1) REDUCE DC INDIVIDUAL INCOME TAX FILING STATUS TO MATCH THE FEDERAL STATUS

Proposed Amendments: D-40 Filing Purposes

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

(1) Section (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(2) Section (f) is repealed.

(3) Section (g) is repealed.

Redline of § 47-1805.01

§ 47-1805.01. Returns -- Forms

(a) Forms. All returns required under this subchapter shall be filed on the forms and in the manner prescribed by the Mayor.

(b) Duty of Mayor; obligation of taxpayer. -- Blank forms of returns of income shall be supplied by the Mayor. It shall be the duty of the Mayor to obtain an income tax return from every taxpayer who is liable under this chapter to file such return; but this duty shall in no manner diminish the obligation of the taxpayer to file a return without being called upon to do so.

(c) Information returns. -- Every person subject to the jurisdiction of the District in whatever capacity acting, including receivers or mortgagors of real or personal property, fiduciaries, partnerships, and employers making payment of dividends, interest, rent, premiums, annuities, compensations, remunerations, emoluments, or other income to any person subject to tax under this chapter, shall render such returns thereof to the Mayor as he may by rule prescribe.

(d) Certificates of nonresidence. -- Repealed.

(e) Requirement to file joint federal returns. -- Whenever a taxpayer is required by the Internal Revenue Code of 1986 to file a joint income tax return with his or her spouse in order to qualify for a tax benefit under the Internal Revenue Code of 1986, the taxpayer and spouse shall file a joint return ~~either a joint return or separate returns on a combined individual form~~ prescribed by the Mayor ~~in order to qualify for a similar benefit afforded under this chapter.~~

~~(f) Joint filing of returns for domestic partners. -- Domestic partners may file either a joint~~

1) REDUCE DC INDIVIDUAL INCOME TAX FILING STATUS TO MATCH THE FEDERAL STATUS

~~return or separate returns on a combined form prescribed by the Mayor as if the federal government recognized the right of domestic partners to file jointly.~~

Repealed.

~~(g) Joint filing of returns for married same-sex individuals. -- Married same-sex individuals may file either a joint return or separate returns on a combined form prescribed by the Mayor as if the federal government recognized the right of married same-sex individuals to file jointly.~~

Repealed.

2) SEPARATE INCOME TAX BRACKETS FOR SINGLES AND MARRIEDS

3) MIDDLE-CLASS TAX BRACKET AT 6.5% STARTING 2015

4) SET THE TOP MARGINAL RATE AT 8.75% AFTER 2015.

Draft Language

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

(1) Subparagraph 8(B) is amended by striking the phrase “January 1, 2016” and inserting the phrase “January 1, 2015” in its place.

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

“(9) In the case of a taxable year 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 $2000,000 ..... $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

2) SEPARATE INCOME TAX BRACKETS FOR SINGLES AND MARRIEDS

3) MIDDLE-CLASS TAX BRACKET AT 6.5% STARTING 2015

4) SET THE TOP MARGINAL RATE AT 8.75% AFTER 2015.

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

“(10) In the case of a taxable year 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 $2000,000 ..... $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.”.

2) SEPARATE INCOME TAX BRACKETS FOR SINGLES AND MARRIEDS

3) MIDDLE-CLASS TAX BRACKET AT 6.5% STARTING 2015

4) SET THE TOP MARGINAL RATE AT 8.75% AFTER 2015.

(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.".

§47-1806.03

Tax on residents and nonresidents -- Imposition and rates
(a) (1) In the case of a taxable year beginning after December 31, 1986, there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

If the taxable income is:	*The tax is:*
Not over $ 10,000	6% of the taxable income.
Over $ 10,000 but not over $ 20,000	$ 600, plus 8% of the excess over $ 10,000.
Over $ 20,000	$ 1,400, plus 10% of the excess over $ 20,000.

(2) In the case of a taxable year beginning after December 31, 1987, there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

If the taxable income is:	*The tax is:*
Not over $ 10,000	6% of the taxable income.
Over $ 10,000 but not over $ 20,000	$ 600, plus 8% of the excess over $ 10,000.
Over $ 20,000	$ 1,400, plus 9.5% of the excess over $ 20,000.

(3) In the case of a taxable year beginning after December 31, 1999, there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

If the taxable income is:	*The tax is:*

2) SEPARATE INCOME TAX BRACKETS FOR SINGLES AND MARRIEDS

3) MIDDLE-CLASS TAX BRACKET AT 6.5% STARTING 2015

4) SET THE TOP MARGINAL RATE AT 8.75% AFTER 2015.

Not over $ 10,000 5% of the taxable income.
.....

Over $ 10,000 but not over $ 20,000 $ 500, plus 7.5% of the excess over $ 10,000.
.....

Over $ 20,000 $ 1,250, plus 9.5% of the excess over $ 20,000.
.....

(4) (A) In the case of a taxable year beginning after December 31, 2000, there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

If the taxable income is: *The tax is:*

Not over $ 10,000 5% of the taxable income.
.....

Over $ 10,000 but not over $ 30,000 $ 500, plus 7.5% of the excess over $ 10,000.
.....

Over $ 30,000 $ 2,000, plus 9.3% of the excess over $ 30,000.
.....

(B) Repealed.

(5) (A) In the case of a taxable year beginning after December 31, 2003, there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

If the taxable income is: *The tax is:*

Not over $ 10,000 5.0% of the taxable income.
.....

Over $ 10,000 but not over $ 30,000 $ 500, plus 7.5% of the excess over $ 10,000.
.....

Over $ 30,000 $ 2,000, plus 9.0% of the excess over $ 30,000.
.....

(B) Subparagraph (A) of this paragraph shall not apply if:

(i) The certification by the Chief Financial Officer required by § 47-387.01 demonstrates that the accumulated general fund balance for the immediately preceding fiscal year is less than 5% of the general fund operating budget for the current fiscal year, the nominal GDP growth is

2) SEPARATE INCOME TAX BRACKETS FOR SINGLES AND MARRIEDS

3) MIDDLE-CLASS TAX BRACKET AT 6.5% STARTING 2015

4) SET THE TOP MARGINAL RATE AT 8.75% AFTER 2015.

less than or equal to 3.5%, or the real GDP growth is less than or equal to 1.7%; or

(ii) The Mayor demonstrates, and the Chief Financial Officer certifies, that a proposed budget will not be balanced as required by § 1-206.03(c) if the scheduled tax rate decrease under subparagraph (A) of this paragraph takes effect.

(6) (A) In the case of a taxable year beginning after December 31, 2004, there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

If the taxable income is:	*The tax is:*
Not over $ 10,000	4.5% of the taxable income.
Over $ 10,000 but not over $ 40,000	$ 450, plus 7% of the excess over $ 10,000.
Over $ 40,000	$ 2,550, plus 8.7% of the excess over $ 40,000.

(B) Subparagraph (A) of this paragraph shall not apply if:

(i) The certification by the Chief Financial Officer required by § 47-387.01 demonstrates that the accumulated general fund balance for the immediately preceding fiscal year is less than 5% of the general fund operating budget for the current fiscal year, the nominal GDP growth is less than or equal to 3.5%, or the real GDP growth is less than or equal to 1.7%; or

(ii) The Mayor demonstrates, and the Chief Financial Officer certifies, that a proposed budget will not be balanced as required by § 1-206.03(c) if the scheduled tax rate decrease under subparagraph (A) of this paragraph takes effect.

