

Testimony of Jerry N Clark

DC Tax Review Commission

June 24, 2013

Good evening. My name is Jerry Clark. I am a nearly forty year resident of the District of Columbia, residing in Ward One.

I am an unabashed advocate for progressive tax policy and I believe that the vast majority of Americans, rich and poor, including most residents of the District, subscribe to the proposition that those with higher incomes should expect to be taxed at higher rates than those with lower incomes.

Others testifying tonight and previously, as well as members of the Commission, have pointed out that the District's tax structure is far from being progressive. Fixing this will, of necessity, require that burdens now borne by lower and middle income taxpayers will need to be reduced, while those for higher income taxpayers will need to be increased. My particular focus will be on whether there is a risk to the District's revenues from such a re-ordering of taxes due to a view held by some that many upper income taxpayers may move to the suburbs if their allegedly high DC taxes are increased still more.*

There are two equally important questions to explore: 1) How do current taxes on high income DC taxpayers compare with those of their counterparts in suburban counties in Maryland and Virginia? 2) What empirical evidence is there that higher income taxpayers tend to flee jurisdictions in which their taxes are increased.

The answer to the first question comes from a report based on 2011 data compiled by the District's OCFO, which shows that for multiple income levels, the District's higher income taxpayers fare quite well compared to their higher income neighbors in the region. At most income levels, higher income taxpayers in the District pay lower taxes than their counterparts in the near-in suburbs of

*As used herein, "taxes" means "total taxes" including sales, property and income taxes.

Maryland and Virginia. What this appears to mean is that reasonable District tax increases on higher income taxpayers alone are unlikely to make it attractive for the overwhelming majority to move from the District to the suburbs.

With regard to the second question, a growing body of credible empirical research supports, though not unanimously, the conclusion that a tiny fraction, if any, of wealthy taxpayers move away in response to tax increases, and whatever small amount of revenue lost thereby is more than offset by the revenues gained from the vast majority of those who remain.

Although my focus is on individual income, it should be noted that recent survey research finds that taxes, though important, do not appear to rank at the very top of the list of criteria that tend to influence corporate decisions to move their operations to another jurisdiction.

Extensive references to support the statements in this testimony will be included in a written report that will be submitted to the Commission shortly. I hope the Commission will hold another public hearing later in the year, preferably after a preliminary report has been issued.

Thank you, and I would be happy to take any questions you may have.