



D.C. Tax Revision Commission

MEETING MINUTES

Subject: D. C. Tax Revision Commission Public Hearing

Date: June 24, 2013

Time: 5:00 p.m. to 9:00 p.m.

Location: 1101 4th Street, SW, Washington, D.C. 20024

Members Present:

Anthony Williams	Fitzroy Lee
Teresa Hinze	Stefan Tucker
Tracy Gordon	Nicola Whiteman
David Brunori	Pauline Schneider

Invited Speakers:

The public hearing was open to members of the community interested in the work of the D.C. Tax Revision Commission.

Staff:

Gerry Widdicombe	Ashley Lee
Rick Rybeck	Steven Rosenthal
Matthew Watkins (Downtown D.C. BID)	

I. Call to Order (Commission Chair)

Mayor Anthony Williams, Chair of the DC Tax Revision Commission (Mr. Anthony Williams, Chair of the DC Tax Revision Commission (the “Commission”), called the meeting to order at 5:05 p.m. You can find information about the commission at our website: www.dctaxrevisioncommission.org. As always we have limited copies of today’s materials you can ask, Ashley Lee, the Administrative assistant for a copy.

We want to thank Mayor Gray’s administration for public access to this meeting. The Commission continues to receive exceptional support from the Office of Revenue’s analysis, as well as the Office of Tax and Revenue. We also want to thank CFO’s Office.

Finally, we want to apologize in advance if there are any misspellings of anyone’s names or of affiliated groups, or if the witness list is missing other information. If you could, please provide corrections to the staff to make sure both are corrected.

II. Approval of Minutes

The minutes from the June 17, 2013 Commission meeting were approved without amendment or discussion.

III. DC Tax Revision Commission Business / Announcements

For the public record, we want to make note of the schedule. Last week, the Commission completed a series of substantive provisions of expert testimonials from academics and professionals, as one of the five public hearings on the major tax categories for the District. As shown on the Commission’s website, the Commission will not have its next meeting until September 7th, when the Commission will cover tax administration with a presentation from Harley Duncan, the former head of the Federation of Tax Administrators. Then in mid- to late-September, the Commission expects to hold its third public hearing. In late September and October, the Commission will hold four to six public deliberation meetings. In the first half of December, the Commission will issue its recommendations. In the first half of January, 2014, the Commission will present recommendations at a Council hearing. We want to thank the Council and Chairman Mendelson for supporting these hearings.

For the public record, the Commission’s Budget for Fiscal Year 2013 is \$808,000 and goes to the following: a committee staff of 5.25 full-time equivalent persons, 11 academics or tax professionals, the design and editing of the Commissions research, the preparation of the Commission reports for the creation of a robust website, and development of a web page. All this is completely open for the record. The Commission’s budget for Fiscal Year 2014 is \$200,000 that will cover both staff and design and production of the Commission’s recommendations and reports.

The Commission would like to thank the Office of the Chief Financial Officer (CFO) for providing office computers, phones and other office necessities, at a minimum cost. The CFO and the Office of the Tax

and Revenue (OTR) have provided substantial in-kind services to the Commission and contracting experts and staff for research on the city's tax systems. The Commission will post all of this material and provide and update both on its schedule and on what is budgeted through September 2013. We post all this material for the public's inspection.

For all of those who have taken the time to attend and testify at today's hearing, we thank you. For those that could not make it, there will be another opportunity to testify on September 23rd and 30th. (We are working these dates and times out.)

The Commission Chair will be here through the testimony today, and most of the Commissioners will be here longer for the public to provide testimony. Make sure you have given 20 copies of your testimony to Ashley Lee so she can provide the Commissioners reference to your testimony. The Commission and the Commission staff will read all the testimony that you submit today and any you submit in the future. We do take your testimony seriously.

At today's hearing you have three minutes for your testimony. The Commissioner Executive Director, Gerry Widdicombe, is monitoring the timer (actually it's an iPhone). We will have witnesses testify in groups of three. The Commission may have questions for each witness. If we move along efficiently, we can finish this hearing by the end of the allotted time. Please remember, you can submit more written testimony for the record.

I want to remind the witnesses that the point of this hearing is understand how taxes can be changed in the District of Columbia as set forth in the Legislation that created the Commission. This is not a hearing to lodge complaints you have. This hearing is on what you think should be changed in taxes as set forth in the legislation. Why do we want to do this? To consider: 1) the fairness in the proportionate amount of taxes, 2) how can we broaden the tax base, 3) how can we make DC's taxes more competitive with the surrounding jurisdictions, 4) how can we encourage job growth, and 5) how can we modernize, simplify and increase transparency of the tax collection process.