(C) If the rate reduction scheduled for the previous year was not implemented, the rate imposed by this paragraph shall be the last unimplemented percentage decrease scheduled for a previous year, instead of that prescribed by this paragraph.

(7) (A) In the case of a taxable year beginning after December 31, 2005, there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

If the taxable income 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.

2) SEPARATE INCOME TAX BRACKETS FOR SINGLES AND MARRIEDS

3) MIDDLE-CLASS TAX BRACKET AT 6.5% STARTING 2015

4) SET THE TOP MARGINAL RATE AT 8.75% AFTER 2015.

.....

Over $ 40,000 $ 2,200, plus 8.5% of the excess over $ 40,000.
.....

(B) Subparagraph (A) of this paragraph shall not apply if:

(i) The certification by the Chief Financial Officer required by § 47-387.01 demonstrates that the accumulated general fund balance for the immediately preceding fiscal year is less than 5% of the general fund operating budget for the current fiscal year, the nominal GDP growth is less than or equal to 3.5%, or the real GDP growth is less than or equal to 1.7%; or

(ii) The Mayor demonstrates, and the Chief Financial Officer certifies, that a proposed budget will not be balanced as required by § 1-206.03(c) if the scheduled tax rate decrease under subparagraph (A) of this paragraph takes effect.

(C) If the rate reduction scheduled for the previous year was not implemented, the rate imposed by this paragraph shall be the last unimplemented percentage decrease scheduled for a previous year, instead of that prescribed by this paragraph.

(8) (A) In the case of a taxable year beginning after December 31, 2011, there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

If the taxable income 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 $ 350,000 $ 2,200, plus 8.5% of the excess over $ 40,000.
.....

Over $ 350,000 $ 28,550, plus 8.95% of the excess above $ 350,000.
.....

(B) This paragraph shall expire on ~~January 1, 2016.~~ January 1, 2015.

(9) In the case of a taxable year 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:

2) SEPARATE INCOME TAX BRACKETS FOR SINGLES AND MARRIEDS

3) MIDDLE-CLASS TAX BRACKET AT 6.5% STARTING 2015

4) SET THE TOP MARGINAL RATE AT 8.75% AFTER 2015.

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 over $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 over $350,000

(10) In the case of a taxable year 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 over $200,000

If the taxable income of married individuals filing a joint return, head of	*The Tax is:*

2) SEPARATE INCOME TAX BRACKETS FOR SINGLES AND MARRIEDS

3) MIDDLE-CLASS TAX BRACKET AT 6.5% STARTING 2015

4) SET THE TOP MARGINAL RATE AT 8.75% AFTER 2015.

household, or a surviving spouse 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 over $350,000
……..	

(b) In lieu of the method of computation provided for in subsection (a) of this section, individuals may elect to compute the tax in accordance with a tax table prescribed by the Mayor for such taxable year, subject to such rules and regulations as the Mayor may prescribe. The amount of tax to be paid under the tax table prescribed by the Mayor shall be consistent with the tax rates provided for in subsection (a) of this section.

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

(d) This section shall not apply to any return filed by a fiduciary for an estate or trust or to any married ~~(or domestic partner)~~ resident living with his or her spouse ~~(or domestic partner)~~ at any time during the taxable year where such spouse ~~(or domestic partner)~~ files a return and computes the tax thereon without regard to this section.

(e) If ~~a~~ spouses ~~or domestic partner living together~~ file separate returns, each spouse shall be treated as a single ~~person~~ individual for the purposes of this section.

5) INCREASE THE STANDARD DEDUCTION

Proposed Language

(xx) Section 47-1801.04(44) is amended to read as follows:

"(44) "Standard deduction" means:

"(A) In the case of a return filed by a single individual or a 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.".

5) INCREASE THE STANDARD DEDUCTION

Redline of 47-1801.04(44)

(44) "Standard deduction" means:

~~(A) The amount of $ 4,000, increased annually, beginning January 1, 2013, 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), in the case of a return filed by a single individual, by a head of household, by a surviving spouse, or jointly by husband and wife (or domestic partner);~~

~~(B) The amount of $ 2,000, increased annually, beginning January 1, 2013, 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), in the case of a married person filing separately; or~~

~~(C) 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) and (B) of this paragraph prorated by the number of months that the individual was a resident.~~

(A) In the case of a return filed by a single individual or a married individual filing separately, 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.

6) INCREASE THE PERSONAL EXEMPTION
7) PHASE OUT THE PERSONAL EXEMPTION FOR TAXPAYERS WITH MORE THAN $150,000/$200,000 OF AGI SINGLE/MARRIEDS

Proposed Language

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

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

(2) Subsections (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; or

(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 at the end "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.".

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

"(j) Limitation on personal exemption –

"(1) In the case of an individual whose District 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 District 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.".

Redline §47-1806.02

§ 47-1806.02. Tax on residents and nonresidents -- Personal exemptions

(a) In the case of a resident, the exemptions provided by this section shall be allowed as deductions in computing taxable income.

(b) An exemption shall be granted for the taxpayer and an additional exemption for the spouse ~~(or domestic partner)~~ of the taxpayer if the spouse ~~(or domestic partner)~~, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

~~(c) There shall be allowed an additional exemption for a taxpayer who qualifies as a head of household.~~

Repealed

~~(d) There shall be allowed an additional exemption for a taxpayer who is blind at the close of his or her taxable year, and an additional exemption for the spouse (or domestic partner) of the taxpayer if the spouse (or domestic partner) is blind at the close of the taxable year of the taxpayer and, if the spouse (or domestic partner), for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer, except that if the spouse (or domestic partner) dies during such taxable year the determination regarding blindness shall be made as of the time of death.~~

Repealed

~~(e) There shall be allowed an additional exemption for a taxpayer who has attained the age of 65 before the close of his or her taxable year, and an additional exemption for the spouse (or domestic partner) of the taxpayer if the spouse (or domestic partner) has attained the age of 65 before the close of his or her taxable year and, if the spouse (or domestic partner), for the~~

6) INCREASE THE PERSONAL EXEMPTION
7) PHASE OUT THE PERSONAL EXEMPTION FOR TAXPAYERS WITH MORE THAN $150,000/$200,000 OF AGI SINGLE/MARRIEDS

~~calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.~~

Repealed

(f) (1) There shall be allowed an additional exemption for each dependent:

(A) Whose gross income for the calendar year in which the year of the taxpayer begins is less than $ 1,675, increased annually, ~~beginning January 1, 2013,~~ 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 shall be the prescribed personal exemption amount in section 151 of the Internal Revenue Code, or

(B) Who is a child of the taxpayer and who:

(i) Has not attained the age of 19 at the close of the calendar year in which the taxable year of the taxpayer begins; or

(ii) Is a student.

(2) No exemption shall be allowed under this subsection for any dependent who has made a joint return with his or her spouse ~~(or domestic partner)~~ for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.

(3) For purposes of this subsection:

(A) The term "child" means a child as defined in § 151(c)(3) of the Internal Revenue Code of 1986; and

(B) The term "student" means a student as defined in § 151(c)(4) of the Internal Revenue Code of 1986.

