

# LEGISLATIVE ACTIONS – COUNCIL PERIOD 16

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As a member of the Council of the District of Columbia for over 14 years and Chair of the Council's Committee on Finance and Revenue for over six years, Councilmember Evans has served as the steward of our city's finances on the legislative branch during a time of financial growth and economic turnaround. Today, our economy here in the District is strong and robust, and our bond rating has reached "A Status".

DC's success can be attributed to three major factors: tax reform legislation passed by the Council in 1999 and 2000, the real estate boom the District is experiencing, and the return of fiscal responsibility through a better handling of our City's finances. Throughout his tenure on the DC Council Jack has been a leading supporter of reducing the tax burden for our residents and making city agencies accountable for their actions. If DC continues on its course of financial prosperity, residents (who are some of the most overburdened taxpayers in the world) should receive tax relief.

In addition to moving legislation in the Committee on Finance and Revenue, Jack also moved emergency and temporary legislation and introduced permanent bills that have been referred to other Committees.

## **THE COMMITTEE ON FINANCE AND REVENUE**

The Committee on Finance and Revenue is responsible for matters relating to taxation and revenue for the operation of the government of the District of Columbia, general obligation bond acts, revenue anticipation notes, and industrial revenue bonds. The following agencies come within the purview of the Committee on Finance and Revenue:

- Board of Real Property Assessments and Appeals
- District of Columbia Lottery and Charitable Games Control Board
- Office of the Chief Financial Officer
- Office of Tax and Revenue
  - Office of Revenue Analysis
  - Office of Financial Operations and Systems
  - Office of Finance and Treasury
  - Office of Finance and Resource Management

Jack has served as chair of the Committee for over six years. The other members of the committee are Councilmembers Ambrose (Ward 6), Barry (Ward 8), Orange (Ward 5) and Patterson (Ward 3).

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To view electronic copies of all legislation referred to the Committee on Finance and Revenue on-line follow these steps:

1. Go to [www.dccouncil.us](http://www.dccouncil.us)
2. Click "Legislation"
3. Click "Legislation by Committee"
4. Select a Committee - "Finance and Revenue (FR)"
5. Click "Search"
6. Click on the Bill or PR number of the legislation you want to view
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To sign up for the Committee on Finance and Revenue's electronic legislative newsletter, send an e-mail to Ruth Werner, Committee Clerk for the Committee on Finance and Revenue at [rwerner@dccouncil.us](mailto:rwerner@dccouncil.us).

## FISCAL YEAR 2007 BUDGET SUPPORT ACT

Bill 16-679, the "Fiscal Year 2007 Budget Support Act of 2006", as submitted by the Mayor contained several subtitles under the jurisdiction of the Committee on Finance and Revenue. The proposed FY 2007 budget included gross funds of \$7.5 billion, of which, \$4.9 billion will come from local funds. However, the proposed budget reflects a 6.6% growth in recurring spending over FY 2006.

The total budget actually decreased by 0.6%, because one-time expenditures, such as pay-as-you-go capital spending, did not need to be included in consecutive budget years. The final step of providing progressive income tax relief to DC residents by way of the Tax Parity Act, which Evans is a key proponent of, is an intricate element of Williams' proposed budget.

### 1. TITLE I - SUBTITLE B. CLEAN HANDS LICENSING REVISION

This subtitle amends Title 47 of the District of Columbia Official Code to revise the clean hands licensing provisions by excluding the Alcohol Beverage Control Board from covered agencies, including majority owners as applicants, and mandating the use of an interagency computer system.

### 2. TITLE I - SUBTITLE D. LOCAL SUPPLEMENTAL APPROPRIATIONS APPROVAL PROCEDURES AND ALLOCATION OF ADDITIONAL REVENUE

This subtitle outlines procedures for the establishment of supplemental appropriations in the Fiscal Year 2007 budget and financial plan if the Chief Financial Officer of the District of Columbia certifies through a revised quarterly

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revenue estimate that local funds exceed the annual revenue estimates incorporated in the approved Fiscal Year 2007 budget and financial plan.

