Before the District of Columbia Tax Revision Commission (TRC)
Supplementary, Written Statement of David Jonas Bardin
16 December 2012 [edited 12/20/12]

Chairman Williams and Commissioners:
This addresses some questions and issues raised during my December 3 testimony.

How much of DC WASA's (DC Water's) revenue comes from federal customers? Over 10 percent:

Operating Revenues FY2011 [Source: FY 2011 CAFR,Table 2, page 40]	
$241,475,000	Residential, commercial, and multi-family customers
43,033,000	Federal government
25,123,000	District government and DC Housing Authority
90,414,000	Charges to suburban customers for wholesale wastewater treatment
8,210,000	Other
$408,255,000	**Total Operating Revenues**

Are federal customers billed for DC WASA's PILOT Fees? Yes. And they pay.
Does DC WASA bill its suburban customers for PILOT Fees? No.

Do federal agencies pay DC Gross Receipts Taxes (such as those assessed against PEPCo, Verizon, Washington Gas)? Yes, based on the 1998 TRC Report, *Taxing Simply – Taxing Fairly*, page 102.

What did the 1998 TRC report recommend and conclude? It said (at pages 101 and 102):

> <u>*Utility services*</u>
> **Recommendation: Tax all functionally equivalent services uniformly**
> The Commission recommends that the District uniformly tax utility services that are functionally equivalent. This policy requires changing the law that links the gross receipts tax to services classified as "public utility services." ….
> UTILITY TAX CHANGES CONSIDERED BUT REJECTED
> The Commission considered but rejected several possible changes to utility taxes, including reducing the gross receipts tax, …
> **Reduce gross receipts tax.** The Commission considered and rejected, at this time, reducing the 10 percent gross receipts tax rate. The District's rate is higher than Maryland's and Virginia's. But it *does* apply to sales to the federal government and tax-exempt organizations. As a result, to offset the District's attenuated tax base, the Commission recommends maintaining the current rate, which represents a way of taxing otherwise exempt institutions.

Does DC WASA pay 10 percent of gross receipts as a PILOT? No. It's closer to 4 percent.
In FY 2011, DC WASA recorded accrued PILOT revenues of $16,890,000 from its customers in DC. Operating Revenues were $408,255,000 – including PILOT revenues. [Source: FY2011 CAFR, pages 50 and 75 note (13).] (DC WASA paid DC Government considerably less than what it collected from its customers as PILOT Fees.) [This paragraph edited 12/20/2012, removing reference to debt service.]

Are there precedents for charging DC WASA for use of DC Government-owned land? Yes. A DC Law provides for charging for placement of pipes and wires in the DC Government rights of way. Both DC Water and investor-owned communications companies and utilities pay such charges. (Currently, DC Water pays $5.1 million a year, set through FY 2013.) Originally, these charges were earmarked for DDOT. Last year, the DC Council shifted them to the General Fund.

<u>Recommended research regarding Public Utilities Gross Receipts Taxes (to confirm assumptions):</u>
(1) Do PEPCo payments per kWh and Washington Gas per therm approximate 10 percent of receipts?
(2) Do federal agencies pay both the 10 percent basic rate and the Ballpark Revenue Fund surcharge?