(g) In the case of a return made for a fractional part of a taxable year, the personal exemptions shall be reduced to amounts that bear the same ratio to the full exemptions provided as the number of months in the period for which the return is made bear to 12 months.

(h) In the case of an individual for whom a deduction under this section is allowable to another taxpayer for a taxable year in which the taxable year beginning in the calendar year in which the individual's taxable year begins, the exemption amount applicable to the individual for his or her taxable year shall be zero.

(i) For purposes of this section, the deduction for personal exemptions shall be $ 1,675, increased annually, ~~beginning January 1, 2013~~, 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 shall be the prescribed personal exemption amount in section 151 of the Internal Revenue Code.

(j) Limitation on personal exemption –

6) INCREASE THE PERSONAL EXEMPTION

7) PHASE OUT THE PERSONAL EXEMPTION FOR TAXPAYERS WITH MORE THAN $150,000/$200,000 OF AGI SINGLE/MARRIEDS

(1) In the case of an individual whose District adjusted gross income exceeds the applicable amount, the amount of the personal exemption otherwise allowable for the taxable year shall be reduced by 2.5% for every $2,500 of the excess of the District 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.

8) INCREASE MAXIMUM EITC FOR CHILDLESS WORKERS FROM $195 PER FILER TO $487 AND EXPAND COVERAGE

Proposed Language

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

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

"(4) This section 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:

"(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.

"(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

8) INCREASE MAXIMUM EITC FOR CHILDLESS WORKERS FROM $195 PER FILER TO $487 AND EXPAND COVERAGE

"(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.".

"(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.

Redline of §47-1806.04

Tax on residents and nonresidents -- Credits -- In general

(a) The amount of tax payable under this subchapter by a resident of the District in respect to the taxable year shall be reduced by a credit equal to the amount of individual income tax such individual is required to pay and, in fact, has paid to any state, territory or possession of the United States, or political subdivision thereof, upon income attributable to such state, territory or possession of the United States, or political subdivision thereof, for such taxable year or portion thereof while concurrently a resident of the District. The credit provided under this subsection shall not exceed the proportion of the tax otherwise due under this chapter that the amount of the individual's adjusted gross income received by him, or accrued to him if on an accrual basis, subject to tax in the other jurisdiction bears to his entire adjusted gross income received by him, or accrued to him, while he was concurrently a resident of the District. The Mayor may require satisfactory proof of the payment of such income taxes to another jurisdiction. The credit provided by this subsection shall not be allowed against any tax imposed under §§ 47-1808.01 through 47-1808.06. Beginning with any taxable year after December 31, 1990, no franchise tax, license tax, excise tax, unincorporated business tax, occupation tax, or any tax characterized as such by the other taxing jurisdiction, even if applied to earned or business income, shall qualify as a credit under this section.

(b) The amount deducted and withheld as tax under this chapter during any calendar year upon the wages of any individual shall be allowed as a credit to the recipient of the income against the tax imposed by this chapter, for taxable years beginning in such calendar year. If more than 1 taxable year begins in such calendar year such amount shall be allowed as a credit against the tax for the last taxable year so beginning.

(c) (1) If a return is filed for a full calendar or fiscal year beginning after December 31, 1988, an individual who incurs household and dependent care services necessary to engage in gainful

employment and who is allowed a credit under § 21 of the Internal Revenue Code of 1986, shall be allowed, against the tax imposed by this chapter for the taxable year, an amount equal to 32% of the credit allowed under § 21 of the Internal Revenue Code of 1986, regardless of the amount of the credit actually used to offset federal tax liability.

(2) If a return is filed for a period of less than a full calendar or fiscal year beginning after December 31, 1988, the credit allowed under this subsection shall be the credit calculated according to the provisions of paragraph (1) of this subsection, multiplied times the ratio that the employment-related expenses, allowed under § 21 of the Internal Revenue Code of 1986 and incurred during the period of residency in the District, bear to the total employment-related expenses allowed under § 21 of the Internal Revenue Code of 1986, and incurred for the whole taxable year.

(3) In no event shall the credit allowed under paragraph (1) or (2) of this subsection exceed the amount of tax otherwise due without reference to this subsection.

(d) This section shall take effect in accordance with the provisions of § 1-206.02(c)(1) and shall apply to taxable years beginning after December 31, 1978.

(e) (1) The amount of tax payable under this subchapter by a resident of the District in respect to the taxable year shall be reduced by a low income credit designed to make the District's income tax threshold equal to the federal income tax threshold. For purposes of this subsection, the term "tax threshold" means the point at which a taxpayer begins to owe income tax after allowance of the standard deduction and all personal exemptions to which the taxpayer is entitled, but before application of any itemized deductions or credits. The credit shall be calculated in accordance with a table prescribed by the Mayor.

(2) The credit provided for in paragraph (1) of this subsection shall not be allowed to a resident who has a federal tax liability determined in accordance with section 55 of the Internal Revenue Code of 1986 or who has elected to claim the earned income tax credit provided for in subsection (f) of this section.

(3) In no event shall the credit allowed under paragraph (1) of this subsection exceed the amount of the tax otherwise due without reference to this section.

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

(f) (1)(A) If a return is filed for a full calendar or fiscal year beginning after December 31, 2004, an individual who is allowed an earned income tax credit 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; provided, that the credit shall not be allowed to a resident who has elected to claim the low income tax credit provided for in subsection (e) of this section.

(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.

8) INCREASE MAXIMUM EITC FOR CHILDLESS WORKERS FROM $195 PER FILER TO $487 AND EXPAND COVERAGE

(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.

(g) (1) A taxpayer described in paragraph (2) of this subsection, and who otherwise would not qualify for the earned income tax credit under subsection (f)(1)(C) of this section or 32(b) of the Internal Revenue Code of 1986, shall be allowed a credit equal to the credit allowed in subsection (f) of this section.

(2) To qualify for a credit as described in subsection (f) of this section, a taxpayer shall satisfy all the following requirements during the entire period for which the taxpayer seeks the credit:

(A) The taxpayer shall be a District resident taxpayer;

(B) The taxpayer shall be between the ages of 18 and 30;

(C) The taxpayer shall be the parent of a minor child with whom the taxpayer does not reside;

(D) A court order shall require the taxpayer to make child support payments, which are payable through a government-sponsored support collection unit, which order must have been in effect for at least one-half of the taxable year for which the taxpayer is seeking the credit; and

(E) The taxpayer shall have paid an amount in child support in the taxable year at least equal to the amount of current child support due during the taxable year for which the taxpayer is seeking the credit.

9) BROADEN THE TAX BASE BY ELIMINATING SEVERAL SMALL DEDUCTIONS

LOW INCOME CREDIT

- **Low Income Credit** §47-1806.04(e)

Proposed Language

(xx) Section 47-1806.04(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.".

Redline of §47-1806.04(e)

[Full section is listed in #8]

Tax on residents and nonresidents -- Credits -- In general

(e) (1) The amount of tax payable under this subchapter by a resident of the District in respect to the taxable year shall be reduced by a low income credit designed to make the District's income tax threshold equal to the federal income tax threshold. For purposes of this subsection, the term "tax threshold" means the point at which a taxpayer begins to owe income tax after allowance of the standard deduction and all personal exemptions to which the taxpayer is entitled, but before application of any itemized deductions or credits. The credit shall be calculated in accordance with a table prescribed by the Mayor.

