

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

**Natwar M. Gandhi**  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

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

**DATE:** January 28, 2002

**SUBJECT:** Fiscal Impact Statement: "Compensating Use Tax  
Clarification Act of 2002"

**REFERENCE:** Bill Number 14-462 as Introduced

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**Conclusion**

Funds are sufficient in the FY 2002 through FY 2005 budget and financial plan to implement the proposed legislation. The provisions of the proposed legislation will not result in a decrease of local General Fund revenue. The District's budget and financial plan currently accounts for all estimates of tax payments and refunds associated with use and sales taxation.

**Background**

The proposed legislation would allow an exemption for taxable tangible personal property that is temporarily stored within the geographical boundaries of the District of Columbia, but which is subsequently transported and used outside the District. The exemption would apply to property stored for no longer than 60 days.

The proposed legislation would clarify provisions of current law relating to the taxation of goods stored temporarily in the District and subsequently transported outside the District for use outside the District. Prior to enactment of the Compensating Use Amendment Act of 2000, certain suppliers, particularly in the construction industry, would be billed automatically by developers for District sales and use taxes where material was stored temporarily in the District. Because the storage was temporary and the material was not intended for use in the District, the supplier was not subject to the sales and use tax, but could only recover the tax by filing for a refund with the District.

The proposed legislation would eliminate the administrative process of having the tax collected by a third party, sent to the District, and then being refunded by the District.

### **Financial Plan Impact**

Funds are sufficient in the FY 2002 through FY 2005 budget and financial plan to implement the proposed legislation. The provisions of the proposed legislation will not result in a decrease of local General Fund revenue.

Savings may result in District tax administration through the implementation of the provisions of the proposed legislation, but they are not significant and cannot be measured.