Jack proposed an amendment to this subtitle, which was accepted, stating if additional revenue is certified by the CFO, the first \$10.5 million in fiscal year 2007, and the first \$21 million in fiscal years thereafter, to the Metropolitan Police Department to hire approximately 350 new police officers. The additional police officers shall be allocated evenly across all 7 police districts for patrol duty, shall be in addition to current patrol staffing levels, and shall be assigned to foot patrol, bike patrol, scooter patrol, mounted patrol, and Segway (or other electric personal assistive mobility device) patrol.

### 3. TITLE I - SUBTITLE E. SPECIAL PURPOSE REVENUE FUNDS SURPLUS BALANCE TRANSFER

This subtitle transfers the fund balances from non-lapsing special purpose revenue funds into the General Fund for the purposes of balancing the Fiscal Year 2007 budget and financial plan.

### 4. TITLE I - SUBTITLE F. CLARIFICATION OF AUTHORITY TO EXAMINE BOOKS AND RECORDS

This subtitle restores the authority of the Chief Financial Officer of the District of Columbia to examine books and records, which was inadvertently deleted in the Tax Clarity Act of 2000. It amends regulatory tax law to make technical changes that provide specific instructions and requirements necessary for the official review and examination of a taxpayer's original books, records, and source documents. The provisions of the subtitle discuss these operations when conducted both in District space, and in the offices and place of work of the taxpayer.

### 5. TITLE II - SUBTITLE D. DEED TRANSFER AND RECORDATION TAX AMENDMENT

The proposed subtitle increases the District's 1.1 percent Class 1 residential property Deed Recordation and Class 1 residential property Deed Transfer taxes by 0.4 percent to 1.5 percent each. The proposed subtitle requires the District CFO to transfer all funds resulting from this increase to the Mayor's Comprehensive Housing Task Force Fund, except for 15%, which under existing law is transferred to the Housing Production Trust Fund (HTPF). The Fund will be a non-lapsing, non-reverting proprietary fund.

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## 6. AMENDMENTS

During the Council budget deliberations, Jack offered an amendment to Bill 16-679 the "Fiscal Year 2007 Budget Support Act of 2006." This amendment to Section 2055 of the Budget Support Act put into law two funding transfers made within the Committee on Finance and Revenue. Although these amounts were included in the Budget Request Act, it is important to specifically designate the \$150,000 for Earned Income Tax Credit (EITC) outreach and, \$124,000 given to the Board of Real Property Assessments and Appeals (BRPAA) for various improvements and upgrades. \$9,000 will go towards computer upgrades. \$45,000 will be used for records management conversion to a web-based system. \$20,000 will be spent on centralized digital recording. \$35,000 will be used to increase Board member reimbursement to \$35 per hour. \$15,000 will go towards non-legal administrative support staff.

## **LEGISLATION FUNDED IN THE FY2007 BUDGET**

### TITLE IV - SUBTITLE B. QUALITY TEACHER INCENTIVE.

This subtitle amends current law to allow an individual who has been a classroom teacher in a public school or public charter school in the District of Columbia for the entire year for which the individual is filing or for the entire year prior to the year for which the individual is filing and has a professional certificate for teaching may deduct from gross income:

The amount the individual paid during the year for basic classroom materials and supplies necessary for teaching; provided, that the deduction shall not exceed \$500 per year, per individual, whether the individual files individually or jointly; and

The amount the individual paid during the year as tuition and fees for postgraduate education, professional development, or state licensing examination and testing required for or related to improving teacher credentials or maintaining professional certification; provided, that the deduction shall not exceed \$1,500 per year, per individual, whether the individual files individually or jointly.

### TITLE I - SUBTITLE G. THE FAR SOUTHEAST COMMUNITY ORGANIZATION TAX EXEMPTION AND FORGIVENESS FOR ACCRUED TAXES

This subtitle exempts from taxation real property owned by the Far Southeast Community Organization, located in Ward 8, that is to be used for inclusive housing, and provides equitable real property tax relief.