(2) The credit provided for in paragraph (1) of this subsection shall not be allowed to a resident who has a federal tax liability determined in accordance with section 55 of the Internal Revenue Code of 1986 or who has elected to claim the earned income tax credit provided for in subsection (f) of this section.

(3) In no event shall the credit allowed under paragraph (1) of this subsection exceed the amount of the tax otherwise due without reference to this section.

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

9) BROADEN THE TAX BASE BY ELIMINATING SEVERAL SMALL DEDUCTIONS

GOVERNMENT EMPLOYEE FIRST-TIME HOMEBUYER CREDIT

- **District Government Employee First-time Homebuyer Credit**

Proposed Language

Sec. (x) 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 before January 1, 2015.".

Redline of § 42-2506.

Assistance available for District government and public charter school employees

(a) In addition to the assistance provided in §§ 42-2504 and 42-2505, a District of Columbia government employee, an employee of a District of Columbia public charter school, or a person who has accepted an offer to be a District of Columbia police officer, firefighter, emergency medical technician, public school teacher, or a teacher at a District of Columbia public charter school who is a first-time homebuyer in the District shall be eligible for the following assistance, subject to annual available appropriations:

(1) A sliding-scale property tax credit as follows:
(A) An 80% property tax credit for the first year;
(B) A 60% property tax credit for the second year;
(C) A 40% property tax credit for the third year;
(D) A 20% property tax credit for the fourth year; and
(E) A 20% property tax credit for the fifth year.

(2) A $ 2,000 income tax credit in the tax year the District of Columbia government employee, employee of a District of Columbia public charter school, or person who has accepted an offer to be a District of Columbia police officer, firefighter, emergency medical technician, public school teacher, or teacher at a District of Columbia public charter school purchases the housing unit and each of the 4 immediately succeeding tax years; provided, that the District of Columbia government employee, employee of a District of Columbia public charter school, or person who has accepted an offer to be a District of Columbia police officer, firefighter,

emergency medical technician, public school teacher, or teacher at a District of Columbia public charter school remains eligible for the tax credit. The credit shall not be prorated and any portion of the credit that is not utilized in a tax year shall not be carried forward, carried back, or refunded to the District of Columbia government employee, employee of a District of Columbia public charter school, or person who has accepted an offer to be a District of Columbia police officer, firefighter, emergency medical technician, public school teacher, or teacher at a District of Columbia public charter school.

(b) Any real property owner eligible to receive a real property tax credit under this section shall receive the tax credit as of the next half of the real property tax year following the date the real property owner applied for the credit. The real property owner shall continue to receive the real property tax credit for each succeeding 9 halves of the real property tax year; provided, that the real property owner remains eligible to receive the tax credit.

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

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9) BROADEN THE TAX BASE BY ELIMINATING SEVERAL SMALL DEDUCTIONS

LONG-TERM CARE INSURANCE DEDUCTION

- **Long-term Care Insurance Deduction**

Proposed Language

(xx) 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.

Redline § 47-1803.03(b-1).

(b) Deductions allowed -- Generally. -- In the case of an individual, estate, or trust, deductions allowed under this section shall be the same (and to the same extent) as the deductions allowed by the Internal Revenue Code of 1986 on federal individual or fiduciary income tax returns; provided, however, that no deduction may be allowed for the following:

(1) Income taxes;

(2) Franchise taxes imposed by this chapter;

(3) Carryovers of charitable contributions made prior to January 1, 1982, and included as deductions for federal income tax purposes;

(4) Repealed.

(5) Any deduction passing to a stockholder in a small business corporation as defined in § 1371 of the Internal Revenue Code of 1954, making an election under § 1372(a) of the Internal Revenue Code of 1954, or an S Corporation as defined in § 1361(a) and (b) of the Internal Revenue Code of 1986, making an election under § 1362(a) of the Internal Revenue Code of 1986, which is otherwise deductible under the provisions of subsection (a) of this section and which was allowable in determining the taxable income of the small business corporation or S Corporation subject to tax under the provisions of subchapter VII of this chapter;

(6) Repealed.

(7) Repealed.

(8) The amount attributable to domestic production activities under section 199 of the Internal Revenue Code of 1986 [26 U.S.C. § 199].

(b-1) [Deductions allowed -- Long-term care insurance]. -- An individual may deduct from gross income the amount the individual pays annually in premiums for long-term care insurance, as defined in § 31-3601(5); provided, that the deduction shall not exceed $ 500 per year, per individual, whether the individual files individually or jointly. This subsection shall apply for taxable years beginning before January 1, 2015.

(b-2) [Deductions allowed -- Teacher expenses].

(1) Beginning January 1, 2006, an individual who has been a classroom teacher in a public school or public charter school in the District of Columbia for the entire year for which the individual is filing or for the entire year prior to the year for which the individual is filing and is approved for teaching by the District of Columbia Public Schools may deduct from gross income:

9) BROADEN THE TAX BASE BY ELIMINATING SEVERAL SMALL DEDUCTIONS

LONG-TERM CARE INSURANCE DEDUCTION

(A) The amount the individual paid during the year for basic classroom materials and supplies necessary for teaching; provided, that the deduction shall not exceed $ 500 per year, per individual, whether the individual files individually or jointly; and

(B) The amount the individual paid during the year as tuition and fees for post-graduate education, professional development, or state licensing examination and testing required for, or related to, improving teacher credentials or maintaining professional certification; provided, that the deduction shall not exceed $ 1,500 per year, per individual, whether the individual files individually or jointly.

(2) The deductions under paragraphs (1)(A) and (B) of this subsection shall not be allowed to the extent the same expenses were claimed by the individual in computing federal adjusted gross income for the same taxable year under the Internal Revenue Code 1986.

(b-3) Depreciation.

(1) Notwithstanding the provisions of subsection (b) of this section, there shall be allowed as a deduction a reasonable allowance for exhaustion, wear, and tear of property used in the trade or business, including a reasonable allowance for obsolescence; and including in the case of natural resources, allowances for depletion as permitted by reasonable rules which the Mayor may promulgate. The basis upon which such allowances are to be computed is the basis provided for in § 471811.04.

(2) Notwithstanding the provisions of paragraph (1) of this subsection:

(A) No deduction shall be allowed for the special depreciation allowance under section 168(k) of the Internal Revenue Code of 1986 [26 U.S.C. § 168(k)].

(B) There shall be allowed as a deduction for the cost of property elected to be treated as not chargeable to capital account under section 179 of the Internal Revenue Code of 1986 [26 U.S.C. § 179] an amount of equal to the lesser of $ 25,000 (or $ 40,000 in the case of a Qualified High Technology Company) or the actual cost of the property for the year the property is placed in service.

(b-4) Limitation on itemized deductions.

(1) In the case of an individual whose District adjusted gross income exceeds the applicable amount, the amount of the itemized deductions otherwise allowable for the taxable year shall be reduced by 5% of the excess of the District adjusted gross income over the applicable amount.

(2) For the purposes of this subsection, the term:

(A) "Applicable amount" means $ 200,000 ($ 100,000, married, filing separately).

