

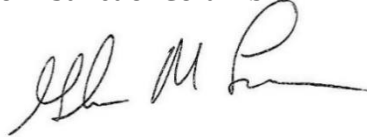
Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

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

FROM: Glen Lee
Chief Financial Officer 

DATE: November 15, 2022

SUBJECT: Fiscal Impact Statement – Business and Entrepreneurship Support to Thrive Amendment Act of 2022

REFERENCE: Bill 24-301, Draft Committee Print as provided to the Office of Revenue Analysis on November 14, 2022

Conclusion

Funds are not sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. The bill will cost \$8.6 million in fiscal year 2023 and \$29.5 million over the four-year budget and financial plan.

Background

The bill makes changes to business license categories and associated fees, which are issued by the Department of Licensing and Consumer Protection (DLCP). First, it sets the fee for a new or renewed business license at \$99 for a two-year license, and \$49 for a six-month license. Currently, business license fees are \$70 for two years, \$140 for four years and \$35 for six months.¹

Second, the bill eliminates all business license endorsements and associated fees. Currently, there are over 100 business endorsement categories with an application and renewal fee of \$25 for each endorsement, plus additional fees for each endorsement category, ranging from \$14 to \$2,720.² The bill eliminates the fees charged for endorsement categories and authorizes up to 15 categories of licenses, 11 of which are defined in the bill. An additional four categories may be established at the discretion of DLCP.

¹ D.C. Official Code § 47-2851.08(a)(1).

² Title 17, Chapter 5 of the D.C. Municipal Regulations.

Third, the bill eliminates the 10 percent technology fee³ for business license applications.

Fourth, the bill exempts businesses grossing between \$2,000 and \$10,000 annually from paying the business license fee. When applying for the exemption, a business must file a statement with DLCP indicating the expected gross revenue for the year. If the business ends up having more than \$10,000 in gross revenue, then they must alert DLCP within 30 days and pay the fee. An individual who knowingly fails to do so could be guilty of a Class 1 civil infraction. Currently, businesses grossing \$2,000 or less annually are considered de minimus business activity and are not required to obtain a license⁴.

Lastly, the bill reduces the penalty for reinstatement of a lapsed license (which was not revoked, suspended or relinquished) within 30 days of license renewal from \$250 to \$75⁵. It reduces the penalty for reinstatement of a lapsed licenses between 30 days and 6 months of license renewal date from \$500 to \$150⁶. The bill also creates a new \$350 penalty for reinstatement of a lapsed license between 6 months and 9 months.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. The bill will cost \$8.6 million in fiscal year 2023 and \$29.5 million over the four-year budget and financial plan.

The bill will reduce revenue in the Basic Business License Fund⁷ by \$8.1 million in fiscal year 2023, and \$29 million over the four-year budget and financial plan, due to the elimination of endorsement and technology fees, exemptions for businesses grossing between \$2,000 and \$10,000 annually, and the reduction in fines for lapsed licenses. DLCP uses this special purpose revenue fund for its operations and so will require additional Local Funds budget authority to make up for the lost license revenue.

An additional \$500,000 in local funds is required to update Department of Licensing and Consumer Protection systems to reflect the new licensing structures.

Fiscal Impact of Bill 24-301 Business and Entrepreneurship Support to Thrive Amendment Act of 2022 (\$ thousands)					
	FY 2023	FY 2024	FY 2025	FY 2026	Total
Revenue loss in Basic Business License Fund	\$8,104	\$6,998	\$6,998	\$6,998	\$29,036
IT Costs	\$500	\$0	\$0	\$0	\$500
Total Costs	\$8,604	\$6,998	\$6,998	\$6,998	\$29,536

³ DCMR Title 17, Chapter 5. (500.4).

⁴ D.C. Official Code § 47-2851.02A.

⁵ D.C. Official Code § 47-2851.10(b)(1).

⁶ D.C. Official Code § 47-2851.10(b)(2).

⁷ D.C. Official Code § 47-2851.13.