of 11 members, including a Chairperson.

(b) The members of the Commission shall be appointed as follows:

(1) The Mayor shall appoint 5 members, of whom:

(A) Three shall be experts in the field of taxation, such as tax lawyers or public finance economists;

(B) One shall be a community representative, such as a leader of a public-interest group, labor union, civic association, or a tenant or housing association; and

(C) One shall be a representative of one or more important sectors of the business community, such as real estate, banking, retail, or high technology.

(2) The Chairman of the Council shall appoint 5 members, of whom:

(A) Three shall be experts in the field of taxation, such as tax lawyers or public finance economists;

(B) One shall be a community representative, such as a leader of a public-interest group, labor union, civic association, or a tenant or housing association; and

(C) One shall be a representative of one or more important sectors of the business community, such as real estate, banking, retail, or high technology.

(3) The Chief Financial Officer, or his or her designee, shall be an ex officio member of the Commission.

(4) The Chairman of the Council shall appoint one member of the Commission as the Chairperson of the Commission.

(c) All appointments shall be made within 60 days of [September 14, 2011]. A vacancy shall be filled in the same manner in which the initial appointment was made.

(d) The Commission, by a majority vote, shall select a Director who shall perform the duties required for the day-to-day functioning of the Commission as considered necessary by the members, including appointment of staff, selection of consultants, and the administration of meetings and report production.

(e) Each member of the Commission shall serve without compensation. Each member may be reimbursed for actual expenses pursuant to § 1-611.08.

(f) Members of the Commission shall act with the utmost integrity and professionalism. Each member shall avoid conflicts of interest and may seek the advice of the Office of the Attorney General to ensure that his or her duties are being discharged ethically.

§ 47-464. Tax Revision Commission — Authority.

(a) The Chairperson of the Commission, or his or her designated representative, who must be a member of the Commission, shall convene all meetings of the Commission. Six members of the Commission shall constitute a quorum. Voting by proxy shall not be permitted.

(b) The Commission shall have the authority to create and operate under its own rules of procedure, consistent with this subchapter and Chapter 5 of Title 2 [§ 2-501 et seq.].

(c) All recommendations and reports prepared and submitted by the Commission shall be a matter of public record.

(d) The Commission, or committees thereof, may, for the purpose of carrying out the provisions of this subchapter, hold hearings, and shall sit and act at such times and places and administer oaths as required.

(e) The Commission shall have the authority to request directly from each department, agency, or instrumentality of the District Government, and each department, agency, or instrumentality is hereby authorized to furnish directly to the Commission upon its request, any information reasonably considered necessary by the Commission to carry out its functions under this subchapter.

(f) The Commission is authorized to use space and supplies owned or rented by the District government. The Commission is further authorized to use staff loaned from the Council or detailed by the Mayor for such purposes consistent with this subchapter as the Commission may determine.

(g) The Commission's operations shall be funded by annual appropriations, private sector assistance, or both.

(h) If a special fund is established by the Commission for the receipt of operating donations from non-government sources, the fund shall be administered in accordance with established funding and auditing procedures of the District government. The expenditure of such donations shall not be subject to appropriation. The Commission shall keep a record, available to the public for inspection, of all such donations and any substantial non-government in-kind contributions received. The record shall include the full name, address, and occupation or type of business of each donor. "Substantial non-government in-kind contributions" shall include any service reasonably valued at more than $5,000 which is received from any source other than the District or federal government.

DRAFT COMMITTEE PRINT
Committee of the Whole
November 17, 2020

A BILL

______

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

____

To amend Chapter 4 of Title 47 of the District of Columbia Official Code to reestablish the Tax Revision Commission and to require the Commission to submit a report of recommendations once every 10 years to consider revisions to the tax code.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Tax Revision Commission Reestablishment Amendment Act of 2019".

Sec. 2. Chapter 4 of Title 47 of the District of Columbia Official Code is amended as follows:

(a) Section 47-461(5) is amended by striking the phrase "in 1998" and inserting the phrase "in 2014" in its place.

(b) Section 47-462 is amended as follows:

(1) Subsection (b) is amended as follows:

(A) Paragraph (5) is amended by striking the word "establish" and inserting the phrase "establish or revise" in its place.

(B) Paragraph (7) is amended to read as follows:

"(7) To analyze the specific changes to the District's tax system since the Commission's most recent recommendations to determine the extent to which such changes are consistent with the principles identified in this section.".

(2) Subsection (c) is amended by striking the phrase “District of Columbia Tax Revision Commission by letter dated June 2, 1998, and entitled “Taxing Simply, Taxing Fairly”” and inserting the phrase “Commission on February 12, 2014” in its place.

(3) Subsection (d) is amended by striking the phrase “December 31, 2013” and inserting the phrase “one year after the Commission’s appointment. Appointments to the Commission shall expire 60 days after the Commission submits its report.” in its place.

(4) A new subsection (e) is added to read as follows:

“(e) Every ten years after the submission of the previous Commission’s report, a new Commission shall be convened. The Mayor and the Chairman of the Council shall make new appointments consistent with the provisions of this subchapter, and may appoint members who have previously served on the Commission.”.

(c) Section 47-463(c) is amended by striking the phrase “of the Fiscal Year 2012 Budget Support Act of 2011, passed on 2nd reading on June 14, 2011 (Enrolled version of Bill 19-203)” and inserting the phrase “of the Tax Revision Commission Reestablishment Amendment Act of 2020, as introduced on June 4, 2019 (Bill 23-316)” in its place.

Sec. 3. Fiscal impact statement.

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 4a of the General Legislative Procedures Act of 1975, approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

Sec. 4. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December

24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.