(B) "Itemized deductions" does not include the deduction:

(i) Under section 213 of the Internal Revenue Code of 1986 relating to expenses such as, for example, medical or dental;

(ii) For investment interest, as defined in section 163(d) of the Internal Revenue Code of 1986; and

(iii) Under section 165(a) of the Internal Revenue Code of 1986, for casualty or theft losses described in section 165(c)(2) and (3) of the Internal Revenue Code of 1986, or for losses described in section 165(d) of the Internal Revenue Code of 1986.

(3) This subsection shall be applied after the application of any other limitation on the allowance of any itemized deduction.

(4) This subsection shall not apply to any estate or trust.

9) BROADEN THE TAX BASE BY ELIMINATING SEVERAL SMALL DEDUCTIONS

GOVERNMENT PENSION EXCLUSION

- **District and Federal Government Pension Exclusion**

Proposed Language

(xx) 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.".

Redline of § 47-1803.02(a)(2)(N)

Gross income -- Items included and excluded; "adjusted gross income" defined
(a) Gross income. -- The words "gross income" shall have the same meaning as defined in § 61 of the Internal Revenue Code of 1986. In addition to the items specifically included or excluded by reference to § 61(b) of the Internal Revenue Code of 1986, the following items shall also be included or excluded in the computation of District gross income:

(1) (A) For taxpayers other than individuals, estates, and trusts, interest upon the obligations of a state, territory of the United States, or any political subdivision thereof, but not including the District, shall be included in the computation of District gross income.

(B) For individuals, estates, and trusts, interest upon the obligations of a state, territory of the United States, or any political subdivision thereof, but not including the District, acquired by the taxpayer on or after January 1, 2013, shall be included in the computation of District gross income.

(C) Nothing in this paragraph shall be construed as repealing or limiting the provisions of § 9-921.

(1A) Repealed.

(2) The following items shall be excluded in the computation of District gross income:

(A) After January 23, 1983, interest and dividend income on obligations or securities of the United States, or its agencies or instrumentalities, to the extent that this income is included in federal gross income.

(B) The amount of any income or gain included in the taxpayer's federal gross income for the taxable year to the extent that it was included as income or gain in an income or franchise tax return filed by:

(i) The taxpayer with the District for any taxable year beginning prior to January 1, 1982; or

(ii) An individual by reason of whose death the taxpayer acquired the right to receive the income or gain.

(C) The amount of any trust distribution to the taxpayer included in his federal gross income for the taxable year to the extent that such amount was previously taxed to the trust by the District.

(D) In the case of any person entitled to the distributive share of a trade or business net income that is from an unincorporated business as defined in § 47-1808.01, an amount equal to

the pro rata distributive share, to the extent that portion of the distributive share so excluded is directly or indirectly reported by and taxed against any person under the provisions of this chapter.

(E) Any state or local income tax refund included in federal gross income.

(F) Income received or, in the case of a taxpayer reporting on an accrual basis, income accrued when the taxpayer was not a resident of the District.

(G) Income of any kind to the extent required by any treaty obligation of the United States, including reciprocal agreements between the United States and other countries relating to the taxability of their respective airlines and ships under foreign flag owned by foreign corporations.

(H) In the case of an International Banking Facility the gross income to the parent depository institution resulting from any IBF time deposit or any IBF loan; provided, however, that no expense or loss attributable to such income shall be allowed as a deduction under any other provision of this chapter, and; provided, further, that this exclusion from gross income shall not include any amount derived by an International Banking Facility from IBF time deposits or IBF loans if the loan or deposit of funds is secured by a mortgage, deed of trust, or other lien upon real property located within the District of Columbia.

(I) Income derived from the sale of tangible personal property to the United States by corporations and unincorporated businesses having their principal places of business located outside the District, which property is delivered from places outside the District for use outside the District; provided, however, that the taxpayer shall furnish to the Mayor a statement in writing of the amount of gross sales so made and, if required by the Mayor, a list of the names of the agencies of the United States through which such property was sold.

(J) Dues and initiation fees in the case of any club organized and operated exclusively for pleasure and recreation, no part of the net earnings of which inures to the benefit of any private individual or shareholder. As used in this subparagraph, the term "dues" means only sums paid or incurred by members on a monthly, quarterly, annual, or other periodic basis for the privilege of being members of such club and any pro rata assessment made against the members as such. The term "dues" does not include any sums paid or incurred by members or their guests for food, beverages, or other tangible personal property purchased or for the use of the club's social, athletic, sporting, and other facilities. The term "initiation fees" includes any payment, contribution, or loan, required as a condition precedent to membership, whether or not any such payment, contribution, or loan is evidenced by a certificate of interest or indebtedness.

(K) The amount of any compensation deferred under the employee deferred compensation program pursuant to § 47-3601; provided, that the amount of any such compensation or any income attributable to the amount of compensation so deferred shall be includable in gross income for the taxable years in which such compensation or other income is paid or otherwise made available to the employee or other beneficiary.

(L) Social security and tier 1 railroad retirement benefits subject to taxation under § 86 of the Internal Revenue Code of 1986.

(M) Certain disability income payments excludable under § 105(d) of the Internal Revenue Code of 1986 before the enactment of the Social Security Amendments of 1983 (26 U.S.C. § 86).

(N) Pension, military retired pay, annuity income, or survivor benefits received from the District of Columbia or the federal government by persons who are 62 years of age or older by the end of the taxable year, except that:

9) BROADEN THE TAX BASE BY ELIMINATING SEVERAL SMALL DEDUCTIONS

GOVERNMENT PENSION EXCLUSION

(i) The exclusion shall not exceed the lesser of $ 3,000 or the actual amount of the pension, military retired pay, or annuity received during the taxable years; and

(ii) The pension, military retired pay or annuity is otherwise subject to taxation under this chapter.

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

(O) Repealed.

(P) In the case of any person entitled to a share in the income of any corporation which is an S corporation as defined in section 1361(a) of the Internal Revenue Code of 1986, an amount equal to the pro rata share of the income, to the extent that the portion of the income so excluded is directly or indirectly reported by and taxed against any person under the provisions of this chapter.

(Q) Repealed.

(R) A relocation payment received under section 205 or 206 of the Housing Act of 2001 [§ 42-2851.05 or § 42-2851.06].

(S) The proceeds from the sale of, or the use of a transferred, tax credit under § 47-1806.08c [repealed].

(T) Homeownership assistance received by the eligible employee through a certified employer-assisted home purchase program, as those terms are defined in § 47-1807.07, and used for the purchase of a qualified residential real property.

(U) The amount received by a claimant, excluding backpay (as defined in § 47-1806.10(3) [§ 47-1806.10(a)(3)]), frontpay (as defined in § 47-1806.10(5) [§ 47-1806.10(a)(5)]), or punitive damages, whether by agreement (as reasonably allocated) or suit and whether as a lump sum or periodic payments, on account of a claim of unlawful discrimination.

(V) Income derived from any source, not to exceed $ 10,000, for a person who has been determined to have a permanent and total disability by the Social Security Administration, is receiving Supplemental Security Income or Social Security Disability, is receiving railroad retirement disability benefits, or is receiving federal or District of Columbia government disability payments; and, whose household adjusted gross income, as defined in § 47-863(a)(2), is less than $ 100,000.

