



TAX REVISION COMMISSION AMENDMENT ACT OF 2014

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend Title 47 of the District of Columbia Official Code; to update existing personal income tax laws; to create separate income tax brackets for single and married individuals filing jointly; to add a middle-income tax bracket; to make permanent the top marginal tax rate; to increase the standard deduction; to increase the personal exemption; to phase out personal exemptions based on income; to increase the maximum earned income tax credit for workers that do not claim qualifying children; to eliminate small individual income tax deductions and exemptions; to reduce the business franchise tax rate; to exempt personal property investment funds from unincorporated business franchise tax; to apportion business income with a single-weighted sales formula; to expand sales tax to more services; to raise the general sales tax; to unify tobacco taxation; to increase the estate tax threshold; and to levy a local service fee.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Tax Revision Commission Amendment Act of 2014".

Sec. 2. Title 47 of the District of Columbia Official Code is amended as follows:

(a) Section 47.1801.04 is amended as follows:

(1) Paragraph (43) is amended by inserting the phrase "provided however, "sales" does not include receipts of a tax payer from hedging transactions and from the maturity, redemption, sales, exchange, loan, or other disposition of cash or securities" at the end.

(2) Paragraph (44) is amended to read as follows:

"(44) "Standard deduction" means:

"(A) In the case of a return filed by a single individual or married individual filing a separate return, the amount of \$4,000 increased annually by the cost-of-living adjustment (if the adjustment does not result in a multiple of \$50, rounded to the next lowest multiple of \$50). For the taxable years beginning after December 31, 2014, the amount of the standard deduction as prescribed in section 63(c) of the Internal Revenue Code of 1986;

"(B) In the case of a return filed by a head of household, the amount of \$4,000 increased annually by the cost-of-living adjustment (if the adjustment does not result in a multiple of \$50, rounded to the next lowest multiple of \$50). For the taxable years beginning after December 31, 2014, the amount of the standard deduction as prescribed in section 63(c) of the Internal Revenue Code of 1986;

"(C) In the case of a return filed by married individuals filing a joint return or by a surviving spouse, the amount of \$4,000 increased annually by the cost-of-living adjustment (if the adjustment does not result in a multiple of \$50, rounded to the next lowest multiple of \$50). For the taxable years beginning after December 31, 2014, the amount of the standard deduction as prescribed in section 63(c) of the Internal Revenue Code of 1986; or

"(D) In the case of an individual who is a resident, as defined in paragraph (42) of this section, for less than a full 12-month taxable year, the amounts specified in subparagraphs (A), (B) and (C) of this paragraph prorated by the number of months that the individual was a resident."

(b) Section 47-1803.02(a)(2)(N) is amended by adding a new subsection (iii) to read as follows:

"(iii) This subsection shall apply for taxable years beginning before January 1, 2015."

(c) Section 47-1803.03(b-1) is amended by inserting the sentence "This subsection shall apply for taxable years beginning before January 1, 2015." at the end.

(d) Section 47-1805.01 is amended as follows:

(1) Subsection (e) is amended by striking the phrase "either a joint return or separate returns on a combined individual form as prescribed by the Mayor in order to qualify for a similar benefit afforded under this chapter" and inserting the phrase "a joint return prescribed by the Mayor" in its place.

- (2) Subsection (f) is repealed.
- (3) Subsection (g) is repealed.

(e) Section 47-1806.02 is amended as follows:

- (1) Subsection (b) is amended by striking the phrase "(or domestic partner)" where it appears.
- (2) Subsection (c), (d), and (e) are repealed..
- (3) Subsection (f) is amended as follows:
 - (A) Subsection (1)(A) is amended as follows:
 - (i) Strike the phrase "beginning January 1, 2013".
 - (ii) Strike the phrase "or," at the end and insert the sentence "For the taxable years beginning after December 31, 2014, the amount shall be the prescribed personal exemption amount in section 151 of the Internal Revenue Code of 1986; or" in its place.
 - (B) Subsection (2) is amended by striking the phrase "(or domestic partner)".

