

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 3, 2004

SUBJECT: Fiscal Impact Statement: “Depreciation Allowance for Small
Businesses De-Coupling from the Internal Revenue Code Act
of 2004”

REFERENCE: Bill Number 15-637

Conclusion

The proposed legislation will prevent a decrease of local General Fund revenue. Without the proposed legislation, the potential net loss of revenue would be \$2.46 million in FY 2004 and \$9.29 million in FY 2004 through FY 2007.

Background

District income tax law generally follows federal law in the matter of depreciation expenses for business taxpayers. The proposed legislation de-couples District law from recent changes in federal rules affecting depreciation allowances for small businesses. Similar legislation has been passed in a number of states including Maryland and Virginia.

Financial Plan Impact

The proposed legislation will prevent a decrease of local General Fund revenue. In the absence of the proposed legislation, there would be a potential loss of \$2.46 million in FY 2004 and the net loss of revenue would be \$9.29 million in FY 2004 through FY 2007. The following table presents the potential revenue impact over the life of the current financial plan.

Revenue Impact on the Financial Plan				
(\$ in 000s)				
FY 2004	FY 2005	FY 2006	FY 2007	4 -Year Total
\$2.46	\$3.39	\$0.94	\$2.50	\$9.29