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: **June 14, 2011**

SUBJECT: **Fiscal Impact Statement – Amendment to Section 8002, introduced by CM Evans**

REFERENCE: **Draft Amendment to Bill 19-203, Amendment in the Nature of a Substitute, dated June 14, 2011**

Conclusion

Due to the unavailability of data, the fiscal impact of the proposed amendment cannot be determined at this time. However, under plausible scenarios the proposed amendment can have a negative fiscal impact, and therefore cannot be certified fiscally sufficient.

Background

The proposed amendment would exempt groups of companies under common control engaged primarily in the transmission, distribution, and default supply of electricity from combined reporting requirements. Such companies would continue to report their income under the current tax structure.

Additionally, the proposed amendment would increase the rate of the gross receipts tax levied on public utilities from $0.0077 for each kilowatt-hour of electricity to $0.00816 for each kilowatt-hour of electricity delivered to nonresidential end-users in the District of Columbia that are heavy-users of electricity. [1]

[1] These include customers with the following types of meters: GS LV, GT-LV, GT-3A, GT-3B and RT.

Financial Impact

The proposed public utility tax rate increase would increase public utility revenue by $4.4 million annually starting FY 2012, and would increase District's general fund expenditure by approximately $200,000 annually since the District is liable for public utility taxes on its electricity consumption.

Additionally, exempting electricity utilities from combined reporting requirements would reduce corporate franchise tax revenue. The Office of the Chief Financial Officer cannot disclose tax data for an individual taxpayer and even if confidentiality were waived in this case, the Office of Revenue Analysis does not have the detailed accounting information to determine an impact.

It is important to note that at least one utility that would be affected by the proposed amendment has provided analysis that shows a range of possible outcomes, under some of which the proposed amendment would have a negative fiscal impact. Therefore the proposed amendment cannot be certified fiscally sufficient at this time.