(4) Subsection (i) is amended as follows:

- (A) Strike the phrase "beginning January 1, 2013".
- (B) Add the sentence "For the taxable years beginning after December 31, 2014, the amount shall be the prescribed personal exemption amount in section 151 of the Internal Revenue Code of 1986." at the end.

(5) Add a new subsection (j) to read as follows:

"(j) Limitation on personal exemption -

- "(1) In the case of an individual whose adjusted gross income exceeds the applicable amount, the amount of the personal exemption otherwise allowable for the taxable year shall be reduced by 2% for every \$2,500 of the excess of the adjusted gross income over the applicable amount.
- "(2) For the purposes of this subsection, the term "applicable amount" means \$150,000 for a single individual or head of household; \$200,000 for married individuals filing jointly and surviving spouses; and \$100,000 for married individuals filing separately."

(f) Section 47-1806.03(a) is amended as follows:

- (1) Subsection (8)(B) is amended by striking the phrase "January 1, 2016" and inserting the phrase "January 1, 2015" in its place.

(2) Add subsections (9) and (10) to read as follows:

"(9) In the case of taxable years beginning after December 31, 2014 there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

"If the taxable income of a single individual is:...The tax is:

"Not over \$10,000...4% of the taxable income

"Over \$10,000 but not over \$40,000...\$400, plus 6% of the excess over \$10,000

"Over \$40,000 but not over \$60,000...\$2,200, plus 6.5% of the excess over \$40,000

"Over \$60,000 but not over \$200,000...\$3,500, plus 8.5% of the excess over \$60,000

"Over \$200,000...\$15,400, plus 8.95% of the excess above \$200,000.

"If the taxable income of married individuals filing a joint return, head of household, or a surviving spouse is: ...

The tax is:

"Not over \$10,000...4% of the taxable income

"Over \$10,000 but not over \$40,000...\$400, plus 6% of the excess over \$10,000

"Over \$40,000 but not over \$80,000...\$2,200, plus 6.5% of the excess over \$40,000

"Over \$80,000 but not over \$350,000...\$4,800, plus 8.5% of the excess over \$80,000

"Over \$350,000...\$27,750, plus 8.95% of the excess above \$350,000."

"(10) In the case of taxable years beginning after December 31, 2015, there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

"If the taxable income of a single individual is:...The tax is:

"Not over \$10,000...4% of the taxable income

"Over \$10,000 but not over \$40,000...\$400, plus 6% of the excess over \$10,000

"Over \$40,000 but not over \$60,000...\$2,200, plus 6.5% of the excess over \$40,000

"Over \$60,000 but not over \$200,000...\$3,500, plus 8.5% of the excess over \$60,000

"Over \$200,000...\$15,400, plus 8.75% of the excess above \$200,000.

"If the taxable income of married individuals filing a joint return, head of household, or a surviving spouse is:...The tax is:

"Not over \$10,000...4% of the taxable income

"Over \$10,000 but not over \$40,000...\$400, plus 6% of the excess over \$10,000

"Over \$40,000 but not over \$80,000...\$2,200, plus 6.5% of the excess over \$40,000

"Over \$80,000 but not over \$350,000...\$4,800, plus 8.5% of the excess over \$80,000

"Over \$350,000...\$27,750, plus 8.75% of the excess above \$350,000."

(3) Subsection (c) is amended to read as follows:

"(c) An individual (other than a surviving spouse) not living with a spouse on the last day of the taxable year, for the purposes of this chapter, shall be considered as a single individual."

(4) Subsection (d) is amended by striking the phrase "(or domestic partner)" where it appears.

(5) Subsection (e) is amended to read as follows:

"(e) If spouses file separate returns, each spouse shall be treated as a single individual for the purposes of this section."

(g) Section 47-1806.04 is amended as follows:

(1) Subsection (e) is amended by adding a new subsection (4) to read as follows:

"(4) This subsection shall apply for taxable years beginning before January 1, 2015."

