

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: March 4, 2002

SUBJECT: Fiscal Impact Statement: "Tax Parity Rates Clarification
Emergency Act of 2002"

REFERENCE: Bill Number Not Available – Draft Legislation as Introduced

Conclusion

Funds are sufficient in the FY 2002 budget and the proposed FY 2003 through FY 2006 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation will result in additional tax collections of \$34 million in FY 2002 and \$141 million in FY 2002 through FY 2005.

Background

Title I of the proposed legislation reduces the highest income tax rate of 9.3 percent to 9.0 percent for tax year 2003. Then additional reductions to this rate will continue from 9.0 percent to 8.7 percent in tax year 2004 and then 8.5 percent in tax year 2005. Title II of the proposed legislation requires the unincorporated business franchise tax rate be fixed at 2.5 percent. This rate is applicable for any tax year beginning after September 30, 1994.

Financial Plan Impact

Funds are sufficient in the FY 2002 budget and the proposed FY 2003 through FY 2006 budget and financial plan. The proposed legislation will result in additional tax collections as presented in the table below.

Impact to Local General Fund Revenue				
(\$ in millions)				
FY 2002	FY 2003	FY 2004	FY 2005	4-Year Total
\$34	\$43	\$64	\$0	\$141