We will proceed with the testimonies. Please state your name and the group with which you are affiliated.

IV. Testimonies

Mr. Neil Williams represents a grassroots group of seniors who oppose the taxation of municipal bonds on the grounds that a tax on municipal bonds would harm seniors and residents of DC. Rejecting any taxation of municipal bonds, the group has been working to repeal a tax on out-of-state municipal bonds that was enacted in 2011, which, though delayed, would eliminate tax on out-of-state bonds in January 1, 2013 and Fiscal Year 2014. Tracy Gordon: Most states do tax out-of-state municipal bonds. Why should DC be different from most other states? Please elaborate on the disadvantage this would create for investors in DC relative to other jurisdictions? Mr. Neil Williams: Tax exemption has allowed DC investors to compete on an equal playing field with those in other states. The bond tax, as it is presently

constructed, would make DC residents second-class citizens. In nine states, the income from out-of-state municipal bonds is not taxed. Because DC is not part of a state, DC would be the only local jurisdiction in the US where it is residents pay taxes on all municipal bonds. DC should be compared to other localities, such as Baltimore County, that includes a larger city, with more diverse general obligations, and revenue bonds. However, the residents in Baltimore County don't pay tax on the obligations for Maryland or any Maryland Subdivision. Also, DC residents can't obtain sufficient diversification without investing in out-of-state bonds. Tracy Gordon stated: Well there is always Puerto Rico, which is not doing well. Mr. Neil Williams: Those are the bonds of the Commonwealth under an entirely different tax law. We are attempting to compare ourselves to a state.

Sally Kram represents the Consortium of Universities, including 9 universities within DC: Payment-in-lieu-of-taxes (PILOT)s would be unfair if applied to colleges and universities and fail the 5 goals of Commission. The Consortium objects to PILOTs as unfair and counterproductive. Mayor Anthony Williams asked: Just for the record, let's say you have a tax-exempt organization and a business down the hall: what is the special benefit of the non-profit--in this case the benefits the university provides--that merits tax relief? Ms. Kram: the Milkin Institute puts out the economic value of higher education with income level per average educated citizen. Universities provide economic development; they educate people and make them capable of earning more and contributing toward regional prosperity. Access to education in fact is likely to raise the District's education and income levels on the macro level. On the micro level in the District, universities are subject to "enrollment caps" by zoning, with the idea that small businesses can grow.

Stefan Tucker asked: I teach at Georgetown University Law Center, so I want to understand this point. Footnote 11 of the submission, quotes "...at least 60,000 new residents of the Washington Region..." As I understand it, those residents in other local jurisdictions, Virginia and Maryland, can't be taxed by the District. I am I correct? Ms. Kram: You are correct. Stefan Tucker asked/stated: There a lot of people in DC who are not from the local universities. Correct? Ms. Kram: Yes. Stefan Tucker stated: So, let's assume that a District university has from tuition \$20 million, and they spend \$15 million in the District on what they do. Should the exemption be proportionate to their contribution, spending and other benefits that they provide to DC, rather than an overall exemption? Ms. Kram: Traditionally, that hasn't been the methodology used in an exemption. Stefan Tucker asked: But we are looking at the future? Ms. Kram: Three of the five goals would be unanswered by a system you could propose because it would: 1) not be predictable and uniform, 2) not create revenue, and 3) be unfair to colleges and universities. It would be hard to create such a system. Nicola Whiteman asked: The direct benefits to the District are based on the number of students that the university educates. Could you elaborate on services provided by those students to the community, which supplement services provided by the governments? Ms. Kram: It is a hard number to calculate; the sum of the work that students do is not found in a centralized location. We predict about 600,000 volunteer hours among the colleges and universities, when multiplied by a number, can create the value. But that 600,000 volunteer hours under-estimates the total number of hours of students' contribution, because some schools have a good tracking number, while at other schools, this information is kept in a less centralized location. Students are providing tutoring, cleaning of public space, providing medical assistance, ambulance services, fire

suppression services, government work, and many other services, as part of their learning experience and as the part of a school's mission to support the communities.