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## TITLE I - SUBTITLE H. UNFOLDMENT, INC. EQUITABLE REAL PROPERTY TAX RELIEF

This subtitle refunds and waives taxes on Unfoldment , Inc. during a period of time when the District of Columbia was refusing to remove its property and client records stored at 546 Newcomb Street Street, SE and 3825 South Capitol Street, S.W. Unfoldment, Inc. has reapplied for tax exempt status with the Office of Tax and Revenue and is renovating these properties with the intention once again serve the District's children in a group home setting.

## OTHER LEGISLATION PASSED BY THE COMMITTEE ON FINANCE & REVENUE IN 2006

### 1. BILL 16-569, WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY FUND ACT OF 2006

Dedicates one-half of one percent of the retail sales tax as established in D.C. Official Code § 47-2002 to provide additional funding for maintaining and improving the transportation system of the Washington Metropolitan Area Transit Authority, and is subject to appropriation. Bill 16-569 will become effective upon enactment by Congress of legislation providing federal grants to WMATA for such purposes and passage of legislation by the Maryland General Assembly and Virginia General Assembly dedicating an amount equal to the District's contribution.

### 2. BILL 16-630, NEW CONVENTION CENTER HOTEL OMNIBUS FINANCING AND DEVELOPMENT ACT OF 2006 (TITLE I)

This legislation will enable the private construction and development of a Convention Center Headquarters Hotel to be located at 9th street and Massachusetts Avenue, NW. This new hotel will have 1,434 rooms, 100,000 square feet of meeting/ballroom space and 600 parking spaces immediately adjacent to the Washington Convention Center. Building this new hotel that can accommodate large size conventions in one location is essential to the continued success of our Convention Center and the ability of Washington, DC to attract some of the most popular conventions in the country.

Title I establishes a non-lapsing fund for the Convention Center Hotel, establishes a Tax Increment Financing (TIF) District around the hotel footprint, approves the issuance of up to \$187,000,000 in one or more series of bonds for use towards the cost of the project with \$2,000,000 going to the DC Citizens' Job Program for job readiness training specifically for district residents to be employed by the new hotel. This hotel will be built by Marriott International and RLJ Development, with the bonds being issued and credit enhanced by the Washington Convention

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Center Authority and will not rely on the use of the General Fund to help finance this transaction. The other Titles included in this bill were referred to the Committee on Economic Development.

### 3. BILL 16-642, NATURAL GAS AND HOME HEATING OIL TAXATION RELIEF AND RATEPAYER CLARIFICATION ACT OF 2006

Amends Title 47 of the District of Columbia Official Code to tax natural gas and home heating oil based on the number of units delivered to consumers. This changes the tax system on natural gas and home heating oil from a gross receipts tax to a fixed tax based on the volume of units consumed by the end-user.

### 4. BILL 16-647, TRIANGLE COMMUNITY GARDEN EQUITABLE REAL PROPERTY TAX EXEMPTION AND RELIEF ACT OF 2006

Provides a real property tax exemption and equitable real property tax relief to real property located in the 3600 block of Yuma Street, the 4300 block of 36th Street, and the 4300 block of Reno Road, NW in Ward 3 that is used as a community garden. This garden is located on a small, oddly-shaped triangular parcel of land that has been used as a community garden by neighboring residents who have maintained the property. This community garden will remain green space, and will be tax exempt only so long as it is used as a community garden.

### 5. BILL 16-758, WASHINGTON STAGE GUILD TAX EXEMPTION ACT OF 2006

Exempts from taxation real property located on 9th street downtown so long as it is leased to the Theatre Downtown, Inc., which is known as the Washington Stage Guild. The Washington Stage Guild has provided District residents with both work opportunities and the ability to attend theater events that they otherwise might not be able to attend. This legislation retains historical significance as it helps facilitate the location of a working professional theater to downtown Washington, DC.

