

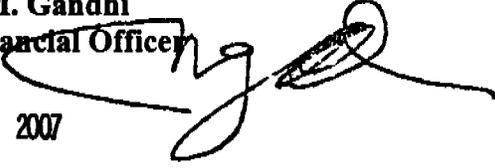
Government of the District of Columbia  
Office of the Chief Financial Officer



Natwar M. Gandhi  
Chief Financial Officer

**MEMORANDUM**

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

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** JUL 27 2007

**SUBJECT:** Fiscal Impact Statement: "Quality Teacher Incentive Clarification Act of 2007"

**REFERENCE:** Bill Number 17-140 as Introduced

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**Conclusion**

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. The proposed legislation would not have any negative effect on the District's revenue relative to the original legislation, "Quality Teacher Incentive Act of 2006."

**Background**

The proposed legislation would amend D.C. Official Code § 47-1803.03 (b-2) to clarify the statutes allowing public school teachers to deduct certain expenses from gross income for tax purposes. Specifically, the proposed legislation would:

- Clarify that District of Columbia public charter school teachers, in addition to DCPS teachers, are eligible to deduct from gross income expenses paid for class room materials and supplies as well as tuition paid for post-graduate education and professional development;
- Stipulate that qualifying teachers may not take these two deductions in computing District income tax liability to the extent that the same expenses were deducted in computing Federal adjusted gross income for the same tax year.

In the "Fiscal Year 2007 Budget Support Act of 2006," Subtitle IV(B) created two income tax deductions for District public school teachers - \$500 for classroom supplies and \$1,500 for qualifying education expenses. The legislation, part of which was similar to an existing Federal deduction, allowed qualifying teachers to deduct qualifying expenses up to these amounts from Federal adjusted gross income for purposes of calculating D.C. taxable income.<sup>1</sup>

The District legislation did not reference the Federal deductions, thereby allowing a double (Federal and D.C.) deduction for these expenses. The proposed legislation would correct this by clarifying that an educator is not allowed to deduct expenses for classroom supplies or other qualified education expenses in computing District taxable income if these same expenses have already been deducted from Federal adjusted gross income.

### **Financial Plan Impact**

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. The proposed legislation would amend existing legislation, which was funded in the FY 2007 Budget Support Act of 2006.<sup>2</sup>

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<sup>1</sup> The Federal Job Creation and Worker Assistance Act of 2002 added a deduction from gross income for qualified classroom supply expenses. The Federal deduction was limited to \$250 for single filers and \$500 for joint filers.

<sup>2</sup> Specifically, Subtitle II(D) of the FY 2007 Budget Support Act of 2006 allocated a portion of the increase the deed recordation tax for the fiscal effect of Subtitle IV(B), the "Quality Teacher Incentive Act of 2006." The fiscal impact estimate for the original legislation assumed that public charter school teachers would be eligible for the deductions and did not make assumptions about the Federal deductions; therefore, the proposed legislation would not have any negative effect on the District's revenue relative to the original legislation.