Marie Drissel is a long-time DC resident and was member of 1998 Tax Commission. That Commission did not make Real Property Tax an issue. She is glad that this Commission has made it a priority. Ms. Drissel opposes the current assessment cap system for residential valuations, because it is unfair that some pay almost 100% of market value and others pay only 40%. She recommends the bottom be lifted to 55%, and the top cap be reduced from 100% to 85% for fairness. She also recommends increased stability for the commercial property tax and the estate tax. There is no appeal for real estate's lack of uniformity, and this legally allows property owners treated unfairly to file class action suit in one localized area. There could be commercial real property tax relief for small property owners. The Commission could provide long-term stability for businesses paying triple net lease. That stability is provided for property owners currently. The estate tax is unfair and has forced many high income neighbors to move away simply due to the estate tax. Mayor Williams stated: To summarize, you would recommend: 1) rationalizing the assessment process, and...? Ms. Drissel: 2) change the cap, 3) stability in a localized area, and 4) estate taxes. Mayor Williams asked: What is the point with estate taxes? Ms. Drissel: Adopt the Federal system; many businesses here have Virginia as their primary residency; it's simple to do or claim 181 days in Virginia. Rich people travel a lot and have more than one home, so even 181 days is a toss-up; thus it is easy to manipulate location of their "principal" residence. See Arthur Mason's letter. Fitzroy Lee asked: What are you recommending with regards to the cap? Ms. Drissel: The tax cap is unfair, as some pay 40% to 80% of assessed value, which is based on the relation to the triennial assessment system. The huge range spread between lower and upper tax rates needs to be decreased, over time. And you cannot appeal, thus it is a good way to establish a class action suit.

Barbara Lang of the Chamber of Commerce represents 1,700 members, supports entrepreneurs and small businesses, and asks that politicization be removed from taxes. The Chamber wants help, within budgetary needs, because businesses pay a disproportionate share of DC revenues. The Chamber wants economic impact statements for taxes to include the effects on businesses. Franchise taxes and commercial property taxes make DC unattractive and uncompetitive. Ms. Lang suggests reducing business taxes because there is too little spending discipline, and too much of a propensity to tax, as described in the written submission. Mayor Williams asked: Is there literature on moving from DC? On what tax categories? But we are at the bottom? Were the taxes reduced from the forecast? Ms. Lang: Do not tax everything. We are losing small businesses, and we ranked lowest on regulations. Mayor Williams asked: Are business-maker location-decisions based on taxes? Ms. Lang: Taxes are a part of the package. Virginia is the problem, not Maryland. DC is 51st in a survey by the Small Business Council, with taxes and regulatory (looking at DC as a state). Mayor Williams asked: We are 51st re small business climate? Ms. Lang: The Small Business Council was ranking DC as if it was a state when they examined regulations and taxes.

Mayor Williams asked: Should any reduction to business taxes get offset by tax increases or spending cuts? Ms. Lang: We suggested a combination, and that DC's 2011 taxes were based on forecasts that ended with a budget surplus, so that budget surplus should be returned to the business community. David Brunori asked: Would reductions make a difference? Ms. Lang: Focus on reducing the taxes that

burden business, and some fees are not a choice, but a tax. Tracy Gordon asked: Can you compare or define taxes and fees, especially gross receipts taxes? Are you lumping fees for service taxes? Is there a difference? Taxes versus fees? Which are worse? Ms. Lang: Generally, you choose a fee – but not always. Stefan Tucker asked: Has the Chamber had studied progressivity, such as moving the brackets? Ms. Lang: The Chamber has not. Pauline Schneider asked: How should the Commission approach DC taxes? Is there an alternative for a competitive tax? Ms. Lang: Focusing on fairness and competitiveness that is less than 9.9% for the corporate tax rate, or a blended tax. David Brunori stated: Business's location decisions aren't based on taxes, except in tight geographic locations that share the same resources; thus in border areas, taxes could be dispositive. You think this will make the difference? Ms. Lang: More people will come in because of tax reduction. For example, Sigal Construction moved to Virginia over taxes; thus they are more likely to hire Virginia residents. Right now, we need something that is fair. DC can't meet or beat VA. But can't we get close?

Diane Shaw represents herself and is Former ANC 4D05 Commissioner. She is against the deed recordation tax and transfer taxes, which are described in her written remarks. Mayor Williams asked: What do you want us to consider? Ms. Shaw: No increases.

Ed Krause also represents DC Association of Realtors, and he asked for good economic judgments. There is a nexus between property taxes and public benefits, but transfer and recordation fees are discriminatory, inefficient, and conflict with the DCTRC goals. There is no reason why Housing Production Trust Fund should be funded with these fees. As Mark Ein said, "What is the purpose of these fees?"

