

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: July 8, 2003

SUBJECT: Fiscal Impact Statement: "District Government Nonresident Employees Tax Act of 2003"

REFERENCE: Bill 15-212 as Introduced

Conclusion

Funds are sufficient in the proposed FY 2004 through FY 2007 budgets and financial plan to implement the provisions of the bill. If Congress repeals section 602(a)(5) of the District of Columbia Home Rule Act effective January 1, 2004, and this legislation is passed, the bill could result in additional District revenue of approximately \$75 million during Fiscal Years 2004-2007.

Background

The bill would impose a graduated tax on the salary and wages paid by the District government to non-resident individuals. The tax rates would range from 0.5 percent to 2.0 percent. The bill would take effect upon the occurrence of the later of two events: (1) the expiration of the 30-day waiting period following publication in the District of Columbia Register, or (2) repeal by Congress of section 602(a)(5) of the District of Columbia Home Rule Act.

Discussion

Implementation of the bill's provisions would require approximately 20,000 individuals to file commuter tax returns. It would be necessary for the Office of Tax and Revenue (OTR) to design suitable forms and modify its systems to deal with those returns. OTR would also have to issue new withholding regulations and tables to agencies and

instrumentalities of the D.C. government. OTR would incur some administrative and processing costs at such time as the proposed legislation becomes effective.

Financial Plan Impact

Funds in the proposed FY 2004 through FY 2007 budget and financial plan are sufficient to implement the bill's provisions.

The following table displays the estimated amounts of additional revenue that could result from implementation of the bill's provisions, *if Congress repeals the Home Rule Act's prohibition of commuter taxes effective January 1, 2004.*

Revenue Impact to the Financial Plan (\$ in millions)				
FY 2004	FY 2005	FY 2006	FY 2007	TOTAL
\$14	\$20	\$20	\$21	\$75