

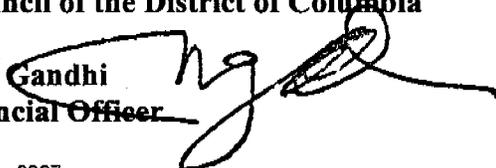
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chair, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: FEB -5 2007

SUBJECT: Fiscal Impact Statement: "Estate and Inheritance Re-Coupling Act of 2007"

REFERENCE: Bill Number 17-037

Conclusion

Funds would need to be added to the FY 2008 through FY 2011 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would result in reduced revenue to the District of Columbia of \$3.2 million in FY 2008 and \$38.5 million in the FY 2008 through FY 2011 period.

Background

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) provided for phased reductions of federal estate taxes beginning in 2007, culminating in elimination of those taxes for 2010. The Act also provided that, beginning in FY 2011, the taxes would be re-imposed, presumably under the 2001 rules, which would then remain constant for subsequent years.

Prior to EGTRRA's enactment, the District of Columbia and numerous states had imposed taxes that were determined in part or altogether by the federal rules. The District, like many of the affected states, "decoupled" from the EGTRRA changes to estate tax law to prevent or mitigate the loss of revenue.

Bill 17-037 would apply EGTRRA's phased changes in federal estate tax rules to the District's estate tax law for estates of individuals who die in 2007, 2008, or 2009. For later years, the District's rules as they exist in 2009 would remain in effect.

Financial Plan Impact

The proposed legislation would result in reduced revenue to the District of Columbia of \$3.2 million in FY 2008 and \$38.5 million in the FY 2008 through FY 2011 period. Funds would have to be included in the FY 2008 budget and financial plan to implement the proposed legislation. The Office of Tax and Revenue would require \$30,000 to program the proposed changes in FY 2007.

Table 1. Revenue Impact to the Financial Plan of the Estate of Inheritance Tax Re-Coupling Act of 2007 (S in millions)					
Item	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Reduced Revenue Collections	\$3.2	\$9.7	\$11.6	\$14.0	\$38.5