David Brunori stated: The recordation taxes are a money grab, not to defer the cost of recording a deed. It originally was a way to deal with the processing cost. That is not the case anymore. It really is a way to raise money on the backs of real estate purchasers. Mr. Krause: It is a politically easy tax to collect, as it is a one-time fee, because people are upset about the tax at the time of purchase. But, a couple of days later, people are happy after they move in. David Brunori asked: Do you have evidence that it curtails or deters people from moving in and purchasing homes? Mr. Krause: It is hard to quantify, so this is anecdotal, but it takes time. Ms. Shaw: Folks who want to purchase a home are committed to buy; however, this tax slows the process down and makes it a horrible experience. Mayor Williams stated: David and other commissioners have made this point that it distorts behavior. We don't want to do that. That is, we don't want to use the tax system in an underhanded way to spend money overtly, rather than with an official expenditure. That said, the motivation behind it was, in a symbolic way, showing that the economic growth in the District was benefitting everyone. That was the thinking behind it, but it needs to change. Mr. Krause: Full disclosure: my predecessors supported this tax and acknowledged the need for affordable housing. But this takes out the stability from a developer's perspective.

Stefan Tucker stated: You took it back to the War Revenue Stamp Act. But let's take it back further, to Colbert, the Finance Minister for Louis XV, who said "the art of taxation is plucking the feathers off the goose without the goose hissing." Noted in this testimony is that we have \$284,000,000 that we are raising from this tax. Where would you have us raise even portion of this? Being sensitive to the

residents of the District to give up a one-time-tax versus another tax that is reoccurring, what is the replacement? Mr. Krause: I would not attempt to pick one tax over another. However, as noted by Ms. Lang, it is about the perception, that the Council never recommends tax relief. It's the idea that taxes keep going up and NEVER come down. We've got a forecast for some surpluses. Why not at least a conversation about rolling back some taxes and fees to create equilibrium?

David Chitlik represents the Apartment and Office Building Association. In his day job, he is a property tax advisor/manager for Marriott. In a previous career he was an Assessor for Alexandria and focused on DC's property taxes relative to Virginia and Maryland. Mr. Chitlik believes that DC's commercial property tax rates are out of line with nearby jurisdictions, and a shrinking number of high-value property users are going to affect DC. Unless hotels get incentives (like provided for the Convention Center Hotel), we (Marriot) are not coming here. Simplification would be good too, because often hotel tax managers are correcting mistakes (whether you make them, or DC makes the mistakes), the treatment is terrible. DC bureaucrats treat you like a criminal, and DC needs better training for their assessors. Mayor Williams asked: What are the key takeaways? Mr. Chitlik: The commercial tax rate is too high in relation to the neighboring jurisdictions and too high too complicated; other jurisdictions don't have split rates. Mayor Williams stated: That means it's not competitive. Mr. Chitlik: New York took away tax incentives for movies, and weeks later they were filming in Detroit. Soon after New York brought back the incentives; it only took a matter of days to set up change in the major industry. Mayor Williams asked: For a global basis to make us competitive, where would you start? Mr. Chitlik: After meeting with David Zipper who is selling the District, almost as a start-up, as the Director of Business Development and Strategy-- You have to give David something to sell; this is one of the tools. He needs something to sell to businesses so they will come to DC. Mayor Williams stated: That's a good point. Tracy Gordon asked: How could DC improve the tax assessment? Mr. Chitlik: Fill vacancies in the assessment office with qualified staff, bring in trainees, and start training staff to develop a career path whereby assessors are promoted from within. Don't make them deal with vacant property determinations and coordination with DCRA. Mistakes lead to applicants being treated like criminals by agency staff, and that is terrible. Just deal with land values and social policy value. The appeal process goes to court and stops dead in the court system. DC must find a way to unclog that. Well over one thousand cases were heard years ago, but you still do not have a decision by the judge.

Tom Borger, is the owner of his own property management company. He is focused on DC's franchise taxes which are too high. He suggests a modest gross receipts tax as a replacement. They can't move our buildings to Virginia, but we can move our business to Virginia. They look at the franchise tax when considering that decision. Many properties in more debt pay less than properties owned free and clear. The relationship between debt service and franchise tax becomes a major consideration. Yet the franchise tax has no relation to property values or to income tax. David Brunori stated: All economists favor debt over equity, and income tax is collected in all the states. I agree that the way the corporate and franchise tax is administered is terrible, in the District and all the states. You mentioned Virginia does not recognize a tax credit. Isn't your beef with Virginia in that case? Mr. Borger: Yep. But that's not my beef. The properties without debt pay more than those with debt who pay less. This is not fair. When real estate is owned by pass-through entities, the franchise tax is passed through as paid income

tax to the partners. However, the partners are treated differently, depending upon the jurisdiction in which they reside. District residents get a 100% credit. Maryland residents get a partial credit. Virginia residents get no credit against their Virginia income tax. If I'm already paying real estate tax, why am I paying a franchise tax? My beef is that we are already paying real estate taxes on the building, and the individuals are going to have to report a K-1 anyway for income tax to their jurisdiction, so the franchise tax is already leveled. You are collecting taxes on someone who you wouldn't collect from anyway.