(W) The amount of any health care insurance premium paid by an employer for a non-employee domestic partner, as the term "domestic partner" is defined in § 32-701(3).

(X) Loans awarded and subsequently forgiven under [part F of subchapter IV of Chapter 3 of Title 1].

(Y) Fees retained by a retail establishment under [§ 8-102.03(b)(1)].

(Z) Computations of discharge of indebtedness income under section 108(i) of the Internal Revenue Code of 1986.

(AA) The amount received by a taxpayer pursuant to § 8-1774.09.

(BB) The amount received by a taxpayer from the following programs, whose funding is authorized by [§ 8-152.02]:

(i) RiverSmart Communities: Demonstration Program;

(ii) RiverSmart Homes Incentive Program;

(iii) RiverSmart Homes Rebate Program; or

(iv) RiverSmart Rooftops Greenroof Rebate Program.

10) BRING ESTATE TAX THRESHOLD TO FEDERAL CONFORMITY

Proposed Language

(a) 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 Janaury 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:

10) BRING ESTATE TAX THRESHOLD TO FEDERAL CONFORMITY

(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.

10) BRING ESTATE TAX THRESHOLD TO FEDERAL CONFORMITY

"(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.".

(b) 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.

(c) 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) Section (c) is repealed.

(d) 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 million.

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

(e) Section 47-3723 is repealed.

Redline of 47-3701

For the purpose of this chapter, the term:

(1) "Council" means the Council of the District of Columbia.

(2) "Decedent" means a deceased person who died on or after April 1, 1987.

(3) "District" means the District of Columbia.

(3A) "Domestic partner" shall have the same meaning as provided in § 32-701(3).

(4) "Federal credit" means:

(A) For a decedent whose death occurs on or after April 1, 1987, but prior to January 1, 2002, the maximum amount of credit for state death taxes allowable by section 2011 of the United States Internal Revenue Code of 1954, approved August 6, 1954 (68A Stat. 3; 26 U.S.C. § 1 et seq.), as it existed on January 1, 1986.

(B) For a decedent ~~whose death occurs on or~~ dying after ~~January 1, 2002~~ December 31 2001, but prior to January 1, 2003:

(i) The maximum amount of credit for state death taxes allowed by section 2011 of the Internal Revenue Code [26 U.S.C. § 2011];

(ii) Any scheduled increase in the unified credit provided in section 2010 of the Internal Revenue Code [26 U.S.C. § 2010] or thereafter shall not apply and the amount of the unified credit shall be $ 220,550; and

(iii) An estate tax return shall not be required to be filed if the decedent's gross estate does not exceed $ 675,000.

(C) For a decedent ~~whose death occurs on or~~ dying after ~~January 1, 2003~~, December 31, 2002, but prior to January 1, 2015:

(i) The maximum amount of credit for state death taxes allowed by section 2011 of the Internal Revenue Code;

(ii) Any scheduled increase in the unified credit provided in section 2010 of the Internal Revenue Code or thereafter shall not apply and the amount of the unified credit shall be $ 345,800; and

(iii) An estate tax return shall not be required to be filed if the decedent's gross estate does not exceed $ 1 million.

(5) "Gross estate" means: (A) For a decedent ~~whose death occurs~~ dying prior to January 1, 2008, or after December 31, 2016, the meaning defined in the Internal Revenue Code.

(B) For a decedent ~~whose death occurs on~~ dying after ~~or subsequent to January 1, 2008~~December 31, 2007, and prior to January 1, 2017, the meaning defined in the Internal Revenue Code, except that for the purpose of calculating District estate taxes, gross estate shall be calculated as if federal estate tax law recognized a domestic partner in the same manner as a spouse.

(6) (A) For a decedent dying prior to December 31, 2014 "Internal Revenue Code" means the Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2085; 26 U.S.C. § 1 et

seq.), in effect for federal estate tax purposes on January 1, 2001, unless a different meaning is clearly required by the provisions of this chapter.

(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.

(7) "Mayor" means the Mayor of the District of Columbia.

(8) "Nonresident" means a decedent who was domiciled outside the District at his death.

(9) "Personal representative" means the personal representative or other person appointed by the court to administer the property of the decedent. If there is no personal representative or other person appointed, qualified, and acting within the District, then any person in actual or constructive possession of any property having a situs in the District that is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the District estate tax due with respect to the property.

(10) "Resident" means a decedent who was domiciled in the District at his or her death.

(11) "State" means any state, territory, or possession of the United States and the District.

(12) "Taxable estate" means:

(A) For a decedent ~~whose death occurs~~ dying prior to January 1, 2008, the meaning defined in section ~~2501~~ 2051 of the Internal Revenue Code of 1954.

(B) For a decedent ~~whose death occurs on~~ dying after ~~or subsequent to~~ ~~January 1, 2008~~ December 31, 2007, but prior to January 1, 2017, the meaning defined in section ~~2501~~ 2051 of the Internal Revenue Code of 1954, except that for the purpose of calculating District estate taxes, taxable estate shall be calculated as if federal estate tax law recognized a domestic partner in the same manner as a spouse.

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

~~(13) "Value" means value as finally determined for federal estate tax purposes under the Internal Revenue Code of 1954.~~

Repealed.

(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 (16), 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.

§ 47-3702

(a) A tax in the amount of the federal credit is imposed on the transfer of the taxable estate having its taxable situs in the District of every resident dying ~~on or~~ after ~~April 1, 1987~~ March 31, 1986, but prior to January 1, 2015 subject, where applicable, to the credit provided for in subsection (b) of this section.

(a-1) A tax is imposed on the taxable estate of every resident 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.

(b) For a decedent dying prior to January 1, 2015 ~~if~~ any real or tangible personal property of a resident is located outside the District and subject to a death tax imposed by another state for which a credit is allowed under § 2011 of the Internal Revenue Code of 1954, the amount of tax due under this section shall be credited with the lesser of:

(1) The amount of the death tax paid the other state and that qualifies for credit against the federal estate tax; or

(2) An amount computed by multiplying the federal credit by a fraction, the numerator of which is the value of that part of the gross estate over which another state or states have jurisdiction to the same extent that the District would exert jurisdiction under this chapter with respect to the residents of the other state or states and the denominator of which is the value of the decedent's gross estate.

~~(c) For the purposes of this section, taxable situs means in regard to:~~

~~(1) Real property -- the place where the property is situated;~~

~~(2) Tangible personal property -- the place where the property is customarily located at the time of the decedent's death; and~~

~~(3) 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.~~

Repealed.

§ 47-3703

Tax on transfer of taxable estate of nonresidents; property of nonresident defined

(a) A tax in an amount computed as provided in this section is imposed on the transfer of every nonresident's taxable estate having its taxable situs in the District.

(b) For every nonresident dying prior to January 1, 2015 t~~T~~he tax shall be an amount computed

by multiplying the federal credit by a fraction, the numerator of which is the value of that part of the gross estate over which the District has jurisdiction for estate tax purposes-and the denominator of which is the value of the decedent's gross estate.

(b-1) For every nonresident 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.

~~(c) For the purposes of this section, taxable situs means in regard to:~~
~~(1) Real property -- the place where the property is situated;~~
~~(2) Tangible personal property -- the place where the property is customarily located at the time of the decedent's death; and~~
~~(3) 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.~~

Repealed.

