

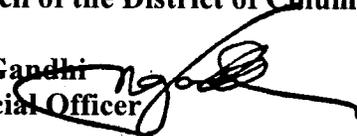
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**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:** December 16, 2008

**SUBJECT:** Fiscal Impact Statement: "Employment of Returning Veterans Tax Credit Emergency Act of 2008"

**REFERENCE:** No Bill Number

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**Conclusion**

Funds are not sufficient in the FY 2009 through FY 2012 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 \$411,000 in FY 2009 and \$1.67 million in the FY 2009 through FY 2012 period.

**Background**

The proposed legislation would amend the corporate franchise tax provisions of the District of Columbia Code to allow credits to businesses that hire recently-discharged resident veterans for full-time work. The credit available to a given company for a given veteran would be 10 percent of the wages paid to the veteran, but no more than \$2,500 per year, for a maximum of two years. The credits would not be refundable, and they could not be carried back to earlier years or carried forward to later years.

**Financial Plan Impact**

Funds are not sufficient in the FY 2009 through FY 2012 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 \$411,000 in FY 2009 and \$1.67 million in the FY 2009 through FY 2012 period.

To estimate the revenue effect of the bill, the Office of Revenue Analysis (ORA) determined that there are approximately 1,564 veterans that have been deployed from the District since 2001.<sup>1</sup> This total represents the potentially eligible universe subject to the proposed credit. The estimates in the table below reflect the following assumptions:

- In FY 2009, 60 percent (938) of eligible veterans residing in DC would be employed by companies that could claim the proposed credit. This percent in FY 2010, FY 2011, and FY 2012 would be 20 percent (313), 10 percent (156), and 10 percent (156), respectively.
- The participation rate would be 50 percent.
- The average effective credit per veteran would be \$875.<sup>2</sup>

The cost rises in FY 2010 and then falls because of the assumption that fewer veterans will be eligible for the credit over time.

<b>Estimated Impact to the Financial Plan of the Employment of Returning Veterans Tax Credit Emergency Act of 2008</b> (S in millions)					
<b>Item</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>4-Year Total</b>
Reduced Revenue Collections	(\$0.41)	(\$0.68)	(\$0.42)	(\$0.16)	(\$1.67)

<sup>1</sup> Data from the District of Columbia Office of Veterans Affairs. Available online at [http://ova.dc.gov/ova/frames.asp?doc=/ova/lib/ova/pdf/veteransdata/total\\_dc\\_residents\\_ever\\_deployed.pdf](http://ova.dc.gov/ova/frames.asp?doc=/ova/lib/ova/pdf/veteransdata/total_dc_residents_ever_deployed.pdf)

<sup>2</sup> The average effective credit is lower than the maximum credit of \$2,500 because the credit is non-refundable and it is estimated that a large percentage of businesses would not have enough corporate income tax liability to claim the full credit amount.