Chad Shuskey represents the DC Economic Partnership and is testifying on the administrability of DC taxes: Tax information by OTR is important to demonstrating the District's growth. But it is not broken down to be useful for economic development purposes. The NAICS classification system could be used to let us know how particular types of business are impacted by DC tax system. Shuskey asks that tax and sales data be grouped together for analysis that can help decision makers. Fitzroy Lee asked: NAICS codes could be included in the tax field because tax forms provide a place for NAIC codes. But businesses don't complete them; they usually enter in 9999. Do you have any suggestions for how to do this? Mr. Shuskey suggested creating a mandatory field and offered to meet with Fitzroy Lee afterwards to brainstorm ideas. Nicola Whiteman asked: What do companies ask about taxes when locating in the District? What are you hearing from potential realtors? Mr. Shuskey: Taxes are not a main driver of whether to move into DC. Businesses follow the dollars of the residential population growth in the District. Right now, the dollars are in the urban areas. Taxes are not a big concern, unless the area under consideration is near the border where they can capture these dollars in the District easily, by locating on the boarder of DC, but on the Maryland or Virginia side.

Dan Wedderburn represents Government Reform for Democracy in DC, a progressive group. He asked for tax rates to be made more progressive, because the DC tax system is regressive. He also suggested a refundable credit for sales taxes. He suggests DC residents pay lower overall taxes than in surrounding jurisdictions, with an increase the Standard Deduction, reducing the sales tax on low-income earners, broadening the sales tax bases for services, and increasing the personal exemption. Households incomes between \$40,000 to \$350,000 pay the same income tax rate, so he suggests increasing DC's homestead deduction on low-income or on low-value property, and reducing the itemized deduction amount. Mayor Williams asked: How could a refundable credit for sales tax get administered? David Brunori asked: How would you implement this? Through sales tax? We don't need to play games. Stefan Tucker asked: How do you reduce the sales tax paid by low-income residents? No one is going to keep all the receipts. There would be a lot of 'gaming' the system; it should be more progressive. Mr. Wedderburn said: It could be based on income, with sales tax on less than 6%. Give a credit on their income tax. Alternatively, they can qualify as low-income and be charged less at retail establishments. He suggested six ways to do this in his written testimony. Mayor Williams stated: You could go at it slowly, but this seems complicated administratively. Teresa Hinze: This was proposed in our last meeting through a tax credit return, and one of the concerns raised is you cannot do this for income tax at the bottom. What about the higher percentage of higher income advantages? David Brunori asked: What are the limitations on deductions as moving further away from Federal taxes, which would complicate DC filings? David Brunori stated: Slowly through income tax less without any income. How would you handle itemized deduction? How do you reduce sales tax on low-income folks? Mr.

Wedderburn: I don't know? Stefan Tucker stated: It is hard for low-income people to comply. And then there would be gaming by others. David Brunori asked: Why are you suggesting the complicated limitation on deductions? Mr. Wedderburn: The less conformity creates complications, and I was told that this was less controversial politically than raising the upper rates.

