

Government of the District of Columbia
Office of the Chief Financial Officer

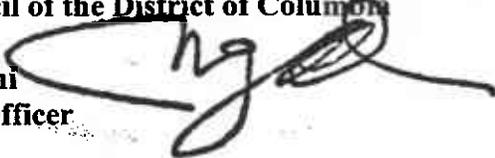


Natwar M. Gandhi
Chief Financial Officer

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CHAIRMAN CROPP

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: MAR - 1 2005

SUBJECT: Fiscal Impact Statement: "Public School Teachers Income Tax Exclusion Act of 2005"

REFERENCE: Bill Number 16-022 as Introduced

Conclusion

The proposed legislation will be subject to inclusion in an approved budget and financial plan. Funds have not been appropriated and allocated for the purposes of implementing the provisions of the proposed legislation. The proposed legislation would result in unbudgeted reductions in local General Fund revenue of approximately \$8.41 million beginning in FY 2005 and \$36.16 million in FY 2005 through FY 2008. Unbudgeted revenue reductions may be made as long as the District's budget and financial plan remains in balance.

Background

The proposed legislation would establish an income tax exclusion for persons who are employed by the District Board of Education as a teacher. The teacher must be permanently appointed and complete one full academic year before becoming eligible for the exclusion. The exclusion does not apply to non-education related income. In addition, to be eligible the teacher must be a District resident and file a District tax return.

Financial Plan Impact

Funds have not been appropriated for the purposes of implementing the bill's provisions. District resources could be made available to implement the provisions of the proposed legislation.

Creating this income tax exclusion will result in foregone local General Fund income tax revenue of approximately \$8.42 million in FY 2005. The Office of Tax Revenue estimates that programming and Tax Form changes will have a cost of \$150,000. The table in Figure 1 presents the impact of the proposed legislation on the District's financial plan.

Estimated Reductions in Income Tax Revenue				
(S in millions)				
FY 2005	FY 2006	FY 2007	FY 2008	4 -Year Total
\$8.42	\$8.88	\$9.31	\$9.55	\$36.16