

PUBLIC HEARING
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DC TAX REVISION COMMISSION
1101 4TH Street, SW, Room 250
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I moved to DC in 1957 to get married. My husband and I have lived and worked here, in federal and non-profit agencies, ever since. Our three children were born and raised here, and went to the public schools. We were fortunate to arrive in Washington at a time when one could afford to buy a home, first in Shepherd Park where we lived for seventeen years, and since 1977 in the Dupont Circle area.

From the very beginning we were struck by the divisions in the city – between white and black, and rich and poor. These divisions worsened in the “white flight” to the suburbs, and in the 1980s, by the exodus of black middle-class families whose children, a colleague at work explained to me, were ill-served in the public schools, and unsafe on the streets after school.

I’ve long been dismayed that the District is so heavily dependent on sales taxes – the most regressive taxes of all. I was appalled to learn around 2005 that with a taxable income over \$100,000 we were in the same tax bracket (8.5%) as a family of four with a \$40,000 income. Despite the most recent bracket changes in 2011, when millionaires were required to pay less than one-half of one percent more, the current tax burdens are grossly unfairly heavy on poor and middle-income families. I am ashamed for our city.

On the other hand, I am really proud of the progressive programs our elected leaders have initiated in this city. In spite of being under the heavy heel of Congress, we’ve managed to put in place progressive, effective policies – against discrimination, to protect renters, to build affordable housing for low- and moderate-income families, for marriage equality, and for extending health care coverage to a higher percentage of residents than *any state* in the country.

So why, with respect to tax policy, do we remain so badly unbalanced, so retrogressive? We remain, after all these years, a city of the rich and the poor. Advocates for new or higher taxes on the well-to-do have too often been told that higher taxes will drive well-to-do residents out of the city. There seems to be no proof of that happening, whereas there are lots of census data that seem to me to say that we’ve been driving the *middle class* families out of the city.

Figure 1

DC Taxes Fall Most Heavily on Middle Income Families

District of Columbia Taxes Shares of Family Income for Non-Elderly Taxpayers

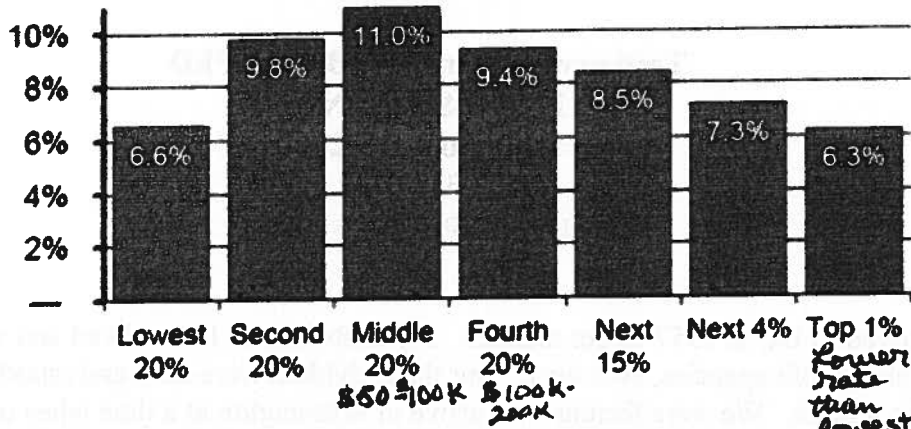


Figure courtesy of the Institute for Taxation & Economic Policy (www.itep.org)

Note: Figures show tax law in the District of Columbia enacted through January 2, 2013 at 2010 income levels. The temporary 8.95 percent top personal income tax bracket, set to expire at the end of 2015, is included. Top figure represents total state and local taxes as a share of personal income, post-federal deduction offset.

Median income family \$70K 22.7% live in poverty

I for one want to feel proud of this city on *all* levels, and correcting ^{the} distorted ~~the~~ imbalance in tax brackets is the most direct way to start the process. (See Figure 1). The 22.7% of our residents who live in poverty should pay no taxes at all. The taxes levied on those in the second 20% should be reduced. And the third 20% should be divided into two brackets; there is a huge difference in what tax payers can and should pay between those earning an annual income of \$41,000 and those earning \$95,000. The fourth 20% should also be divided into higher brackets as should the fifth until each bracket is paying appropriately higher rates. It is outrageous that the highest income earners, our multimillionaires in the top 1% of DC taxpayers are paying state and local taxes at a slightly lower rate (6.3% of personal income) than the lowest 20% of residents (6.6%), *i.e.*, those living below the poverty line!

I hope the Tax Revision Commission will make radical changes in tax brackets their first recommendation, to be followed by other important initiatives.

There are, of course, many other good proposals in your list:

1. If it is impossible to eliminate sales taxes altogether, at least give appropriate tax credit to the lowest 20% and a slightly smaller one to the second 20%, a more modest credit to the middle 20% (\$50,000 to \$100,000).
2. Do **not** eliminate estate taxes, though DC might in the future have to adjust the threshold from time to time.
3. Increase the EITC for single workers *without* children for it has to be very difficult to live on minimum wage, especially without sick leave, paid vacations, health care or retirement benefits. Many of these are women, who get paid even less, on average, than men in their working years.
4. Raising the Personal Exemption and Standard Deduction would provide greater relief to low- and moderate-income residents.
Etc., etc.

It is time – indeed way past the time – that the heaviest tax burden be lifted from the poorest half of our citizenry and shifted to the upper 50%.

