

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: December 2, 2002

SUBJECT: Fiscal Impact Statement: “Master Business Registration Delay
Emergency Act of 2002” and “Master Business Registration
Delay Temporary Act of 2002”

REFERENCE: Draft Legislation - Bill Number Not Available

Conclusion

Funds are not sufficient in the proposed FY 2003 through FY 2006 budget and financial plan to implement the Master Business Registration Delay Emergency Act of 2002 and the Master Business Registration Delay Temporary Act of 2002. Increasing the threshold for the Master Business License from \$2,000 to \$20,000 in annual gross receipts will cost the District \$740,460 in FY 2003 and \$1,385,805 between FY 2003 and FY 2006.

Background

The Master Business License Registration Delay Emergency Act of 2002 and the Master Business Registration Delay Temporary Act of 2002 would increase the threshold for obtaining a master business license from \$2,000 to \$20,000 in annual gross receipts. The bills would also implement an amnesty program that would expire on Friday, May 30th, 2003. In addition, the bills would permit bowling alleys to be open on Sundays, prohibit the District government from using the Master Business License list other than for official use, prohibit the District government from releasing Federal Employee Identification numbers and Social Security numbers of persons who apply for a Master Business License except at the request of a law enforcement agency or by court order, and permit persons under age 17 to enter billiards parlors.

Financial Plan Impact

There are 24,684 unincorporated businesses in the District that generate less than \$20,000 in annual gross receipts¹. The Master Business License costs \$25; endorsements are \$5 and biennial renewal fees cost \$15. Increasing the threshold for the Master Business License from \$2,000 to \$20,000 in annual gross receipts will cost the District \$740,460 in FY 2003. Because the two acts do not increase the cost of the \$15 biennial renewal process, the fiscal impact of these acts on later years is more limited. It is estimated that approximately \$215,115, per annum, will be lost after FY 2003 by increasing the threshold.

Estimated Cost of the Master Business Registration Act of 2002					
	FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
Cost of increasing the threshold from \$2,000 to \$20,000	\$740,460	\$215,115	\$215,115	\$215,115	\$1,385,805

The Department of Consumer and Regulatory Affairs Fees and Charges Amendment Act of 2002 of the FY 2003 Budget Support Act Amendment Act of 2002 would increase the cost of obtaining a Master Business License from \$25 to \$35, and increase the cost of endorsements from \$5 to \$10. Although it can be argued that the increase in fees could be used to offset the losses from increasing the threshold, the fee was raised to balance the District's FY 2003 budget – not pay for increasing the threshold amount. As a result, if both the Amendment Act and the Registration Acts pass, the District would lose \$1,110,690 in FY 2003 and \$1,801,035 between FY 2003 and FY 2006.

The amnesty program does not have a fiscal impact, because it expires within FY 2003. The remaining provisions are regulatory changes and also have no fiscal impact.

¹ There just over 3,000 non-profit organizations located in the District of Columbia, and an unknown number that actually conduct business in the city. Because non-profit organizations do not pay franchise taxes to the city, the OCFO is unable to determine how many non-profits generate revenue under or over the \$20,000 threshold. If non-profits were included in this estimate, the Acts' fiscal impact would increase.