

PUBLIC HEARING
BILL 15-80, “MASS TRANSIT PRE-TAX BENEFITS
AMENDMENT ACT OF 2003”

Before the
Committee of the Whole
Council of the District of Columbia

The Honorable Linda Cropp, Chairman

December 9, 2003, 2:00 p.m.
Council Chamber



Testimony of
Dr. Fitzroy Lee
Director, Revenue Estimation and Tax Research
Office of Revenue Estimation
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia

Good morning, Chairman Cropp and members of the committee. I am Dr. Fitzroy Lee, director of revenue estimation and tax research for the Office of Revenue Estimation in the Office of the Chief Financial Officer (OCFO). I am here to present the views of the OCFO on Bill 15-80, the “Mass Transit Pre-Tax Benefits Amendment Act of 2003.”

The proposed legislation would authorize a “Commuter Choice” program to defray the commuting costs of District of Columbia government employees. Under the program, employees would be permitted to elect a pre-tax payroll deduction for the purpose of direct purchase of mass transit fare cards. The fare cards could be used for all Washington Metropolitan Area Transit Authority (WMATA) bus and light rail mass transit, as well as ancillary vanpool systems. Eligible employees would be able to elect a pre-tax payroll deduction of up to \$100 per month, which could be applied to bus fare, train fare or van pool obligations.

Based on recently available census data and information from WMATA and the District Office of Personnel, we have revised earlier estimates of the cost of the proposed program and estimate that the result of the pre-tax payroll deduction on individual income tax collections in the District would be approximately \$140,400 per year. This analysis assumes that resident employees who apply would elect an average monthly pre-tax deduction of \$65. The operational cost for Smartrip cards would be approximately \$10,000 in the first year, with a modest cost in the out-years. Our fiscal analysis assumes that the District government can absorb administrative costs for the overall program with existing staff and resources, with the exception of the purchase of the cards. If available federal funds are allocated

to this program, estimated start-up and operational costs would likely be neutralized.

Since the program is expected to be implemented next spring, the total cost for FY 2004 is estimated to be approximately \$80,000 and \$507,000 for the period FY 2004 through FY 2007.

This concludes my testimony. I would be happy to respond to any questions.

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