Tom Murphy is a Senior Fellow at the Urban Land Institute and was the Mayor of Pittsburgh. Mayor Murphy implemented and suggest for DC a dual property system: taxing land more than structures, or a lower tax on buildings and a higher tax on vacant land. In 1983, Pittsburgh hit bottom due to steel industry collapse. Nonetheless, Pittsburgh experienced two major downtown development revivals during the collapse; because of the high tax on land values, owners of closed plants could not afford to just sit and wait. DC has a more robust real estate market, so a land tax would take advantage of that. Thus a land tax is more fair than a "wage" tax or other taxes. You cannot allow untaxed surface parking – even for museums or churches-- because they are a bad use of land. David Brunori: Every Nobel prize-winning economist has endorsed this split rate taxation system, based on an idea from Henry George. Every economist has endorsed split rate taxes, including the Lincoln Institute. It's almost an irrefutable idea of how well it works. Would you endorse doing it again in Pittsburg, Mayor Murphy? Murphy answered: YES. 60% of our revenue was from real estate tax; everyone wants it back. It was effective. Mayor Williams stated: This is an interesting idea, for the purposes of being objective, where is the empirical evidence that it works? David Brunori to Mayor Williams: There has been a ton of empirical research studies in many cities, including Virginia, New England, Pennsylvania and the South, that have shown that it doesn't discourage economic development, not so much as it doesn't encourage it. Mayor Murphy: It has worked in smaller cities in Pennsylvania. Mayor Williams: I would love to see the studies. It sounds like a wonderful approach. Tracy Gordon stated: There are two models here in DC, one is that we're growing, but your model wouldn't work here because there are no steel mills in DC? Mayor Murphy: But DC has lots of vacant land and underutilized properties; I don't know who owns them. This is true of every city, New York and San Francisco -- vacant land is being used as surface parking lots and storage junk yards. If you tax vacant land at a relatively higher value than land which is built on, then that land becomes more valuable than in its underutilized state. Fitzroy Lee stated: We have a vacant property penalty tax that has a higher tax rate here for vacant property. It is a special tax class for abandon and vacant property. Tracy Gordon asked: How does it work? How would a dual tax be administered? Should DCRA regulations be assessment-based? I don't want people singled out for "blight." This seems potentially arbitrary and discriminatory. Mayor Murphy: Uniform treatment is critical. Under the dual property tax approach, there is no determination about blight. We have a uniformity clause that avoids unfairness in implementation because it is based on the assessment. Pittsburgh separated the mileage from the land and the mileage from the structure. If I do improvements, taxes don't go up because we are taxing the lot. There is an incentive to not paying high taxes on a vacant lot. This system has a positive impact on neighborhoods where small improvements are not penalized. Tracy Gordon stated: I am in favor of taxing surface parking lots. Why did Pittsburgh give up its dual property system? Mayor Murphy: The system was in place in Pittsburgh from 1913 until 2001 and was eliminated because of a county-wide assessment tool introduced that did not have the technology to include two rates. The dual property tax discouraged land speculation. Nicola Whiteman stated: Has it been used in areas where we are trying to stimulate economic growth? We don't have

much vacant land. Has it been used or is it better in struggling areas? Where would a split rate work best? Mayor Murphy: The dual tax is to spur economic development and to generate more revenue. I think it's a stimulus for both vacant and underutilized areas because it raises revenue for your city. And shifting taxes onto land would allow DC to reduce other more burdensome taxes for DC specifically. For Pittsburgh it was an economic driver.

Ari Weisbard represents and works for the DC Employment Justice Center. He favors more tax brackets to make DC's taxes more progressive and to eliminate the sunset of the top tax rate. Fitzroy Lee asked: What would you recommend? Mr. Weisbard: Eliminate the sunset tax reductions for 4-5% for higher income residents making above \$750,000, so there is more progressivity by introducing more new brackets above the median income. Additionally, the DCTRC should disallow married couples to re-allocate income to one partner; it should be based on conforming brackets.

Karen Hoerst is a Ward 1, LeDroit Park Resident, who likes DC's diversity. She considered amenities, walkability and affordability in their housing decision; the tax burden was not part of her family's location decision. She appreciates DC public goods and likes DC's neighborhood libraries and neighborhood pools and parks. She is for paying more taxes for more services. She is working with an early intervention program that provides a weekly therapist, at no cost, to address her son's learning disabilities. She sees two visions of society: one you are on your own; the other we are in this together. In DC, we believe we are all in this together.

Jessica Champaign lived in both Columbia Heights and Thomas Circle and has been a resident for 7 years. She supports public services and is especially obsessed with DC libraries. She does not want cuts to public services, libraries, and affordable housing. She will pay more taxes for services that support herself and her neighbors. As a family that makes more than four times the lowest resident family incomes, we could afford to pay more. She supports the DC Employment Justice Center's recommendation to create more [tax] brackets.

Zach Teutsch is an eight-year resident who is concerned that DC taxes are relatively low and too regressive. He supports more progressivity to make the District either revenue neutral, or revenue-positive. This could address a problem of high tax rates for younger people, so that effective tax rates should rise as incomes rises, and not fall as income increases. Lower effective tax rates for low-income would allow young people to move in. He also will pay more taxes for more services. Mayor Williams stated: These points are at odds with one another; progressivity and efficiency can operate together. We are not about the level of spending, we're about the level of taxation. Right now the agencies are running ok now, and they could be more efficient, but that will take time. The Marriot tax guy (Mr. David Chitlik) said it right: we can't keep buying free agents. We need to develop a bench. That is a long-term plan.