(2) Subsection (f) is amended as follows:

(A) Subsection (1) is redesignated (1)(A)

(B) Add new subsections (1)(B), (1)(C), and (1)(D) to read as follows:

"(1)(B) If a return is filed for a full calendar or fiscal year beginning after December 31, 2014, an individual, with a qualifying child, who is eligible for and claimed an earned income tax credit on their federal tax return under section 32 of the Internal Revenue Code of 1986, shall be allowed a credit against the tax imposed by this chapter for the taxable year in an amount equal to 40% of the earned income tax credit allowed under section 32 of the Internal Revenue Code of 1986.

"(1)(C)(i) If a return is filed for a full calendar or fiscal year beginning after December 31, 2014, an individual, without a qualifying child, who is eligible for an earned income tax credit on their federal tax return under section 32 of the Internal Revenue Code of 1986 (without regard to the limit in section 32(a)(2)), shall be allowed a credit against the tax imposed by this chapter in an amount equal to the credit percentage of so much of a taxpayer's earned income as does not exceed the earned income amount.

"(ii) The amount of the credit allowable to a taxpayer under subsection (C)(i) of this section for any taxable year shall not exceed:

"(I) The credit percentage of the earned income amount, over

"(II) The phaseout percentage of 21.87% of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds the phaseout amount of \$17,235, increased annually by the cost-of-living adjustment.

"(1)(D) For the purposes of this subsection, credit percentage, earned income, earned income amount, and qualifying child shall have the same meaning as section 32 of the Internal Revenue Code of 1986."

(3) Subsection (g)(1) is amended by striking the phrase "under subsection" and inserting the phrase "under subsection (f)(1)(C) of this section or subsection" in its place.

(h) Section 47-1807.02(a) is amended by adding a new paragraph (5) to read as follows:

"(5) For taxable years beginning after December 31, 2014, a tax at the rate of 8.25% upon the taxable income of every corporation, whether domestic or foreign."

(i) Section 47-1808.01 is amended as follows:

(1) Paragraph (4) is amended by striking the word "or" at the end.

(2) Paragraph (5) is amended by striking the period at the end and inserting the phrase "; or" in its place.

(3) Add a new paragraph (6) to read as follows:

"(6) A trade or business which arises solely by reason of the purchase, holding, sale of, or the entering, maintaining, or terminating positions in, stocks, securities, or commodities for the taxpayer's own account. This clause shall not apply to:

"(A) A taxpayer that holds property, or maintains positions, as stock in trade, inventory, or for sale to customers in the ordinary course of the taxpayer's trade or business; or

"(B) A taxpayer that acquires debt instruments in the ordinary course of the taxpayer's trade or business for funds loaned, or services rendered; or

"(C) A taxpayer that holds any of the following that is not traded on an established securities market:

"(i) Stock in a real estate investment trust; or

“(ii) A partnership interest.”

(j) Section 47-1808.03(a) is amended by adding a new subsection (5) to read as follows:

“(5) For taxable years beginning after December 31, 2014 a tax at the rate of 8.25% upon the taxable income of every unincorporated business, whether domestic or foreign.”

(k) Section 47-1810.02 is amended as follows:

(1) Subsection (d) is amended by striking the phrase “(d-1), all” and inserting the phrase “(d-1) and (d-2), all” in its place.

(2) Add a new subsection (d-2) to read as follows:

“(d-2) Apportionment of business income-

“(1) All business income shall be apportioned to the District by multiplying the income by the sales factor.

“(2) This subsection shall be applicable for the taxable years beginning after December 31, 2014.”

