

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



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Kwame R. Brown  
Chairman, Council of the District of Columbia

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

**DATE:** July 12, 2011

**SUBJECT:** Fiscal Impact Statement – “Amendment #1” proposed  
by CM Cheh

**REFERENCE:** Draft Amendment to Fiscal Year 2012 Budget Support Technical  
Clarification Emergency Amendment Act of 2011, dated July 12, 2011

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**Conclusion**

Funds are sufficient to implement the proposed amendment.

**Background**

The proposed amendment would make the tax on interest earned on out-of-state municipal bonds applicable only to bonds purchased in Tax Year 2012 and later. It would also establish a new 8.9 percent personal income tax rate, starting Tax Year 2012, on filers whose incomes exceed \$350,000 per year.

**Financial Impact**

Funds are sufficient to implement the proposed amendment. The proposed increase in income tax rates on taxpayers with taxable income of \$350,000 or more will increase income tax collections by 14.9 million in FY 2012 and 93.7 million in the FY 2012 through FY 2015 budget and financial plan period. This amount is sufficient to cover the revenue loss from the proposed changes to the interest income taxes on out-of-state municipal bonds in FY 2012.

The Chief Financial Officer would be authorized to cover any out-year revenue gap that may result from the proposed amendment by revenues set aside in FY 2013 for subsequent years' expenditures.

The table below depicts the estimated revenue gap:

The Honorable Kwame R. Brown

FIS – Draft Amendment to Fiscal Year 2012 Budget Support Technical Clarification Emergency Amendment Act of 2011, dated July 12, 2011 (CM Cheh)

<b>Estimated Fiscal Impact of the proposed amendment, FY 2012 – FY 2015</b>					
<b>(in millions)</b>					
	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>Four-Year Total</b>
Add new bracket at 8.9% for DC AGI > \$350,000	\$14.90	\$23.30	\$25.30	\$27.50	<b>\$91.00</b>
Indirect effect of the new bracket through standard deduction limitation	\$0.00	\$0.80	\$0.90	\$1.00	<b>\$2.70</b>
Make out-of-state municipal bond interest prospective	(\$13.41)	(\$27.19)	(\$28.38)	(\$29.32)	<b>(\$98.30)</b>
Estimated revenue gap	<b>\$1.49</b>	<b>(\$3.09)</b>	<b>(\$2.18)</b>	<b>(\$0.82)</b>	<b>(\$4.60)</b>