

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: September 19, 2011

SUBJECT: Fiscal Impact Statement – “Municipal Bond Amendment Act of 2011”

REFERENCE: Draft legislation shared with OCFO on September 15, 2011

Conclusion

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the provisions of the proposed legislation.

Background

The proposed legislation would make the recently-enacted tax¹ on interest income earned on out-of-state municipal bonds² applicable only to bonds purchased on or after January 1, 2012. It would also establish a new 8.95 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 \$17.3 million in FY 2012 and \$106.6 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 during the financial plan period.

¹ This tax was enacted on July 22, 2011 by D.C. Act 19-98, Fiscal Year 2012 Budget Support Act of 2011 (58 DCR 6226). The proposed legislation would amend D.C. Official Code § 47-1803.02(a)(1)

² This term is used to mean the obligations of a state, territory of the United States, or any political subdivision thereof, but not including the District.

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Estimated Fiscal Impact of Municipal Bond Amendment Act of 2011, FY 2012 - FY 2015 (in millions)					
	FY 2012	FY 2013	FY 2014	FY 2015	Four-Year Total
Add new bracket at 8.95% for DC Adjusted Gross Income in excess of \$350,000	\$17.3	\$27.5	\$29.7	\$32.2	\$106.7
Exempt outstanding out of state bonds purchased before January 1, 2012	(\$13.4)	(\$27.2)	(\$28.4)	(\$29.3)	(\$98.3)
Net fiscal impact	\$3.9	\$0.3	\$1.3	\$2.9	\$8.4