



D.C. Tax Revision Commission

MEETING MINUTES

Subject: D.C. Tax Revision Commission Meeting
Date: March 4, 2013
Time: 3:00 p.m. to 6:00 p.m.
Location: Room 1107, One Judiciary Square, 441 4th Street, NW, Washington, D.C. 20004

Members Present:

Anthony Williams	Teresa Hinze
Stefan Tucker	Fizroy Lee
Catherine Collins	Ed Lazere
Mark Ein	Pauline Schneider
Tracy Gordon	Nicola Whiteman

Invited Speakers:

David Grosso, At-Large Councilmember, D.C. City Council

Garry Young, Director, George Washington Institute of Public Policy

Staff:

Kevin Clinton	Richard C. Auxier
Mike Bell	Rick Rybeck
Steven Rosenthal	Ashley Lee
Gerry Widdicombe	

I. Call to Order

Mr. Fitzroy Lee, a member of the D.C. Tax Revision Commission (the “Commission”), called the meeting to order.

II. Approval of Minutes

The minutes from the Feb. 4, 2013 Commission meeting were approved without amendment.

III. Testimony of Councilmember David Grosso

Mr. Kevin Clinton welcomed Councilmember David Grosso to the meeting. Mr. Grosso, a current member of the D.C. City Council who previously worked for both Rep. Eleanor Holmes Norton and Councilmember Sharon Ambrose, thanked the Commission for the invitation to speak and stated that he actively follows their work and appreciates the commissioners' commitment to improving the District. He stated his motivation as a councilmember is to ensure that the budget of the District is competitive with neighboring jurisdictions and that D.C. is an attractive place to live and start a business—and he hopes the Commission contributes to this goal. Furthermore, Mr. Grosso stated his preference that projects such as the Commission are created every five years to ensure the District is always on the right path and never stuck with inefficient fiscal policies. These self-examinations, he said, are needed before any discussion of raising or lowering taxes. Mr. Grosso encouraged the Commission to ask questions about tax fairness and equality, but also deliver recommendations that the Council can act on. He reported that he understands such recommendations do not come free of cost, and has therefore asked that some of the recent budget surplus be set aside to assist with the implementation of the Commission's tax proposals. Mr. Grosso concluded his remarks by asserting that the D.C. government must ultimately focus on rethinking and expressing the intent behind its decisions so that the city can focus on goals and not just outputs.

Following Mr. Grosso's comments Ms. Nicola Whiteman asked if the councilmember had specific priorities he wanted the Commission to consider. Mr. Grosso said that he hopes the Commission's examination is broad but also quick so that its work engenders a needed debate about tax policy on the Council. Additionally, he stressed the need for a detailed and transparent process so that the Council can see both what the Commission concludes and how it reached those decisions. Ms. Catherine Collins asked if Mr. Grosso received any feedback on his proposal to set aside some of the surplus for the Commission's recommendations. Mr. Grosso stated that the reception has been positive and that the Council is enthusiastic about engaging with the Commission. In response to a question from Ms. Tracy Gordon about the spending side of the budget equation, Mr. Grosso presented a preference—for all matters related to the budget—for as much information as possible so that Council decision are guided by evidence. Mr. Grosso was thanked by Mr. Anthony Williams for sharing his time and thoughts.

IV. Presentation: Economic Competitiveness of the District of Columbia

Mr. Williams then welcomed Mr. Garry Young, director of the George Washington Institute of Public Policy, to present the findings of a report—commissioned by the Office of the Chief Financial Officer in 2008—on the economic competitiveness of the District. Mr. Young began by noting that while the Washington metro region experienced dramatic economic growth over the past 20 years (and especially robust employment growth) that the District has not always shared in that growth. In fact, the city’s population only recently returned to levels seen in the early 1990s, and job growth has also been stunted. Mr. Young said the remainder of his presentation focused on highlighting what factors effect such “center city” growth. He first noted that there is little research on this subject as most focus is given to regions and not cities—mostly because the former and not the latter encompass an economy. For example, the Washington metro region (and not D.C.) is classified as an economy because numerous people live in one jurisdiction with the region (D.C., Maryland or Virginia) and work in another, and therefore the jurisdictions economies are intertwined. This complicities politics, however, as policies are set in the individual political jurisdictions and not the region. Furthermore, firms make two decisions when considering where to locate: 1) what region of the country to locate (affected by inputs such as climate and transportation infrastructure); and once that decision is made 2) where to locate specifically with a region. The latter question was the focus of Mr. Young’s study and presentation.

