MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeff DeWitt
Chief Financial Officer

DATE: November 17, 2014


REFERENCE: Draft bill shared with the Office of Revenue Analysis on November 12, 2014

Conclusion

Funds are sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

The bill provides an important technical amendment, which, if not enacted, could prevent the District from effectively implementing its withholding policies. This would result in lower individual income tax collections beginning 2015.

Background

The bill is a technical amendment that is necessary to implement fully the District’s withholding policies.

In its Fiscal Year 2012 Budget Support Act,¹ the District enacted a provision requiring that employers exclude standard deductions from their withholding calculations starting January 1, 2012.² As a result, employers would have to withhold a higher amount of District income taxes from each employee’s paycheck.

The Budget Support Act provision that authorized the exclusion of standard deduction required technical corrections to make it applicable. The necessary amendments were adopted in

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² D.C. Official Code § 47-1812.08.
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subsequent technical amendment legislation, but these amendments were adopted on an emergency and temporary basis only, and since then, expired.

The legislation reenacts the technical amendments necessary to make the FY 2012 provisions applicable, so employers can continue to withhold higher amounts of District income taxes from employee’s paychecks.

Financial Plan Impact

Funds are sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

If the District does not adopt this technical amendment, the District would not be able to implement fully its withholding policies. This would result in lower withholding collections beginning Tax Year 2015, and will therefore reduce income tax revenues beginning in the same year.

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