### TAX REFORM LEGISLATION PASSED BY THE COUNCIL IN 1999 & 2000

Two pieces of legislation, introduced by Jack in 1999 and 2000 are widely credited as jumpstarting the District of Columbia's fiscal recovery by clarifying the District's tax code and making tax rates more competitive with neighboring jurisdictions:

The first piece of legislation, Bill 13-193, the "Tax Parity Act of 1999" was introduced in April of 1999 by Committee Chairman Evans and Councilmembers

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Catania, Allen, Ambrose, Brazil, Chavous, Orange, Patterson, and Schwartz. The Committee on Finance and Revenue moved to include this legislation as part of the Bill 13-161, the "Service Improvement and Fiscal Year 2000 Budget Support Act of 1999".

The Tax Parity Act was instrumental in reducing both personal and business taxes, which made the District of Columbia once again an attractive place to live and do business.

The Tax Parity Act:

- Changed the real property tax classes and lowered tax rates;
- Eliminated the personal property tax on the first \$50,000 value of personal property;
- Lowered the individual income tax rates;
- Lowered the corporate and unincorporated business franchise tax rates;
- Changed the net operating loss deduction to allow businesses to take District-specific deductions;
- Changed the net operating loss deduction to eliminate carrybacks of the deduction;
- Eliminated the sales tax on internet access;
- Established realistic methods of depreciating assets; and
- Required the Chief Financial Officer to certify the Accumulated Fund Balance and prepare an analysis of the change in economic assumptions and revenue forecasts to set a goal of reducing the highest individual income tax bracket to 8% and to earmark future excess revenues for additional reductions in individual income tax rates.

The second piece of legislation, Bill 13-586, the "Tax Clarity Act of 2000" was comprised of legislative initiatives that cleaned-up the tax laws of the District of Columbia. Tax laws are, by nature, complex; but District tax laws were even more complex than necessary. This was the result of many years of modifications, additions, and deletions from the District's system of taxation.

The "Tax Clarity Act of 2000" was the first major effort to streamline the District's tax code and organize it in a straightforward fashion by compiling most provisions that applied to all taxes into their own separate chapters, rather than having them strewn throughout the code. For example, under the previous law, penalty and interest provisions, collection provisions, and other administrative provisions (like statutes of limitations), were duplicated and scattered haphazardly throughout the code. The "Tax Clarity Act of 2000" included technical corrections to the tax code and other changes that benefit taxpayers, as well as the City's tax administration.

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The legislation was divided into five titles:

- Title I - Sales Taxes
- Title II - Exempt Organizations
- Title III - Businesses and Deregulated Utilities
- Title IV - Tax Compliance Simplification
- Title V - Real Property Tax

The bill was originally drafted by attorneys in the Office of Tax & Revenue in extensive consultation with members of the executive branch, legislative branch, lobbyists, tax practitioners, and other interested parties both inside and outside the government. The bill was introduced in February of 2000 by Jack and Councilmembers Catania, Jarvis and Mendelson, and was co-sponsored by Council Chair Cropp and Councilmembers Ambrose, Orange, and Patterson.

In the months following its introduction, Jack and his staff, in cooperation with the Office of Tax & Revenue, conducted many hours of working group meetings and consultations with people and organizations in the community in which every line of the bill was studied. Additionally, at the direction of Chair Evans, the Office of Tax & Revenue conducted meetings with lobbyists and other non-governmental entities to work out acceptable compromise language based on objections raised at the hearing. As a result, considerable changes were made to the final version of the legislation to reflect the public's concerns.

## **THE REAL ESTATE BOOM**

The real estate boom that Washington has seen over the past few years is showing little or no signs of slowing down. Washington, DC, once known as a sleepy real estate market has turned into one of the nation's strongest. The real estate boom can be attributed to several factors, such as low mortgage rates and the increase in federal government jobs in the District and suburbs of Maryland and Virginia, particularly in the areas of defense and homeland security. Prices have soared for all types of real estate, including office buildings, apartment buildings, and single-family homes.

