

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



Jeff DeWitt  
Chief Financial Officer

**MEMORANDUM**

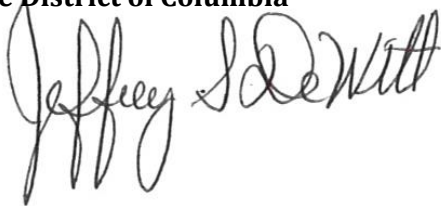
**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeff DeWitt  
Chief Financial Officer

**DATE:** October 2, 2014

**SUBJECT:** Fiscal Impact Statement – Fiscal Year 2015 Budget Support  
Clarification Act of 2014

**REFERENCE:** Draft circulated for introduction on October 2, 2014



---

**Conclusion**

Funds are sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

**Background**

The bill provides technical corrections and various updates to the code to clarify the intended changes made by the Fiscal Year 2015 Budget Support Act of 2014.<sup>1</sup>

**The bill makes the following changes to the District's tax code:** First, it clarifies that the implementation schedule of the Tax Revision Commission recommendations adopted by the Council will be reviewed annually, after the Chief Financial Officer releases the revenue projections in February. Under current law, the review schedule is quarterly, and cannot be operationalized within the budget framework.

Second, it corrects various numeric mistakes regarding the increases in standard deductions. It also clarifies that the proposed additional personal exemption for heads of households will only be implemented if the personal deduction levels are below \$3,200.

Third, the bill also directs that any excess debt service funds be divided equally among the Local Streets Ward-Based Capital Projects.<sup>2</sup> The Budget Support Act originally directed these amounts to be included in Paygo Capital.

---

<sup>1</sup> Enacted on July 14, 2014 (D.C. Act 20-377; 61 DCR 7598).

<sup>2</sup> This term is defined under section 11h of the Department of Transportation Establishment Act of 2002, effective May 21, 2002 (D.C. Law 14-137; § 50-921.01 et seq), as amended by the District Department of

Fourth, the bill makes amendments to the recently approved Tax Deferral program for the low-income elderly. These changes, such as clarification of the definition of the household, or the calculation of the interest rate have no substantive effects.

Fifth, it clarifies that persons would still be able to deduct their annuity incomes and survivor benefits from their taxable income. The Budget Support Act inadvertently eliminated this tax exemption when the intent was to eliminate the exemptions for government pensions.

Sixth, it clarifies that changes to the Schedule H program are effective beginning Tax Year 2014. The Budget Support Act sets the effective date as December 31, 2014—one year later than the intended timing. Similarly, it corrects some of the erroneous effective dates for the planned changes to the estate tax exemptions.

Seventh, it repeals language that is no longer valid for the taxation of tobacco products.

Eighth, offers multiple clarifications to the assessment and administration of the District's vault fees. Most importantly, it posits that for condominium buildings, the assessments in land values used in the calculation of the vault fees would use only comparable multi-family residential properties.<sup>3</sup>

Ninth, it makes various technical corrections to tax sale reforms approved in the Budget Support Act. It also provides additional time for Qualified High Technology Companies to comply with the changes approved in the same Act.<sup>4</sup>

the Council recently adopted legislation<sup>5</sup> that would allow taxpayers to receive a credit for tax years 1998 through 2000 if the taxpayer's taxable income for these years was changed or corrected by the IRS. Taxpayers eligible for refund would be receiving these credits over four years beginning 2018. The Budget Support Act pushed the refund date for Fiscal Year 2019 and reduced the refund period to three years. The bill makes this a four-year period. **The bill also makes a number of programmatic changes and amendments, and offers corrections to existing law.** For example, it excludes past events from eligibility for the newly approved paid family leave for employees, provides clarifications regarding the conditions for opting out of Child and Adult Food Program for child development facilities, clarifies that the newly approved grants for Emerging Business District Demonstration Projects will be paid out of the savings realized through the defunding of the Howard Town Center Real Property Tax Abatement Act of 2012,<sup>6</sup> corrects various typos

---

Transportation Capital Project Review and Reconciliation Amendment Act of 2012, effective September 20, 2012 (D.C. Law 19-168; D.C. Official Code § 50-921.51).