§ 47-3705

(a)(1) The personal representative of every estate subject to the tax imposed by this chapter shall file with the Mayor, within 10 months after the death of the decedent:

(A) A return for the tax due under this chapter; and

(B) A copy of the federal estate tax return, if any.

(2) ~~A return shall not be required to be filed~~ The personal representative shall not be required to file a return if: ~~if the gross estate does not exceed $ 1 million~~.

(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 million.

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

(b) If the personal representative has obtained an extension of time for filing the federal estate tax return, the filing required by subsection (a) of this section shall be similarly extended until 30 days after the end of the time period granted in the extension of time for the federal estate tax return. Upon obtaining an extension of time for filing the federal estate tax return, the personal representative shall provide the Mayor with a copy of the extension of time.

(c) The tax due under this chapter shall be paid by the personal representative to the Mayor no later than the date when the return covering this tax is required to be filed under subsection (a) or (b) of this section.

(d) Whenever the Mayor determines that the tax due under this chapter has been overpaid, the estate shall be entitled to a refund of the amount of the overpayment. An application for the refund shall be made to the Mayor within 3 years from the date of payment.

10) BRING ESTATE TAX THRESHOLD TO FEDERAL CONFORMITY

§ 47-3723
Applicability
~~The tax imposed by this chapter shall apply to the estates of decedents dying after March 31, 1987~~.
Repealed

11) BUSINESS FRANCHISE TAX AMENDMENT

Draft Language

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

"(5) For the 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.".

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

"(5) For the 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.".

Redline § 47-1807.02 and § 47-1808.03

§ 47-1807.02

(a) Except as exempted under subchapter II of this chapter, for the privilege of carrying on or engaging in any trade or business within the District and of receiving income from sources within the District, there is levied:

(1) For 1 taxable year beginning after December 31, 1974, a tax at the rate of 12% upon the taxable income of every corporation, whether domestic or foreign;

(2) For the taxable years beginning after December 31, 1975, a tax at the rate of 9% upon the taxable income of every corporation, whether domestic or foreign, except that, effective October 1, 1984, the rate of tax shall be 10% upon the taxable income for any taxable period, except that for taxable years beginning after December 31, 1994, the rate of tax shall be 9.5%;

(3) For the taxable years beginning after December 31, 2002, a tax at the rate of 9.5% upon the taxable income of every corporation, whether domestic or foreign.

(3A) A surtax at the rate of 2.5% on the tax determined under paragraph (2) or (3) of this subsection, as applicable, for any tax period beginning after September 30, 1992.

(3B) A surtax at the rate of 2.5%, separate from and in addition to, the surtax imposed by paragraph (3A) of this subsection, on the tax determined under paragraph (2) or (3) of this subsection, as applicable, for any tax period beginning after September 30, 1994.

(4) For the taxable years beginning after December 31, 2003, a tax at the rate of 9.975% upon the taxable income of every corporation, whether domestic or foreign.

(5) For the 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.

11) BUSINESS FRANCHISE TAX AMENDMENT

(b) The minimum tax payable under this section shall be $ 250. If District gross receipts are greater than $ 1 million, the minimum tax payable shall be $ 1,000. Corporations or financial institutions including International Banking Facilities shall not be exempt from the minimum tax payable under this section even if the business or source income is exempt under other provisions of this chapter.

(c) The taxes imposed by this section shall, during the 3 tax years beginning after June 30, 1981, be subject to the transition rules provided in § 47-2507.

§ 47-1808.03

(a) Except as exempted under subchapter II of this chapter, for the privilege of carrying on or engaging in any trade or business within the District and of receiving income from sources within the District, there is levied:

(1) For 1 taxable year beginning after December 31, 1974, a tax at the rate of 12% upon the taxable income of every unincorporated business, whether domestic or foreign;

(2) For the taxable years beginning after December 31, 1975, a tax at the rate of 9% upon the taxable income of every unincorporated business, whether domestic or foreign, except that, effective October 1, 1984, the rate of tax shall be 10% upon the taxable income for any taxable period, except that for taxable years beginning after December 31, 1994, the rate of tax shall be 9.5%;

(3) For the taxable years beginning after December 31, 2002, a tax at the rate of 9.5% upon the taxable income of every unincorporated business, whether domestic or foreign.

(3A) (A) A surtax at the rate of 2.5% on the tax determined under paragraph (2) or (3) of this subsection, as applicable.

(B) Subparagraph (A) of this paragraph shall apply for any tax period beginning after September 30, 1992.

(3B) (A) A surtax at the rate of 2.5%, separate from and in addition to, the surtax imposed by paragraph (3A) of this subsection, on the tax determined under paragraph (2) or (3) of this subsection, as applicable, for any tax period beginning after September 30, 1994.

(B) Subparagraph (A) of the paragraph shall apply for any tax period beginning after September 30, 1994.

(4) For the taxable years beginning after December 31, 2003, a tax at the rate of 9.975% upon the taxable income of every unincorporated business, whether domestic or foreign.

(5) For the 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.

(b) The minimum tax payable under this section shall be $ 250. If District gross receipts are greater than $ 1 million, the minimum tax payable shall be $ 1,000.

12) EXEMPT INVESTMENT FUNDS FROM UNINCORPORATED BUSINESS FRANCHISE TAX

Proposed Amendment

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.”.

Redline 47-1808.01 Tax on unincorporated businesses -- Definition

For the purposes of this chapter (not alone of this subchapter) and unless otherwise required by the context, the term "unincorporated business" means any trade or business, conducted or engaged in by any individual, whether resident or nonresident, statutory or common-law trust, estate, partnership, or limited or special partnership, society, association, executor, administrator, receiver, trustee, liquidator, conservator, committee assignee, or by any other entity or fiduciary, other than a trade or business conducted or engaged in by any corporation and include any trade or business which if conducted or engaged in by a corporation would be taxable under subchapter VII of this chapter. The term "unincorporated business" does not include:

12) EXEMPT INVESTMENT FUNDS FROM UNINCORPORATED BUSINESS FRANCHISE TAX

(1) A trade or a business which by law, customs, or ethics cannot be incorporated;

(2) A trade, a business, or a profession which can be incorporated only under Chapter 5 of Title 29;

(3) A trade or business in which more than 80% of the gross income is derived from the personal services actually rendered by the individuals or the members of the partnership or other entity in the conducting or the carrying on of a trade or a business and in which capital is not a material income-producing factor;

(4) A trade or a business engaged in by a blind person licensed by the District of Columbia pursuant to An Act To authorize the operation of stands in Federal buildings by blind persons, to enlarge the economic opportunities of the blind, and for other purposes (20 U.S.C. § 107 et seq.); ~~or~~

(5) A Qualified High Technology Company~~.~~; or

(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.

13) APPORTIONMENT OF BUSINESS INCOME

Draft language

(xx) Section 47-1801.01(43) is amended by inserting "provided, however that the term "sales" does not include receipts of a taxpayer from hedging transactions and from the maturity, redemption, sales, exchange, loan or other disposition of cash or securities" at the end.

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

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

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

"(d-2)(1) Apportionment of business income.--All business income shall be apportioned to the District by multiplying the income the sales factor.

