

D.C. Tax Revision Commission Policy Options
Policy Option #16: Conform Filing Status with Federal Options

MEMORANDUM

Proposal: Conform status choices on D.C.'s income tax filing with the federal choices (i.e., reduce from eight to five categories)

Tax Type: Income

Origin: Robert Buschman

Commission Goal: Simplify

Current Law

D.C. allows residents to choose one of eight filing options:

1. Single
2. Married filing jointly
3. Married filing separately
4. Married filing separately on same return
5. Registered domestic partners filing jointly
6. Registered domestic partners filing separately on same return
7. Head of household
8. Dependent claimed by someone else

The federal government allows taxpayers to choose from five filing options:

1. Single.
2. Married Filing Jointly.
3. Married Filing Separately.
4. Head of Household.
5. Qualifying Widow(er) With Dependent Child.

Proposed Change

Match the D.C. income tax filing options with the federal options—which would reduce the number of options available for D.C. taxpayers from eight to five.

Reason for Change

Matching D.C.'s filing options with the federal options would simplify the D.C. tax code. The largest tax benefit removed after consolidation is the ability for couples filing separately to receive the D.C. standard deduction twice. There are few other differences in how similar couples with different filing statuses are treated.

Pros

- Conforming to the federal filing option would simplify D.C.'s individual income tax.

Cons

- Removing the option for married couples to file as "married filing separately" on the same return would deny taxpayers relief from D.C.'s marriage "penalty."
- Domestic partners who are not married would need to adjust to a new filing status. (Note: This provision was created in 2006 in part to aid same-sex partners. D.C. has since legalized gay marriage and the Defense of Marriage Act has been repealed. The filing status is also available for opposite-sex partners, including elderly couples who choose not to get remarried. The two domestic partner options were only claimed by 100 filers in 2010.)

Revenue Impact

The Office of Revenue Analysis (ORA) does not have an official estimate for this option. The effect on tax revenue would depend on the behavior of tax payers in response to the change. ORA assumes that any change in revenue would ultimately be positive for D.C. but negligible.