<sup>3</sup> It amends Section 303 of An Act to authorize the Commissioner of the District of Columbia to fix and collect rents for the occupancy of space in, on, under, or over the streets of the District of Columbia, to authorize the closing of unused or unsafe vaults under such streets and the correction of dangerous conditions of vaults in or vault openings on public spaces, and for other purpose, approved October 17, 1968 (Pub. L. 90-596; D.C. Official Code § 10-1103.02).

<sup>4</sup> The BSA made the following changes to the District's QHTC laws: First, qualified employees must be employed in the District, and perform a job related to the QHTC activities. Second, QHTC's must be involved mainly in business activity that would qualify as high technology activity such development, creation, and design of goods or services using technology, and not merely be an end user of such technology.

<sup>5</sup> The Tax Clarity Equity Act of 2013, effective on February 22, 2014 (D.C. Law 20-85; D.C. Official Code § 47-4304.01).

<sup>6</sup> Effective April 20, 2013 (D.C. Law 19-257; 60 DCR 992).

including effective dates, and clarifies that organizations that participate in the Supplemental Nutritional Assistance Program and the Women, Infants and Children Farmers Market Nutrition Program need not pay public space rental fees for the farmers markets they operate. It also corrects the description of the Good Hope Road Retail Priority Area, including the definition of the parcels within this area.<sup>7</sup>

**Finally, the bill repeals the following sections of the D.C. Code:**

- The Retail Incentive Amendment Act of 2012,<sup>8</sup> since its requirements have already been incorporated in law.
- Subject to- appropriations clause for WASA's requirements to test for<sup>9</sup> and remediate<sup>10</sup> the presence of endocrine disruptor compounds in the District's potable water. These items have already been funded.
- The Senior Citizen Real Property Tax Relief Act of 2013,<sup>11</sup>
- Subject to appropriations clause for Raising Expectations for Education Outcomes Omnibus Act of 2012,<sup>12</sup> which was funded by the Council, but outside of the formula transfers in FY 2015. These requirements would have to be incorporated into the funding formula in FY 2016 budget
- Subject to appropriations clause for the Board of Ethics and Government Accountability Establishment and Comprehensive Ethics Reform Amendment Act of 2011,<sup>13</sup> which is included in the budget.

Finally, the bill limits overtime earnings for officers or members of the Fire and Emergency Medical Services Department to \$30,000 in a fiscal year. Current law imposes a limit of \$20,000 per fiscal year through FY 2014.

**Financial Plan Impact**

Funds are sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

Amendments offered in this bill are technical or otherwise not pertinent to the District's budget. Amendments to the tax code, especially the provisions that implement the recommendations of the Tax Revision Commission, comport with Office of Revenue Analysis's scoring assumptions. All sections that repeal subject-to-appropriation clauses have been incorporated into the budget.

---

<sup>7</sup> Budget Support Act section 2094(c), which amends Section 2(4) of the Great Streets Neighborhood Retail Priority Areas Approval Resolution of 2007, effective July 10, 2007 (Res. 17-257; 54 DCR 7194).

<sup>8</sup> Effective April 27, 2013 (D.C. Law 19-288; 60 DCR 2325).

<sup>9</sup> Wastewater Study and Testing: Section 206(g)(d) of the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996, effective April 18, 1996 (D.C. Law 11-111; D.C. Official Code § 34-2202.06g).

<sup>10</sup> Continued Testing and Remediation: Section 206(g)(h) of the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996, effective April 18, 1996 (D.C. Law 11-111; D.C. Official Code § 34-2202.06h).

<sup>11</sup> Effective May 28, 2014 (D.C. Law 20-105; 61 DCR 5897).

<sup>12</sup> Effective June 19, 2012 (D.C. Law 19-142; D.C. Official Code § 38-757.01).

<sup>13</sup> Effective April 27, 2012 (D.C. Law 19-124; D.C. Official Code § 1-1164.01(m)).