

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: May 6, 2003

SUBJECT: Fiscal Impact Statement: “Master Business Registration
Perfection Act of 2003”

REFERENCE: Bill 15-019 as Introduced

Conclusion

Funds are sufficient in the FY 2003 budget and the proposed FY 2004 through FY 2007 budget and financial plan to implement the “Master Business Registration Perfection Act of 2003.” As a result of expanding the definition of businesses that must obtain registrations and increasing the registration and renewal fees, **the proposed legislation has a positive fiscal impact of \$37,291 in FY 2003 and a positive fiscal impact of \$1,435,251 for the period FY 2003 through FY 2007.** This analysis is based on data provided by the Department of Consumer and Regulatory Affairs on April 23, 2003.

Background

The “Master Business Registration Perfection Act of 2003” revises the business registration process by eliminating the Master Business License and establishing the Master Business Registration System as the regulatory mechanism for recognizing all business activity in the District. The proposed legislation establishes two business designations: licensed businesses, which are required to obtain both a business license and a master business registration, and general businesses, which are required to obtain only the master business registration. The proposed legislation changes the threshold for Master Business Registration gross receipts requirements from \$2,000 to \$20,000. In addition, the bill provides several other exemptions, establishes privacy requirements, and implements an amnesty program until July 31, 2003. The proposed legislation also

increases the fees for master business registrations, endorsements, renewals and renewal endorsements.

Financial Plan Impact

The Department of Consumer and Regulatory Affairs (DCRA) estimates that approximately 67 percent of the population currently required to obtain a master business license has done so. The following analysis reflects this estimate.

There are currently approximately 24,684 businesses in the District of Columbia with gross receipts between \$2,000 and \$20,000. The Department of Consumer and Regulatory Affairs (DCRA) estimates that exempting these businesses from having to obtain master business registrations will have a negative impact of \$366,557 in FY 2003 and a negative impact of \$370,260 per year from FY 2004 through FY 2007.

The proposed legislation includes several other exemptions that will have a negative impact on master business registration revenue collections. First, businesses with multiple locations are currently required to obtain separate licenses for each location. The proposed legislation, instead, allows businesses with multiple locations to obtain the additional registrations at a cost of \$15 per additional location instead of the full registration and endorsement fee. Second, the proposed legislation exempts doctors professionally licensed in the District but with no fixed-location premise address from having to obtain a master business registration. Third, the proposed legislation exempts owners of buildings in which only one unit is offered for rent or lease. DCRA estimates that these additional exemptions will have a negative fiscal impact of \$140,333 in FY 2003 and a negative impact of \$141,750 per year from FY 2004 through FY 2007.

However, DCRA expects other provisions in the Master Business Registration Perfection Act of 2003 to offset the negative impacts described above. The proposed legislation eliminates references to taxation in the District and instead ties the registration requirement to doing business in the District. As a result, businesses that previously were not required to obtain the master business license will be required to obtain a master business registration, including personal service professionals who are non-District residents, self-employed non-residents who provide services within the District, general contractors, and single-family dwelling rental property owners. Business entities licensed under the Department of Health also will be required to obtain master business registrations.

All together, DCRA expects that approximately 24,800 additional businesses will need to obtain the master business registration if the proposed legislation is implemented. Based on DCRA estimates that 25 percent of this new population will obtain their registrations in FY 2003 and the remaining 75 percent in FY 2004, this translates into additional fee collections of \$279,001 in FY 2003, \$837,000 in FY 2004 and \$372,000 per year from FY 2005 through FY 2007.

The proposed legislation also increases master business registration endorsement, renewal, and renewal endorsement fees. The registration endorsement fee is increased from \$10 to \$15. The renewal registration fee is increased from \$20 to \$30. The renewal endorsement fee is increased from \$10 to \$15. Based on DCRA's estimates of the number of businesses that need to obtain registrations, the fee increases are expected to have a positive fiscal impact of \$265,180 in FY 2003, \$443,000 in FY 2004, and \$350,000 per year from FY 2005 through FY 2007.

The revenue raised from master business registrations is O-type revenue and is sufficient to support DCRA's administration of the registration program. According to DCRA, there will be no additional costs incurred to implement the programmatic changes proposed in the Master Business License Perfection Act of 2003. In fact, DCRA believes that the proposed legislation will likely reduce operational costs due to the reduced population of businesses requiring registrations under the provisions in this Act.

Based on the above inputs, the following table shows the fiscal impact of the Master Business Registration Perfection Act of 2003:

Item	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	TOTAL
Increase in gross receipts threshold to \$20,000	(\$366,557)	(\$370,260)	(\$370,260)	(\$370,260)	(\$370,260)	(\$1,847,597)
Other exemptions	(\$140,333)	(\$141,750)	(\$141,750)	(\$141,750)	(\$141,750)	(\$707,333)
Additional businesses requiring MBLs	\$279,001	\$837,000	\$372,000	\$372,000	\$372,000	\$2,232,001
Fee increases	\$265,180	\$443,000	\$350,000	\$350,000	\$350,000	\$1,758,180
Total	\$37,291	\$767,990	\$209,990	\$209,990	\$209,990	\$1,435,251