November 12, 2013

Chair Anthony Williams
D.C. Tax Revision Commission
1101 Fourth Street, SW, Suite W750
Washington, DC 20024

Dear Mr. Williams,

The Greater Washington Society of CPAs is pleased to have the opportunity to provide testimony to the DC Tax Revision Commission. Given that the majority of our 3,300 members directly advise District residents, businesses and nonprofits on tax issues or have residency or business dealings in the District themselves—the work of the Commission is of critical importance to us and our membership.

We have read with interest a number of the submitted resources compiled by other individuals and groups and have submitted data ourselves. We have additionally attended deliberations on the sixty proposed Policy Options and our Tax Section members have reviewed them in detail. Generally, our interest in the decisions of the Tax Revision Commission fall into two categories: We are in favor of proposals which make DC a more favorable climate for attracting and growing a diverse business community; And we are in favor of tax policies which offer simplification and less administrative burden for tax practitioners.

In reviewing the varied proposals related to businesses and nonprofits located in the District, we believe that the several proposals aimed at reducing or eliminating business franchise taxes (#s 28 Eliminate or Reduce Business Income Taxes, # 29 Eliminate the unincorporated business franchise tax, and # 30 create a de minimus threshold for business franchise tax) would encourage greater economic development in the city.

However, we are strongly opposed to item #31: Replace Business Taxes with a Gross Receipts Tax. This would have the effect of creating a new tax on professional services firms like CPA firms, and could discourage their working in the District. This should be of special concern to the Commission given that so many previously DC based firms have already moved outside the city in recent decades to neighboring jurisdictions. Further disincentive to offer professional services to District businesses and residents would not be in the interest of the District.
As such, we also oppose **#36 Levy a Local Services Tax on all DC Employers.** These proposals would not only increase the perception that DC is an unfavorable place to locate and conduct business, but each of them would negatively impact the DC nonprofit community, who not only provide critical services to the DC community, but who are also major employers within the city. Many DC based employers have staff in multiple jurisdictions or who move between jurisdictions, so accounting for their time and location could also be a much bigger administrative burden than the Commission has considered.

In addition to the increased burden on public educational institutions and hospitals imposed by **#51: Create a PILOT Program for Tax Exempt Properties**, we also fear that the implementation of a policy of this nature would be an administrative nightmare for the already under resourced Office of Tax and Revenue as well as those previously exempt institutions.

Finally, we strongly oppose option **#1: Expand sales tax to additional services.** This proposal hurts the many small businesses like barber shops and mini storage facilities that are represented in the ten proposed industries, as the Commission itself has acknowledged the ease with which consumers can travel outside the city limits to seek the services of competitors. This provision would additionally hurt District consumers by making locally available services more expensive, since the tax is likely to be passed through to them.

For those CPAs working as tax practitioners, we are pleased to see several proposals which seek to conform District tax law with Federal rules in several arenas (**#10: Increase DC’s Standard Deduction and Personal Exemption to Federal Levels, #14: Conform Itemized Deduction Limitation to Federal and #25: Increase Estate Tax Threshold from $1 million to $2 Million or $5.25 million**). These types of simplification strategies are beneficial for tax preparers and for filers and therefore also for the tax administrators who process returns.

We agree with Deputy Chief Financial Officer Steven Cordi’s assessment of **#4: Add a Use Tax Line to the Personal Income Tax Return.** That proposal would be unlikely to bear much return and would be a huge administrative burden to filers, practitioners and the Office of Tax and Revenue.

Our 3,300 members want to ensure that the city remains a great place to live, work, and “play” and we hope the points noted will be given serious consideration as the Commission moves forward. Thank you for your commitment to this important effort.

Sincerely,

Kari Bedell  
Executive Director