

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:** November 12, 2003

**SUBJECT:** Fiscal Impact Statement: "Pension or Other Retirement Income  
Exclusion from Income Tax Amendment Act of 2003"

**REFERENCE:** Bill Number: 15-184

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**Conclusion**

Funds are not sufficient in the FY 2004 through FY 2007 budget and financial plan to implement the Pension or Other Retirement Income Exclusion from Income Tax Amendment Act of 2003. **The proposed legislation would cost \$30.2 million in forgone tax revenue in FY 2004, and \$122.0 million in forgone tax revenue from FY 2004 through FY 2007.**

**Background**

The proposed legislation would increase the amount of pension, military retired pay or annuity income received from the District of Columbia or Federal Governments that can be excluded from District taxes. Currently, the maximum exclusion is \$3,000 per tax year. The proposed legislation would raise that exclusion to \$10,000 for individuals who are ages 62 to 64, and to \$20,000 for individuals who are over the age of 65.

### **Financial Plan Impact**

Funds are not sufficient in the FY 2004 through FY 2007 budget and financial plan to implement the proposed legislation. Increasing the maximum pension exclusions from \$3,000 to \$10,000 for individuals ages 62 to 64, and from \$3,000 to \$20,000 for individuals over age 65, would cost \$30.2 million in forgone tax revenue in FY 2004, and \$122.0 million in forgone tax revenue from FY 2004 through FY 2007.

<b>Estimated Cost to the Financial Plan</b>					
<b>(\$ in millions)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>4-Year Total</b>
Forgone tax revenue	\$30.2	\$30.4	\$30.6	\$30.8	\$122.0