Jim McGrath represents the Tenants Advocacy Coalition, a tenant advocacy group, and he is concerned that DC is becoming unaffordable. He wants taxes to encourage affordability, but is unsure how. He believes that two-thirds of DC residents are tenants, and rent control laws are toothless. He has seen evictions and rent gouging. Unaffordable housing is the "800-lbs gorilla in the room." Additionally,

affordable housing in the District is disappearing, because landlords are attentive to making properties “market-rate.” DC is a casino to large apartment owners. He wants DC to stop giving breaks to the wealthy and give them to the poor instead. Fees should be graduated for the wealthy land owners. He cited Scholl’s cafeteria, which was great at providing community service meals, but it was ruined by greedy landlords and the 10% meal tax that increased their rent. So he objects to 10% tax on restaurants, which is too high.

Jesse Lovell is a Ward 3 citizen who also wants more tax progressivity—perhaps with more brackets for high income. He believes taxation in DC needs fairness, progressivity and adaptability. He suggests keeping the higher bracket for those with making more less than \$350,000 and introducing other new brackets for citizens with incomes between \$40,000 and \$350,000. The lower rates, on low- and moderate-income people, would lead to more spending on local businesses.

Debbie Goldman, a DC Resident for 31 years in Mount Pleasant and Tenleytown, wants a fair and adequate tax system to support DC’s public services, including the schools, libraries, EMS. Ms. Goldman stated: we’re pricing the low-income people out of DC.

Howard White, a DC Resident since 1959, has lived in Shepherd Park since 1969 and views taxes as the price of democracy. He also wants more progressivity. He moved to Shepherd Park for diversity. Mr. White stated: We need services. We need to pay for them. We need to be fair about the way that we pay. I pay a lower percentage than the poor, but a higher percentage than affluent. This is crazy. He asks DC to the make the system more ethical and rational, by lowering rates for low-income residents and lowering tax rates for those who pay taxes through their rents.

Jessica Gordon has been a DC resident since 200;, though she left DC to be abroad, she has been back for 4 years. She also wants more progressivity. Her family has benefited from public services; the public schools helped her succeed, and policy should be based on effective tax rates. Ms. Gordon stated: Middle- and moderate- income families pay the most as percent of income, so there is a moral choice to taking on progressive tax rates.

Rabbi Gilah Langer, a 34-year DC resident, represents Jews United for Justice, which also favors progressive taxes. The rich needs to pay a fair share. This is not charity; it is an investment. “The Jewish word for charity is *tzedakah*, and it means dispensing justice.” Mayor Williams asked: How is that related to ‘*mitzvah*’ an obligation? Rabbi Langer explained: *Mitzvah* is a commandment, while *tzedakah* has to do with justice.

Max Toth, a resident,also favors progressive taxes. He sees that there is a need for improved investment in infrastructure, and he wants to subsidize this support through paying taxes.

Benjamin Turner, a resident, would like to raise the tax rate on parking lots. He believes that speculators can establish parking lots until they sell the land. Parking lots, as real estate speculation, cause too much traffic and create the artificial scarcity of land for housing and businesses. And parking lots are undesirable. So he suggests that reducing the tax rate on building values and increasing tax rate on land value would help.

Michael Tacelosky, who represents the DC Tobacco Free Coalition, favors progressive taxes, but he also wants to extend a tax-- the tobacco tax--so it increases the cigarette tax and includes cigarillos.

Jerry Clark, a 40-year resident of Ward 1, favors a progressive tax. He also believes relatively few taxpayers would leave DC because of higher taxes.

Ed Rehfeld, DC Resident since 1987, favors more progressive taxes, as they are part of his civic duty. The decision to stay in DC is not about lowering taxes, but it is about quality of life. Thus he hopes that lowering taxes won't hurt the quality of life in the city for residents of the District.

Aminyah Muhammad M'Backe of the Urban Housing Alliance believes taxes are too high for the poor, and property taxes are too high. DC residents are being over taxed. Citing that the poverty rate in the District is at 19.9%, which is the second highest per capita state, she stated: a local tax burden on the nation, the highest per capita income in the nation, and the high incomes (for some) in the nation. These high taxes create problems for the poor. She likes the triennial valuations for residential and annual valuations for commercial property, as proposed by Mayor Williams a decade ago. She urges support of a Homeowners' Bill of Rights that should be introduced to handle real estate assessment appeals, because taxpayers' need an advocate.