(3) Subsection (g)(3) is amended to read as follows:

“(g)(3)(A) Sales, other than sales of tangible personal property, are in the District if the taxpayer’s market for the sales is in the District. The taxpayer’s market for sales is in the District:

“(i) In the case of rental, lease, or license of real property or tangible personal property, if and to the extent the property is located in the District;

“(ii) In the case of the sale of a service, if and to the extent the service is delivered to a location in the District; and

“(iii) In the case of intangible property,

“(I) That is rented, leased, or licensed, if and to the extent the property is used in the District, provided that intangible property utilized in marketing a good or service to a consumer is used in the District if that good or service is purchased by a consumer who is in the District; and

“(II) That is sold, if and to the extent the property is used in the District, provided that:

“(a) A contract right, government license, or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area is used in the District if the geographic area includes all or part of the District;

“(b) Receipts from intangible property sales that are contingent on the productivity, use, or disposition of the intangible property shall be treated as receipts from the rental, lease, or licensing of such intangible property under subsection (A)(iii)(I) of this subsection; and

“(c) All other receipts from a sale of intangible property shall be excluded from the sales factor.

“(B) If the state or states of assignment under subsection (A) cannot be determined, the state or states of assignment shall be reasonably approximated.

“(C) If the taxpayer is not taxable in a state in which a sale is assigned under subsection (A) or (B), or if the state of assignment cannot be determined under subsection (A) or reasonably approximated under subsection (B), such sale shall be excluded from the sales factor.

“(D) The Chief Financial Officer may prescribe regulations as necessary or appropriate to carry out the purposes of this section

(l) Section 47-1810.04(c) is amended by adding a new subsection (2-i) to read as follows:

“(2-i) For taxable years beginning after December 31, 2014, the apportionment provisions of § 47-1810.02(d-2) shall apply.”

(m) Section 47-2001 is amended as follows:

(1) Subsection (b-1) is repealed.

(2) Subsection (h-3) is amended to read as follows:

“(h-3) “Other tobacco products” means any product containing, made or derived from tobacco that is intended or expected to be consumed, other than a cigarette. Other tobacco products do not include any product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.”.

(3) Subsection (i-1) is repealed.

(4) Subsection (n)(1) is amended as follows:

(A) Paragraph (T) is amended by striking the word “and” at the end.

(B) Paragraph (U) is amended by striking the period at the end and inserting “; and” in its place.

(C) Add new paragraphs (V), (X), (Y), (Z), (AA), (BB), and (CC) to read as follows:

“(V) The sale of or charge for the service of water consumption through direct selling establishments;