Mr. Young’s research pointed to a few factors that substantially affect the growth of employment within a center city. The first is regional growth: a city in the middle of a growing region is going to have more job creation than a city in a depressed regional economy. Mr. Young stated this should not be surprising, but it emphasizes that D.C. should be concerned with getting its share of growth and not so much besting its neighbors. More specifically, Mr. Young noted that growth in the science and technology sector is positive for center-city growth while a growing manufacturing sector does not have a positive impact on center-city growth. Low property crime is also related with center-city growth but violent crime apparently does not have a strong relationship (although, Mr. Young stressed this is not an endorsement for ignoring such crime). Mr. Young said that high taxes also had a negative relationship with center-city employment growth. (Taxes in his study are measured in the aggregate and no attempt to measure “efficient taxation” was made.)

One area that did not have a positive or negative effect in the model was public services. Mr. Young said he did not “believe this conceptually” as such an input is incredibly difficult to measure. The study had merely used expenditure totals as there is no way to quantify a “quality” public service. (The study did remove transfer payments from the total.) One area his

study completely ignored was regulation, as there is no way to test this across time and cities. Mr. Young noted that surveys have found that cities with the perception (true or not) of a burdensome regulation environment are avoided by firms. Mr. Young said such regulations essentially act as a tax (taking time and money) to these firms. Mr. Young concluded his comments by explaining a dynamic simulation his team had conducted to project what effect inputs have on future employment growth. He found that D.C. will see strong employment growth if the region's growth remains strong. The city also must avoid returning to the property crime rates seen during the 1990s if it wants to enjoy employment growth. Finally, he said that taxes do not have much effect on future employment growth. He said every CEO will assert that lower taxes are extremely important but ultimately they are not as important as often presented.

Mr. Williams opened questions by asking if culture and self-section play any role in economic competition. Mr. Young said evidence of this is more anecdotal but probably true. He pointed to the recent growth of cities across the country—in varied regions—as an example. Mr. Williams asked that if high taxes are inherent in D.C. should the city stop trying to compete with Virginia on tax rates. Mr. Young said there are certainly circumstances in place that limit the District's ability to lower taxes and that it may benefit the city to compete on issues other than taxes. Mr. Ed Lazere asked if federal government jobs, given their prominence in the region, were factored into the model. Mr. Young said all government employment was factored in, so this input was seen across the country but it just happens to have more influence in the Washington region. He also warned that this was not a sector set for future growth. Mr. Mark Ein noted that taxes, beyond being a payment, can be a signal to firms about how business-friendly a region is. Mr. Young conceded the point but said it is something beyond the scope of his study. Mr. Ein also noted that the process for decisions about taxation can send a signal almost as important as the actual policy. In response to a question about the study's structure, Mr. Young stated that no matter how well D.C. does with job growth that it cannot grow faster than the region. Mr. Williams and Mr. Ein both disagreed with this assertion. After Mr. Young cleared up a few more questions regarding the study's methodology Mr. Williams thanked him for sharing his expertise with the Commission.

V. Commission Business

Mr. Williams then noted that the remainder of the meeting would be dedicated to Commission business. The first order of business was announcing that Mr. Kevin Clinton is stepping down as the Commission's executive director to pursue a full-time position with the Federal City Council. Mr. Williams noted that Mr. Clinton is one the finest appointments he has ever made and several other commissioners joined the chairman in thanking Mr. Clinton for his service to the Commission. Mr. Gerry Widdicombe was then introduced as the next executive director of the

Commission. Mr. Williams noted the Mr. Widdicombe comes to the Commission with extensive experience and knowledge of the District. There was a motion to approve his appointment and it was carried by the full Commission.