Campbell Johnson, a third-generation Washingtonian, also represented the Urban Housing Alliance. He stated that the "800-pound gorilla" still in the room is the plight of low-income and tenants. The Appeals Board was an independent board of professionals. Now they have "a dog in the fight"- that is millions of dollars of revenue. The Appeals Board was supposed to represent property owners as an advocate; however, this is not the case because the Board is no longer independent. He supports assessing residential properties only every three years (triennial assessment), assessing commercial property annually with independent assessors and not commercial assessors. Mr. Johnson stated: My house does not have granite counter tops, yet it gets compared to homes that do. As an Economic Development manager for the state of Maryland, we could kick-the-teeth in of DC in terms of attracting businesses, but not Virginia because their dirt was cheaper. It was never a matter of taxation. All businesses will say they want to pay less in taxes during site selection, but these are under other considerations. Mayor Williams explained: When he proposed triennial assessments, it was not a grand scheme. He favored a triennial valuation to slow down the valuation process to improve quality and to make sure valuations were correct. And it was meant to slow it down, but now we back the annual system.

Jeremy Koulish is a Ward 6 resident with a Master's Degree in Tax and Budget policy. Mr. Koulish suggested the goal of making DC's tax system more competitive with surrounding jurisdiction is unnecessary. DC is already competitive with other jurisdictions. Look at all the cranes! Competitiveness is too modest a goal. Surveys show that DC is among most the robust urban economies, second only to Boston. He objects to cutting business taxes, because "Lower Business taxes are a form of corporate welfare." The lack of affordability is more of a problem. So resolving income inequality is more important than tax competitiveness. He asks that DCTRC hold another hearing in the fall to get public reaction to draft commission proposals. Mayor Williams stated: We need to engage. We are focusing

on the Tax issue. It's not about spending or taxes. It not really a matter of a choice between either tax or spending. How should the whole notion of competitiveness importance be addressed? What role does it play? Tax fairness is distinct from revenue and government efficiency. Stating there needs to be more progressivity doesn't work, and it is difficult to compare; these are never apples to apples. Spending is important. But that's not our purview. Tax fairness and efficiency are our purview. How does that impact competitiveness? Mr. Koulish: It's important to figure out what our bundle of services costs and how that compares to other cities. Tracy Gordon stated: Please see my blog on that. Efficiency, fairness and competitiveness are a triangle. Cities cannot push too much on one part of the triangle without distorting the others.

Keshini Ladduwahetty, a resident who favors more progressive taxes. She hopes that DCTRC educates the public and publicizes the truth rather, than support the myth of over-taxation. Ms. Ladduwahetty recommends fairness and a refundable sales tax. She also suggests aligning tax brackets to income distribution. She wants to align five income tax brackets to economic quintiles, plus a special bracket for the top 1%. Ms. Ladduwahetty requested the Commission issue a preliminary report and hold a public hearing on the report. Mayor Williams agreed this process was sensible.

Ms. Li Young is an economist with a PHD who ran for Senate in Maryland. She recommends the simplification DC's tax code, improvement of DC's taxes, the reduction and abolishment of the income tax to eliminate fraud, waste, and abuse.

Ms. G. Lee Aikin represents the DC Green Party and asked for various structural changes to DC's individual income tax. She wants the DCTRC to restore deductions and exemptions to where they were when Home Rule was established. Ms. Aikin suggests adjusting upper tax brackets and rates. The lack of indexing caused exemptions to dwindle, compared to federal equivalents, to the detriment of low-income households. She wants improvement of the D-30 tax form, because it is needlessly technical and incomprehensible. Mayor Williams asked: Can you repeat the key points? Ms. Aikin : 1) restoration of exemption rates, 2) adjust the upper tax rate, 3) improve the D-30 tax form, and 4) modify business tax rates. Stefan Tucker: When you pass Go in Monopoly and you go four spaces and miss Baltic, you're going to have to pay \$200 or 10% of the net property worth of your property; that happens to everyone; that is simple. Simplifying the form won't mean that the system will change. Ms. Aiken: It took me 5 years to find tax breaks. Teresa Hinze stated: I appreciate the challenge I've seen from my clients. A number of low-income residents get caught up in the complexity of the form, and it is an area that should be addressed. Tracy Gordon stated she does not get this and agrees with taxing different areas at different rates. The rates are based on land values. Are you suggesting location based taxes? Ms. Aiken: Small business in marginal neighborhoods won't get enough income. Taxes should not decline as you move to less affluent areas. Why should the wealthy get a lower rate? We've had wonderful businesses that closed, when assessment went up they increased the rents. She wants to modify business tax rates so there are lower tax rates set up outside of the downtown. The ANCs should be able to nominate special stores' businesses valued by the local community for lower rates. Some property owners will neglect properties to keep their property taxes low. Tracy Gordon stated: But these businesses are not closing because of taxes.

V. Adjournment

Mr. Williams called for adjournment at 8:45 p.m.