- “(W) The sale of or charge for the service of the storage of household goods through renting or leasing space for self-storage, including: rooms, compartments, lockers, containers, or outdoor space; except general merchandise warehousing, and storage and coin-operated lockers;
 - “(X) The sale of or charge for the service of barber, beautician, or personal services, including: cutting, trimming, shampooing, weaving, coloring, waving, shaving, or styling hair; skin care services; nail care services; massage; hair removal; permanent and nonpermanent makeup; ear piercing; hair replacement (except for offices of physicians); scalp treating services; saunas; and tattoo services; except for training in hair styling or the cosmetic arts;
 - “(Y) The sale of or charge for the service of carpet and upholstery cleaning including the cleaning or dyeing of used rugs, carpets, upholstery, and rug repair;
 - “(Z) The sale of or charge for the service of health clubs and tanning studios:
 - “(i) For the purposes of this paragraph “health clubs” include fitness and recreational sports facilities featuring exercise and other active physical fitness conditioning or recreational sports activities, including but not limited to: swimming, skating, or racquet sports; except health resorts and spas where recreational facilities are combined with sleeping accommodations; and
 - “(ii) For the purposes of this paragraph, “tanning studios” include sun tanning salons and spray tanning salons;
 - “(AA) The sale of or charge for the service of car washing including: cleaning, washing, waxing, polishing, or detailing automotive vehicles; except for coin operated self-service carwashes;
 - “(BB) The sale of or charge for the service of bowling alleys and billiard parlors:
 - “(i) For the purposes of this paragraph “bowling alley” includes amusement and recreation through candle-pin, duck-pin, five-pin and ten-pin bowling; and
 - “(ii) For the purposes of this paragraph, “billiard parlor” includes billiard or pool parlors or rooms engaged in providing recreational and amusement services through billiards or pool; and
 - “(CC) The sale of or charge for the service of construction contractors including contractors engaged in: new single-family housing; new multifamily housing; new housing for-sale builders; residential remodeling; industrial building; commercial and institutional building; poured concrete foundation and structures; framing; masonry; glass and glazing; roofing; siding; other foundation, structure and building exteriors; electrical and other wiring installation; plumbing heating and air-conditioning; other building equipment; drywall and insulation; painting and wall covering; flooring; tile and terrazzo; finish carpentry; other building finishing; site preparation; and all other specialty trades.”
- (5) Subsection (n)(2)(J) is amended by inserting the phrase “and other tobacco products as defined in § 47-2401(5A)” after the word “tobacco”
- (n) Section 47-2002(a) is amended as follows:
- (1) Strike the word “5.75%” and inserting the phrase “5.75%; beginning October 1, 2014, the rate of such tax shall be 6%” in its place.
 - (2) Subsection (4A) is amended by inserting the word “and” at the end.
 - (3) Subsections (5) and (6) are repealed
- (o) Section 47-2202 is amended by striking the phrase “5.75%, except for the period beginning October 1, 2009, and ending September 30, 2012, the rate shall be 6%,” and inserting the phrase “5.75%; beginning October 1, 2014, the rate of tax imposed by this section shall be 6%” in its place.
- (p) The title of Chapter 24 is amended to read “Tobacco Tax”.
- (q) Section 47-2401 is amended as follows:
- (1) Paragraph (1) is repealed.
 - (2) Paragraph (2) is amended by inserting the phrase “or other tobacco products” after the word “cigarettes”.
 - (3) Paragraph (5) is amended by striking the phrase “cigars.”
 - (4) Paragraph (5A) is amended to read as follows:
- “(5A) The term “other tobacco product” means any product containing, made or derived from tobacco that is intended or expected to be consumed, except cigarettes. Other tobacco product does not include any product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.”
- (5) Paragraph (8) is amended by inserting the phrase “or other tobacco products” after the word “cigarettes”.
 - (6) Paragraph (8A) is repealed.

