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

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Vincent C. Gray** **Chair, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** **Chief Financial Officer**
DATE:	**January 5, 2009**
SUBJECT:	**Revised Fiscal Impact Statement: "Employment of Returning Veterans Tax Credit Emergency Act of 2008"**
REFERENCE:	**B17-1089**

Conclusion

Funds are not sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the provisions of the emergency legislation passed on December 16, 2008 subject to appropriations. The legislation would have no impact on the FY 2009 budget but would result in reduced revenue to the District of Columbia of $4.1 million in the FY 2009 through FY 2012 period. This is a revision from the financial plan impact provided on December 16, 2008.

Background

The proposed legislation would amend the corporate franchise tax provisions of the District of Columbia Code to allow credits to businesses that hire recently-discharged resident veterans for full-time work. The credit available to a given company for a given veteran would be 10 percent of the wages paid to the veteran, but no more than $2,500 per year, for a maximum of two years. The credits would not be refundable, and they could not be carried back to earlier years or carried forward to later years.

Financial Plan Impact

Funds are not sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the provisions of the legislation. The legislation would have no impact on the FY 2009 budget but would result in reduced revenue to the District of Columbia of $4.1 million in the FY 2009 through FY 2012 period.

To estimate the revenue effect of the legislation, the Office of Revenue Analysis (ORA) determined that the potentially eligible universe subject to the proposed credit is approximately 11,000 veterans.[1]

The estimates in the table below reflect the following assumptions:

- In FY 2010, 60 percent of eligible veterans residing in DC would be employed by companies that could claim the proposed credit. This percent in FY 2011 and FY 2012 would be 20 percent in each year.
- The participation rate would be 25 percent.
- The average effective credit per veteran would be $875.[2]

The cost rises in FY 2011 and then falls because of the assumption that there will be a backlog in the first two years and then fewer veterans will be eligible for the credit over time.

In addition to reduced revenue, the Office of Tax and Revenue (OTR) would incur one-time programming costs of $40,000 to implement the provisions of the legislation.

Table 1.
Estimated Impact to the Financial Plan of the
Employment of Returning Veterans Tax Credit Emergency Act of 2008
($ in millions)

Item	FY 2009	FY 2010	FY 2011	FY 2012	4-Year Total
Reduced Revenue Collections	($0.0)	($1.39)	($2.07)	($0.68)	**($4.14)**

[1] Data are from ORA analysis of U.S. Census Bureau American Community Survey (ACS) 2007 data. As a proxy for the provision that a "qualified veteran" must be hired within 5 years of being discharged from the military, ORA calculated the number of District residents whose period of service was in 1990 or later.

[2] The average effective credit is lower than the maximum credit of $2,500 because the credit is non-refundable and it is estimated that a large percentage of businesses would not have enough corporate income tax liability to claim the full credit amount.