

**Date:** December 18, 2013 [draft 12-18-13 for Commission approval]

**To:** Chief Financial Officer Jeffrey DeWitt

**From:** Anthony A. Williams, Chairman, D.C. Tax Revision Commission

**cc:** Mayor Vincent Gray  
D.C. Council Chair Phil Mendelson  
Deputy CFO Office of Tax and Revenue Stephen Cordi  
Deputy CFO Office of Revenue Analysis Fitzroy Lee

**Re:** D.C. Tax Revision Commission Comments on D.C. Tax Administration

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As previously discussed with you in our phone conversation of November 15, 2013, the D.C. Tax Revision Commission (the Commission) is passing on to you all of the Commission's research and all of the policy options it received from its tax administration consultant, Linda Tanton the former Maryland Deputy Comptroller,; Steve Cordi, Deputy CFO/Office of Tax and Revenue (OTR); Greg Syphax, Chairman of the Real Property Tax Appeals Commission; several Commissioners; D.C. Councilmembers and the public. This list of policy options is attached to this document.

We believe that the Mayor and the Council should receive one set of recommendations on improvements to the city's tax administration, and that the one set of recommendations should come from the strategic plan you plan to draft by June 30, 2014.

In reviewing the attached list, the Commission wants to specifically highlight a few policy options for your consideration that they believe are the most crucial to making the city's tax administration more efficient, transparent and customer friendly:

1. Proceed with deliberate speed in purchasing and implementing a new overall tax computer system. As outlined by Linda Tanton, the new overall tax administration computer system will allow for significantly more "self-help" where D.C. taxpayers can research the status of their tax accounts, refund status and set-up a payment plan for taxes due, among other things.
2. Proceed with deliberate speed in purchasing and implementing a new phone system, which will improve incoming call service and allow for improved outgoing calls from OTR's Collection Administration.
3. Review and analyze all tax incentives (i) prior to legislative approval, (ii) while in effect and (iii) after a tax incentive has expired (or 10 years since enactment) to see if the tax incentive accomplished its stated goals. The Pew Charitable Trusts Economic Development Tax Incentives Project gave persuasive testimony to the Commission on the need to provide thorough public analysis of tax incentives.
4. Review the penalties and interest charged for minor misfilings, particularly for low income individual taxpayers and small businesses.
5. Improve customer service overall. Several options have been offered, such as an ombudsman, strong taxpayer outreach, and citizen taxpayer form committees. While the Commission does not have a specific recommendation on this issue it strongly believes action is required.
6. Hire seasonal employees during the individual income tax filing season to improve customer service.

7. Better align job qualifications with job requirements. An example of this is that a junior revenue officer should not need a CPA to work for the Collections Administration in OTR. Such hiring restrictions increases costs, limits staffing and, ultimately, limits OTR's effectiveness.
8. Hire additional collection personnel as the Commission believes there are opportunities for improved tax payment compliance.
9. The Office of the Chief Technology Officer's information technology team is resource constrained, and cannot handle many requests on a timely basis according to OTR.
10. Providing additional economic information on a neighborhood basis or industry basis. For example, calculating the level of restaurant and retail sales in a neighborhood on an aggregate basis (in order to protect the confidential nature of each store's sales).
11. In examining the impact of the lockbox requirements on the city's tax administration, great care must be taken in exploring this recommendation. The Commission supports examining the impact of lockbox requirements for future bond transactions assuming the full support of the city's Treasurer and Deputy CFO for Finance and Treasury, the city's bond attorneys, the city's bond underwriters and the city's bond buyers. Examining this issue for outstanding bond issues is likely to be a very difficult task as it would require amending an existing bond indenture that would require the approval of existing investors.
12. In the next lockbox contract, explore better requirements for the lockbox contractor to report the receipt of payments while maintaining the integrity of the lockbox for bondholders.
13. Explore a new third level of appeal for real property assessments to replace the existing third level of appeal to D.C. Superior Court. Currently, there are several hundred cases that have been appealed to the D.C. Superior Court and are waiting for a trial date. However, the D.C. Superior Court only decides one or two cases a year. As a result, there is great pressure on OTR to settle the cases. The Commission feels that the current arrangement provides excessive leverage to the real property owners that are appealing their assessments. One model to examine closely is using two or three specialized administrative law judges to decide these cases on a timely basis. Maryland has such a system. Real property owners should retain the right to appeal to D.C. Superior Court, but only on matters of procedure and not valuation.

I would be happy to make the Commission's staff and the experts that testified before the Commission available to you.