- (7) Paragraph (10) is amended by inserting the phrase “or other tobacco products” after the word “cigarette”.
- (8) Add a new Paragraph (11) to read as follows:
- “(11) The term “wholesale price” means the price for which a licensed wholesaler sells other tobacco products. The wholesale price includes the applicable federal excise tax, freight charges, or packaging costs, regardless of whether they were included in the purchase price, but excludes any discount, trade allowance, rebate, or other reduction.”
- (r) Section 47-2402 is amended by inserting “of cigarette tax” at the end of the title.
- (s) Section 47-2402.01 is amended as follows:
- (1) The title is amended to read “Tax on other tobacco products”.
- (2) Subsection (a) is amended to read as follows:
- “(a)(1) The tax rate for other tobacco products shall be equal to the cigarette tax as defined in this chapter on a pack of 20 cigarettes; expressed as a percentage of the wholesale price of cigarettes.
- “(2)(A) Beginning March 31, 2015, and on March 31st of each year thereafter, the Mayor shall calculate the average wholesale price of a package of cigarettes from the best information available and shall recompute the tax rate on other tobacco products on the basis of the then cigarette tax on a pack of 20 cigarettes as defined in this chapter.
- “(B) The Mayor shall provide notice of any change in the tax rate for the other tobacco products on or before September 1st of that year, and the change shall be effective as of the following October 1st.
- “(3) All funds generated pursuant to this subparagraph shall be deposited in the Community Health Care Financing Fund, established by [§ 7-1931(a)].”
- (3) Subsection (b)(1) is amended by striking the phrase “weight-based excise”.
- (t) Section 47-2403 is amended as follows:
- (1) Subsection (a)(1) is amended by inserting the phrase “or other tobacco products” after the word “cigarettes” where it appears.
- (2) Subsection (a)(5) is amended by inserting the phrase “or other tobacco products” after the word “cigarettes”.
- (3) Add a new subsection (6) to read as follows:
- “(6) Possession of tobacco products by licensed wholesalers for sale outside of the limits of the District or for sale to other licensed wholesalers as provided for in § 47-2402.01(g); sales of tobacco products by licensed wholesalers to other licensed wholesalers as provided for in § 47-2402.01(g); and possession by authorized licensed retailers and vending machine operators of tobacco products on which the tax rate for any other state or jurisdiction has been paid, for sale in such other state or jurisdiction; provided, that such authorized licensed retailers and vending machine operators are licensed under the laws of such other state or jurisdiction to engage in the business of selling tobacco products therein.”
- (4) Subsection (b) is amended by inserting “or other tobacco products” after the word “cigarettes” where it appears.
- (u) Section 47-2404(3)(B) is amended by inserting the phrase “or other tobacco product” after the word “cigarette” where it appears.
- (v) Section 47-2405 is amended as follows:
- (1) The title is amended by inserting “and other tobacco products” at the end.
- (2) Subsection (a) is amended to read as follows:
- “(a) Any person, other than a consumer, who transports cigarettes not bearing District cigarette tax stamps or other tobacco products over the public highways, roads, streets, waterways, or other public space of the District, shall have in his actual possession invoices or delivery tickets for such cigarettes or other tobacco products, which show the true name and address of the consignor or seller, the true name and address of the consignee or purchaser, and the quantity and brands of the cigarettes or other tobacco products so transported.”
- (3) Subsection (b) is amended to read as follows:
- “(b) If the cigarettes or other tobacco products are consigned to or purchased by any person in the District, such purchaser or consignee must be a person authorized by this chapter to possess unstamped cigarettes or untaxed other tobacco products in the District. If the invoice or delivery ticket specifies that the cigarettes or other tobacco products are to be delivered to any person in any state or jurisdiction other than the District, such person must be licensed under the laws of such other state or jurisdiction to engage in the business of selling cigarettes or other tobacco products therein. Any cigarettes or other tobacco products transported in violation of any of the provisions of this section shall be deemed contraband cigarettes and other tobacco products and such cigarettes or other tobacco products, the conveyance in which such cigarettes or other tobacco products are being transported, and any equipment or devices used in connection with, or to facilitate, the transportation of

such cigarettes or other tobacco products shall be subject to seizure and forfeiture as provided for in § 47-2409.”

(w) Section 47-2408 is amended as follows:

(1) Subsection (b)(3)(B) is amended by inserting the phrase “or other tobacco products” after the word “cigarettes”.

(2) Subsection (b)(4) is amended to read as follows:

“(b)(4) Stop any conveyance that the Mayor has knowledge or reasonable cause to believe is carrying more than 200 cigarettes or other tobacco products with a value exceeding the wholesale price of 200 cigarettes and, upon presenting appropriate credentials to the operator thereof, examine the invoices or delivery tickets for such cigarettes or other tobacco products and inspect the conveyance for contraband cigarettes or other tobacco products.”

(3) Subsection (c) is amended by inserting the phrase “or other tobacco products” after the word “cigarettes” where it appears.

(4) Subsection (g) is amended by inserting the phrase “or other tobacco products” after the word “cigarettes”.

(x) Section 47-2422(a) is amended by inserting the phrase “or other tobacco products” after the word “cigarette”.

(y) Section 47-2425(b) is amended by inserting the phrase “or other tobacco products” after the word “cigarettes” where it appears.

(z) Section 47-3701 is amended as follows:

(1) Paragraph (4)(B) is amended to read as follows:

“(4)(B) For a decedent dying after December 31, 2001, but prior to January 1, 2003:”

(2) Paragraph (4)(C) is amended to read as follows:

“(4)(C) For a decedent dying after December 31, 2002, but prior to January 1, 2015:”

(3) Paragraph (5) is amended as follows:

(A) Subparagraph (A) is amended by striking the phrase “decedent whose death occurs prior to January 1, 2008;” and inserting the phrase “decedent dying prior to January 1, 2008, or after December 31, 2016,” in its place.

