


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: March 1, 2012

SUBJECT: Fiscal Impact Statement – “Vendor Sales Tax Collection and Remittance Act of 2012”

REFERENCE: Bill Number 19-163 –Draft Committee Print as Shared with the OCFO on February 29, 2012

Conclusion

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the bill. The bill would not have a fiscal impact in FY 2012, but could increase net general fund revenue by approximately \$3.45 million over the four-year financial plan period.

Background

The bill requires¹ licensed street or mobile vendors (these include food trucks, sidewalk food carts, and merchandise vendors) to collect sales taxes, and each quarter, make a minimum sales tax payment of \$375 to the Office of Tax and Revenue. Vendors that collect more than \$375 per quarter in sales taxes would be required to remit the full amount collected.

Current law requires all street vendors to make a payment of \$375 in lieu of collecting and remitting sales tax.

Financial Plan Impact

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the bill.

¹ The bill amends D.C. Official Code 47-2002.01

The Honorable Kwame R. Brown

FIS: B19-163 "Vendor Sales Tax Collection and Remittance Act of 2012," Committee Print shared with the Office of Revenue Analysis on February 27, 2012.

At present, approximately 1,200 licensed street vendors pay the District the quarterly payment in lieu of sales tax (numbers may vary seasonally). Under the provisions of the bill, the minimum sales tax collections will at least match the current collections. The Office of Revenue Analysis estimates that the bill can generate approximately \$1.2 million in additional revenue annually. Given that its implementation date is October 1, 2012, the bill would not have a fiscal impact in FY 2012, but could increase gross general fund revenue by approximately \$3.8 million over the four-year financial plan period.

The bill would require Office of Tax and Revenue (OTR) to reprogram its Integrated Tax System in FY 2013, and hire a revenue officer to administer the tax and an auditor for enforcement starting FY 2014. The total administration costs are estimated at \$357,000 for the four-year financial plan period.

Estimated Fiscal Impact of Bill B 19 - 163 Vendor Sales Tax Collection and Remittance Act of 2012					
FY 2012 through FY 2015					
	FY 2012	FY 2013	FY 2014	FY 2015	Four year Total
Additional sales tax revenue ^a	-	1,218,000	1,270,000	1,320,000	3,808,000
Implementation Costs ^b	-	\$60,000	\$147,000	\$150,000	\$357,000
Net Fiscal Impact	-	\$1,158,000	\$1,123,000	\$1,170,000	\$3,451,000

Table Notes

^a The estimate is based on a taxable sale ratio for these vendors (taxable vs. nontaxable sales) based on information from TY 2009, adjusted for projected compliance rates.

^b Includes a one-time reprogramming cost of \$60,000 in FY 2013 and salaries and fringe benefits for two FTEs per year – an auditor and a revenue officer, both at Grade Level 11 – needed to implement and enforce the minimum sales tax requirement starting FY 2014.