Mr. Clinton then provided an update of the Commission's agenda going forward. He noted that the staff is attempting to balance external and internal research and thanked Mr. Lee for the contributions of the Office of Revenue Analysis to this effort. He also individually thanked all the presenters who previously addressed the Commission. Mr. Clinton outlined the schedule going forward by highlighting scheduled presentations in April, May and June and scheduled dates for deliberations in July, August and September. (Note: The full schedule is attached to this document.)

Mr. Williams then asked the members how the Commission can ensure its recommendations are implemented and what role public opinion should play. Ms. Pauline Schneider responded that the Commission's recommendations—while crafted with public input—should focus on best practices and not public opinion. Ms. Gordon added that it is the job of the Commission to craft not sell recommendations, but that the final report of the Commission should keep implementation in mind. Ms. Teresa Hinze and Ms. Collins noted that tax administration is one area where public engagement is needed as recommendations must ultimately be transparent, efficient and enforceable. After a brief discussion, Mr. Stephen Cordi, Deputy CFO for the Office of Tax and Revenue, volunteered to work with the Commission on administration issues as the Commission finalizes its recommendations. After Mr. William's expressed his desire to hand the Council recommendations that can be passed, Mr. Lazere and Mr. Ein discussed the need to present a range of recommendations, giving the Commission the flexibility to be both creative (getting smart ideas on record) and practical. There was then a brief discussion regarding the Commission's schedule, specifically over the summer, but no changes to the current schedule were made at this time.

Finally, Mr. Lazere noted that his organization, the D.C. Fiscal Policy Institute, had recently prepared a primer on the District's tax system which he made available to the Commission as a resource.

VI. Adjournment (Commission Chairman)

Mr. Williams announced the meeting was adjourned.

ATTACHMENT 1: COMMISSION SCHEDULE

D.C. Tax Revision Commission *Meeting Schedule*

Meeting Date	Presenter	Discussion Topic	Completion
October 1	Yilmaz/TRC Staff	D.C. Fiscal Structure incl Turnaround	X
October 1	Swaim/TRC Staff	D.C. Revenue System	X
October 1	Spaulding/TRC Staff	D.C. Operating and Capital Budget	X
November 19	Swaim/TRC Staff	The D.C. Economy and Tax Base	X
December 3	Members of the Public	Public Hearing	X
January 7	Stephen Fuller	Regional Economic Trends in the Washington DC Region	X
January 7	Carol O'Cleireacain	National State & Local Trends in Fiscal Policy	X
January 7	Jason Juffras	DC Tax Expenditure Report	X
February 4	Robert Cline	Competitiveness of State Tax System	X
February 4	Robert Zahradnik	State Tax Incentives	X
February 4	Jeffrey Oakman	History of Economic Development in DC	X
March 4	Garry Young	D.C.'s Economic Competitiveness	X
April 1	Sally Wallace	The D.C. Fiscal Architecture	
April 1	Richard Auxier	Tax Comparisons	
May 6	[Norton Francis]	Business Franchise Taxes	
May 6	[Robert Buschman]	Individual Income Tax	
May 6	Rick Rybeck	Long Term Infrastructure	
May 20	Mike Bell	Introduction to the real property tax	
May 20	David Sjoquist	Residential Property Tax Caps	
May 20	Daphne Kenyon	Property Tax Classification	
June 3	Latanya Brown-Richard	Demographics and Property Tax	
June 3	Mike Bell	Exempt Properties	
June 3	Rodney Green	Deed and Recordation Tax	
June 17	Mike Bell	Property Tax Expenditures	
June 17	[Carol O'Cleireacain]	Tax Administration	
June 17	[William Fox]	Sales Tax	
July 1	Commission	Deliberations	
July 15	Commission	Deliberations	
*July 29	Commission	Deliberations	
August 5	Commission	Deliberations	
*August 19	Commission	Deliberations	

September 9	Commission	Deliberations	
September 23	Commission	Deliberations	
*September 30	Commission	Deliberations	

*- Extra meeting if necessary

[]- Contract in
deliberation