(B) Subparagraph (B) is amended by striking the phrase “decedent whose death occurs on or subsequent to January 1, 2008,” and inserting the phrase “decedent dying after December 31, 2007, but prior to January 1, 2017,” in its place.

(4) Paragraph (6) is amended as follows:

(A) Insert the phrase “For a decedent dying prior to January 1, 2015,” at the beginning.

(B) The current paragraph is redesignated (6)(A).

(C) Add a new subparagraph (B) to read as follows:

“(B) For a decedent dying after December 31, 2014 “Internal Revenue Code” means the Internal Revenue Code as in effect on the date of the decedent’s death, provided however, that if the federal estate tax is not in effect at the time of the decedent’s death, it means the Internal Revenue Code as in effect immediately before the federal estate tax ceased to be in effect.”.

(5) Paragraph (12) is amended as follows:

(A) Subparagraph (A) is amended to read as follows:

“(A) For a decedent dying prior to January 1, 2008, the meaning defined in section 2051 of the Internal Revenue Code of 1954.”

(B) Subparagraph (B) is amended by striking the phrase “decedent whose death occur on or subsequent to } January 1, 2008, the meaning defined in section 2501” and inserting the phrase “decedent dying after December 31, 2007, but prior to January 1, 2017, the meaning defined in section 2051” in its place.

(C) Add a new subparagraph (C) to read as follows:

“(C) For a decedent dying after December 31, 2016, the meaning defined in the Internal Revenue Code.”.

(6) Paragraph (13) is repealed.

(7) Add paragraphs (14), (15), and (16) to read as follows:

“(14) “Taxable situs” means:

“(A) With regard to real property, the place where the property is situated;

“(B) With regard to tangible personal property, the place where the property is customarily located at the time of the decedent’s death; and

“(C) With regard to intangible personal property, the domicile of the decedent at the time of the decedent’s death, except that intangible personal property used in a trade or business in the District, shall have a taxable situs in the District regardless of the domicile of the owner.

“(15) “Value” means value as finally determined for federal estate tax purposes, or otherwise defined under the Internal Revenue Code.

“(16) “Zero Bracket Amount” means \$5,000,000 increased by an amount equal to \$5,000,000 multiplied by a cost of living adjustment for the calendar year. The cost-of-living adjustment, as used in this paragraph, for a calendar year is the percentage (if any) by which the CPI, as defined in sections 1(f)(4) and (5) of the Internal Revenue Code, for the preceding calendar year exceeds the CPI for the calendar year 2010. If any amount as adjusted under the preceding sentence is not a multiple of \$10,000, such amount shall be rounded to the nearest \$10,000.”

(aa) Section 47-3702 is amended as follows:

(1) Subsection (a) is amended by striking the phrase “resident dying on or after April 1, 1987, subject” and inserting the phrase “resident decedent dying after March 31, 1986, but prior to January 1, 2015, subject”.

(2) Add a new subsection (a-1) to read as follows:

“(a-1) A tax is imposed on the Taxable estate of every resident decedent dying after December 31, 2014, as follows:

“(1) The rate of tax shall be 16%, except that:

“(A) The rate of tax on the Taxable estate between \$0 and the Zero Bracket Amount shall be 0%;

“(B) The rate of tax on the Taxable estate between the Zero Bracket Amount and \$7,500,000 (if any) shall be 12%;
and

“(C) The rate of tax on the Taxable estate between the greater of the Zero Bracket Amount or \$7,500,000 and \$10,000,000 (if any) shall be 14%.

“(2) If any real or tangible personal property of a resident has a taxable situs outside the District, the amount of the tax due under this section shall be reduced by the proportion that the value of such real or tangible property outside the District bears to the amount of the gross estate of the decedent.”

