

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 [signature]
Chief Financial Officer

DATE: February 2, 2004

SUBJECT: Fiscal Impact Statement: "Pension or Other Retirement
Income Exclusion from Income Tax Amendment Act of 2004"

REFERENCE: Bill Number 15-184 as Amended

Conclusion

Funds are not sufficient in the FY 2004 through FY 2007 budget and financial plan because the proposed legislation will require additional resources to implement. **The proposed legislation will result in unbudgeted reductions in local General Fund revenue of approximately \$9.5 million beginning in FY 2005 and \$28.7 million in FY 2004 through FY 2007.**

Anti-deficiency laws, 31USCA § 1341 (2000) and D.C. Official Code § 47-355.01 *et Sequitor* (2003), prohibit District officers and employees from exceeding agency appropriations in any fiscal year. Should the District determine that funding is available to absorb the additional costs in FY 2006, then the fiscal impact would be zero. For subsequent years, the additional expenditures must be included as budgeted expenditures.

Background

The proposed legislation would increase the amount of pension, military retirement 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 person, per tax year. The proposed legislation would raise that exclusion to \$6,000 for individuals who are ages 62 to 64, and to \$10,000 for individuals who are 65 years of age or older.

Financial Plan Impact

Funds are not sufficient in the FY 2004 through FY 2007 budget and financial plan. The proposed legislation will require additional resources to implement. Increasing the maximum amount of the income tax exclusion from \$3,000 to \$6,000 for persons aged 62 to 64 will result in foregone local General Fund income tax revenue of approximately \$1.5 million in FY 2005. Increasing the maximum amount of the income tax exclusion from \$3,000 to \$9,000 for persons ages 65 and older will result in foregone local General Fund income tax revenue of approximately \$8.0 million in FY 2005. The table in Figure 1 presents the impact of the proposed legislation on the District's financial plan.

Estimated Reductions in Income Tax Revenue				
(\$ in millions)				
FY 2004	FY 2005	FY 2006	FY 2007	4 -Year Total
\$0.0	\$9.5	\$9.6	\$9.6	\$28.7