

Draft Chairman's Mark of Major Tax Changes (Dec. 18)

Recommended Options (# from Options List)	Revenue ¹
Sales Tax	
1. Expand the sales tax to services selected by Professor William Fox (1)	\$28.2 million
2. Add use tax line to personal income tax return (4)	\$1 million
3. Unify taxation of tobacco products (5)	\$7 million
4. Increase the general sales tax rate from 5.75% to 6% (6)	\$22 million
Individual Income Tax	
5a) Conform to Federal filing status—moving from eight options to five options (16)	<i>Included in 5d</i>
5b) Expand the Earned Income Tax Credit for childless workers (12)	<i>Included in 5d</i>
5c) Eliminate: low-income credit; DC government employee home credit, deduction for long-term care insurance, deduction government pensions (17, 19-21)	<i>Included in 5d</i>
5d) Create two sets of brackets—one for married filers and one for single filers Married: \$0-\$10,000=4%; \$10,001-\$40,000=6%; \$40,001-\$80,000=6.5%; \$80,001-\$350,000=8.5%; \$350,001 and above=8.95% Single: \$0-\$10,000=4%; \$10,001-\$40,000=6%; \$40,001-\$60,000=6.5%; \$60,001-\$200,000=8.5%; \$200,001 and above=8.95% (7) ²	-\$30.5 million
5e) Reduce the top marginal rate from 8.95% to 8.75% in 2016 permanently ³	\$17 million
5f) Raise the standard deduction to the Federal level (10)	-\$34.1 million
5g) Raise the personal exemption to Federal level; create a phase out of personal exemptions that begins at \$150,000 and phases out the exemption at 2% (10,15)	-\$51.6 million
Estate Tax	
6. Raise threshold to \$5.25 million—conform to Feds (25)	-\$15.8 million
Business Taxes	
7. Reduce BFT/UBFT rate from 9.975% to 8.25%	-\$57 million
8. Exempt passive investment vehicles from UBFT (29) ⁴	\$0
9. Apportion using single weighted sales formula (33)	\$20 million
10. Levy a local services fee on employers: \$25/employee-quarter (36)	\$45 million
11. Miscellaneous tax administration recommendations	N/A
Total Revenue Increase (all black numbers)	\$140.2 million
Total Revenue Decrease (all red numbers)	-\$189 million
Total Net Package	-\$48.8 million
Current Funding for Commission Recommendations	\$18.0 million
Need for Future General Fund Revenue	-\$30.8 million

¹ Revenue estimates are the estimated change during the first full year of implementation.

² The current D.C. individual income tax brackets for all filers: \$0-\$10,000=4%; \$10,001-\$40,000=6%; \$40,001-\$350,000=8.5%; \$350,001 and above=8.95% through 2015.

³ The 8.95% income tax rate currently expires on Dec. 31, 2015, and would leave 8.5% as the top rate. Raising the top rate from 8.5% to 8.75% for the highest bracket would increase revenue for three-fourths of the fiscal year 2016 and all of the fiscal year 2017 (which is \$17 million).

⁴ Assuming this proposal can be drafted without revenue loss.