(3) Subsection (b) is amended by striking the word “If” at the beginning and inserting the phrase “For a decedent dying prior to January 1, 2015, if” in its place.

(4) Subsection (c) is repealed.

(bb) Section 47-3703 is amended as follows:

(1) Subsection (b) is amended by striking the word “The” at the beginning and inserting the phrase “For every nonresident decedent dying prior to January 1, 2015 the” in its place.

(2) Add a new section (b-1) to read as follows:

“(b-1) For every nonresident decedent dying after December 31, 2014 the tax shall be an amount computed by multiplying the tax determined under Section 3702 of this section by a fraction, the numerator of which is the value of that part of the gross estate that has its taxable situs in the District and the denominator of which is the value of the decedent's gross estate.”.

(3) Subsection (c) is repealed.

(cc) Section 47-3705(a)(2) is amended to read as follows:

“(2) A personal representative shall not be required to file a return:

“(A) For a decedent dying after December 31, 2001, but prior to January 1, 2003, if the gross estate does not exceed \$675,000.

“(B) For a decedent dying after December 31, 2002, but prior to January 1, 2015, if the gross estate does not exceed \$1,000,000.

“(C) For a decedent dying after December 31, 2014, if the gross estate does not exceed the Zero Bracket Amount.”

(dd) Section 47-3723 is repealed.

Sec. 3. Section 7 (D.C. Official Code § 42-2506) of The Government Employer-Assisted Housing Amendment Act of 1999, effective May 9, 2000 (D.C. Law 13-96; D.C. Official Code § 42-2503); as amended by Sec. 2012 of The Fiscal Year 2007 Budget Support Act of 2006 (D.C. Law 16-192; D.C. Official Code § 42-2503) is amended by adding a new subsection (c) to read as follows:

“(c) This section shall apply for taxable years beginning after October 1, 2006, but beginning before January 1, 2015.”

Sec. 4. The District of Columbia Unemployment Compensation Act, approved August 28, 1935 (49 Stat. 947; D.C. Official Code § 51-101 *et seq.*) is amended as follows:

(a) Section 3 (D.C. Official Code § 51-103) is amended by adding a new subsection (o) to read as follows:

“(o)(1) Commencing January 1, 2015, each employer liable for contributions or payments in lieu of contributions required by this section, other than the District and its instrumentalities, or the federal government as exempted in § 51.101 *et seq.*, shall remit a local service fee equal to \$25 multiplied by (i) the total number of employees listed on the quarterly calendar filing or, at the election of the employer, (ii) the average number of employees for the quarter as reported monthly on the quarterly calendar filing multiplied by 1.5. The first 4 employees of each em-

ployer subject to the local service fee shall be exempt. The local service fee shall be paid quarterly, but shall be separate and distinct from contributions or payments in lieu of contributions.

“(2) All local service fee payments collected shall be deposited into the Local Service Fee Fund established by § 51-114(e).

“(3) Contributions payable pursuant to this subsection shall be due and paid by each employer to the Director in accordance with such regulations as shall be established by the Director and shall not be deducted in whole or in part from the wages of individuals in such employer’s employ.”

(b) Section 14 (D.C. Official Code § 51-114) is amended by adding a new subsection (e) to read as follows:

“(e)(1) There is created a special fund in the General Revenue Fund of the District of Columbia government that shall be separate and distinct from the District Unemployment Fund, to be known as the Local Service Fee Fund.

“(2) Notwithstanding any contrary provisions of this subchapter:

“(A) All local service fee payments collected from employers shall be deposited into the Local Service Fee Fund.

“(B) All funds deposited into the Local Service Fee Fund, and any interest earned on those funds, shall revert to the unrestricted fund balance of the General Fund of the District of Columbia at the end of a fiscal year.”

Sec. 5. Fiscal impact statement.

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code §1-206.02(c)(3)).

Sec. 6. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.