While this real estate boom has been instrumental in bringing economic revitalization to many parts of the city that were essentially deserted not so long ago, it has also increased property taxes for District residents, and has brought challenges to providing sufficient affordable housing options to District taxpayers. Debates over the FY 2006 budget that included an additional \$40 million to the original estimate focused on whether the revenue generated by this real estate growth should be spent or used for property tax relief.

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As chair of the Committee on Finance and Revenue, Jack expressed great concern over the rapid growth in spending of the DC government that was based entirely on additional revenue generated from DC's hot real estate market. Evans believes the best way to prevent the gentrification of neighborhoods and the displacement of long time DC residents is to enact a 5% cap on property tax bills. Jack has also been the leading advocate on the Council for full funding of the Housing Production Trust Fund, which supports affordable housing programs throughout the City.

### **FISCAL RESPONSIBILITY**

The Fiscal Year (FY) 2004 Comprehensive Annual Financial Report (CAFR) on DC's annual audit of revenues and spending highlighted the evidence of the City's financial recovery. The District is unique in that it produces a yearly audit four months after the close of the fiscal year. The District has produced its fifth on time and "clean" audit and has accomplished eight years of balanced budgets, which truly speaks to the turnaround in our financial management, going from junk bond status and a Financial Control Board, to reestablishing fiscal responsibility and a bond rating that is the envy of most cities and states. The city produced a \$230.5 million surplus for FY 2004, the eighth budget surplus in a row! The CAFR also showed a cumulative general fund balance of \$1.2 billion, the first time DC has ever exceeded the billion-dollar threshold.

However, many challenges still remain. The District must find remedies to its inherent structural imbalance, which prevents it from addressing pressing infrastructure needs and requires it to maintain higher than average tax rates and reserves. In May 2003, the US General Accounting Office (GAO 03-666) confirmed that the DC government has a structural imbalance estimated to be between \$470 million and \$1.1 billion. This large, long-term imbalance is caused by the District's large percentage of tax-exempt federal property, its inability to tax non-resident income generated within its borders, and the state-like functions it must support.

The District continues to pay for increased growth of the government through real property taxes generated from a strong real estate market and low office vacancy rates. Should the real estate boom level off, DC government's rate of growth will become unsustainable and substantial cuts to programs will have to be made in order to maintain a balanced budget. Jack repeatedly raised concerns to his colleagues against growing the budget with such a rapid increase in spending since it's based almost entirely on the current red-hot real estate market throughout the FY 2007 Budget process.

"I think we run the risk of repeating past mistakes that ushered in the Control Board if we continue to increase our spending so rapidly. An over 8% growth rate

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in recurring spending in the District's budget is not responsible when household incomes and business profits are growing at only 3-5%," Evans said. "My colleagues and I would be abandoning our responsibilities as elected officials if we passed a budget that continued to balloon the District government at a rate not sustainable in the long term."

"The FY07 budget does a good job of investing in our schools, health care, human services, libraries and overall physical infrastructure of the City, which are very important human needs for our residents. That being said, I've never believed throwing money at a problem would fix it -- I hope my colleagues who are eager to spend the surplus on agencies they oversee, will perform vigilant oversight this year to make sure the money is used as it was intended. It is incumbent upon the Mayor, Council, and Chief Financial Officer to make the tough decisions - from examining the core agency missions to demanding greater efficiencies and cost savings.

Fortunately, I was able to convince my colleagues that the residents of the District of Columbia also needed some additional tax relief on top of what was recommended by the Mayor. In the FY06 budget the Council reduced the property tax cap from 12% to 10%, increased the Homestead Deduction from \$38,000 to \$60,000, and lowered the property tax rate from 96 to 92 cents per hundred dollars of assessed value. I also successfully fought to get tax relief to maintain affordable housing and co-ops.

Through the exercise of responsible government, the District of Columbia has once again become a model city in and with which to do business. The challenge we continue to face is ensuring that the prosperity reaches all people, in all communities of our city. I am committed to meeting that challenge."