

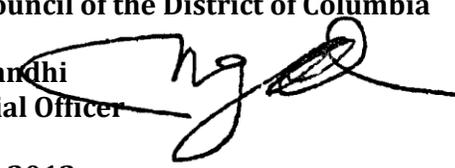
Government of the District of Columbia
Office of the Chief Financial Officer



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: February 23, 2012

SUBJECT: Fiscal Impact Statement – “Out-of-State Municipal Bond Tax Repeal Act of 2012”

REFERENCE: Bill Number 19-687 – As Introduced

Conclusion

Funds are not sufficient in the FY 2012 through FY 2015 budget and financial plan period to implement the provisions of the bill. The bill does not have a fiscal impact in FY 2012, but would reduce general fund revenue by \$5.4 million during the four-year financial plan period.

Background

The bill repeals¹ the tax on interest income earned on out-of-state municipal bonds² purchased by D.C. taxpayers on or after January 1, 2012.

Fiscal Year 2012 Budget Support Act of 2011³ enacted a tax on interest income earned on all out-of-state bonds held by D.C. taxpayers. The tax on municipal bonds purchased before January 1, 2012 was later repealed by emergency legislation.⁴

¹ The bill amends § 47-1803.02(a) of the D.C. Official Code.

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

³ This tax was effective on September 14, 2011 as a part of the Fiscal Year 2012 Budget Support Act of 2011 (D.C. Law 19-21; 58 DCR 6226). The legislation amended D.C. Official Code § 47-1803.02(a)(1).

⁴ Revised Fiscal Year 2012 Budget Support Technical Clarification Emergency Amendment Act of 2011, enacted October 4, 2011 (D.C. Act 19-157; 58 DCR 8688).

Financial Plan Impact

Funds are not sufficient in the FY 2012 through FY 2015 budget and financial plan period to implement the provisions of the bill. There is no fiscal impact in FY 2012, since the tax on interest income on bonds purchased during 2012 would be due in 2013. The bill would reduce general fund revenues by \$5.4 million over the four-year financial plan period.

Estimated Fiscal Impact of Out-of-State Municipal Bond Tax Repeal Act of 2012, FY 2012 - FY 2015 (in millions)					
	FY 2012	FY 2013	FY 2014	FY 2015	Four-Year Total
Exempt out of state bonds purchased after January 1, 2012	-	(\$1.1)	(\$1.7)	(\$2.5)	(\$5.4)