"(2) This subsection shall be applicable for the tax years beginning after September 30, 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.".

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

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

13) APPORTIONMENT OF BUSINESS INCOME

Redline § 47-1801.04(43)

(43) "Sales" means all gross receipts of the taxpayer that are business income, as that term is defined in this section provided however "sales" does not include receipts of a taxpayer from hedging transactions and from the maturity, redemption, sales, exchange, loan, or other disposition of cash or securities.

Red line § 47-1810.02

(a) Allocation and apportionment. -- The entire net income of any corporation, financial institution, or unincorporated business, or the unrelated business income of an exempt organization, derived from any trade or business carried on or engaged wholly within the District shall, for the purposes of this chapter, be deemed to be from sources within the District and shall, along with other income from sources within the District, be allocated to the District. If the net income of a corporation, financial institution, or unincorporated business, or the unrelated business income of an exempt organization, is derived from sources within and without the District, the taxpayer shall apportion business income and allocate non-business income as provided in this section.

(b) Taxation by another state. -- For purposes of allocation and apportionment of income under this section, a taxpayer is taxable in another state if:

(1) In that state the taxpayer is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax; or

(2) That state has jurisdiction to subject the taxpayer to a net income tax regardless of whether, in fact, the state does or does not.

(c) Allocation of nonbusiness income.

(1) Rents and royalties from real or tangible personal property, capital gains, interest, dividends, or patent or copyright royalties, to the extent that they constitute non-business income, shall be allocated as provided in paragraphs (2), (3), (4), and (5) of this subsection.

(2) (A) Net rents and royalties from real property located in the District are allocable to the District.

(B) Net rents and royalties from tangible personal property are allocable to the District:

(i) If and to the extent that the property is utilized in the District; or

(ii) In their entirety if the taxpayer's commercial domicile is in the District and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

(C) The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, the tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

(3) (A) Capital gains and losses from sales of real property located in the District are allocable to the District.

(B) Capital gains and losses from sales of tangible personal property are allocable to the District if:

(i) The property had a situs in the District at the time of the sale; or

(ii) The taxpayer's commercial domicile is in the District and the taxpayer is not taxable in the state in which the property had a situs.

(C) Capital gains and losses from the sales of intangible personal property are allocable to the District if the taxpayer's commercial domicile is in the District.

(4) Interest and dividends from District sources are allocable to the District unless the interest and dividends are excluded under § 47-1810.01.

(5) (A) Patent and copyright royalties are allocable to the District: (i) If and to the extent that the patent or copyright is utilized by the payer in the District; or

(ii) If and to the extent that the patent or copyright is utilized by the taxpayer in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in the District.

(B) A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing, or other processing in the state to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent is utilized in the state in which the taxpayer's commercial domicile is located.

(C) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in the state in which the taxpayer's commercial domicile is located.

(d) Apportionment of business income. -- Except as provided in subsection (d-1) and (d-2), all business income shall be apportioned to the District by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is 3.

(d-1) Apportionment of business income.

(1) All business income shall be apportioned to the District by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor twice, and the denominator of which is 4.

(2) This subsection shall be applicable for the tax years beginning after December 31, 2010.

(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 tax years beginning after December 31, 2014.

(e) Property factor.

(1) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the District during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the tax period.

(2) Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at 8 times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from sub-rentals.

(3) The average value of property shall be determined by averaging the values at the beginning and ending of the tax period, but the Mayor may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property.

(f) Payroll factor.

(1) The payroll factor is a fraction, the numerator of which is the total amount paid in the District during the tax period by the taxpayer for compensation, and the denominator of which is the total compensation paid everywhere during the tax period.

(2) Compensation is paid in the District if:

(A) The individual's service is performed entirely within the District;

(B) The individual's service is performed both within and without the District, but the service performed without the District is incidental to the individual's service within the District; or

(C) Some of the service is performed in the District and:

(i) The base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the District; or

(ii) The base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in the District.

(g) Sales factor.

(1) The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in the District during the tax period, and the denominator of which is the total sales of the taxpayer everywhere during the tax period.

(2) Sales of tangible personal property are in the District if:

(A) The property is delivered or shipped to a purchaser within the District regardless of the f.o.b. point or other conditions of the sale; or

(B) The property is shipped from an office, store, warehouse, factory, or other place of storage in the District and (i) the purchaser is the United States government, or (ii) the taxpayer is not taxable in the state of the purchaser.

(3) ~~Sales, other than sales of tangible personal property, are in the District if:~~

~~(A) The income-producing activity is performed in the District; or~~

~~(B) The income-producing activity is performed both in and outside the District and a greater proportion of the income-producing activity is performed in the District than in any other state, based on costs of performance.~~

(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..

(h) Alternative methods. -- If the allocation and apportionment provisions of this section do not fairly represent the extent of the taxpayer's business activity in the District, the taxpayer may petition for or the Mayor may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

(1) Separate accounting;

(2) The exclusion of any 1 or more of the factors;

(3) The inclusion of 1 or more additional factors that will fairly represent the taxpayer's business activity in the District; or

(4) The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

(i) Definitions. -- For the purposes of this section, the term:

(1) "State" shall include the District of Columbia.

(2) "Business income" means all income which is apportionable under the Constitution of the United States.

(j) Construction. -- This section shall be so construed as to effectuate its general purpose to make uniform the law of those states that enact it.

Redline § 47-1810.04

Determination of taxable income or loss using combined report; components of income subject to tax in the District, application of tax credits and post apportionment deductions; determination of taxpayer's share of the business income of a combine group apportionable to the District.

(a) The use of a combined report does not disregard the separate identities of the taxpayer members of the combined group. Each taxpayer member is responsible for tax based on its taxable income or loss apportioned or allocated to the District, which shall include, in addition to other types of income, the taxpayer member's apportioned share ofbusiness income

of the combined group, where business income of the combined group is calculated as a summation of the individual net business incomes of all members of the combined group. A member's net business income is determined by removing all but business income, expense, and loss from that member's total income, as provided in this section and§ 47-1810.05.

(b)(1) Each taxpayer member is responsible for tax based on its taxable income or loss apportioned or allocated to the District, which shall include its:

(A) Share of any business income apportionable to the District of each of the combined groups of which it is a member, as determined under subsection (c) of this section;

(B) Share of any business income apportionable to the District of a distinct business activity conducted within and without the District wholly by the taxpayer member, as determined under the provisions for apportionment of business income set forth in this chapter;

(C) Income from a business conducted wholly by the taxpayer member entirely within the District;

(D) Income sourced to the District from the sale or exchange of capital or assets, and from involuntary conversions, as determined under§ 47-1810.05(b)(8);

(E) Nonbusiness income or loss allocable to the District as determined under the provisions for allocation of nonbusiness income set forth in this chapter;

(F) Income or loss allocated or apportioned in an earlier year required to be taken into account as District source income during the income year, other than a net operating loss; and

(G) Net operating loss carryover.

(2) If the taxable income computed pursuant to this section and§ 47-1810.05 results in a loss for a taxpayer member of the combined group, that taxpayer member has a District net operating loss, subject to the net operating loss limitations and carryover provisions of this chapter. The District net operating loss shall be applied as a deduction in the subsequent year only if that taxpayer has District source positive net income, whether or not the taxpayer is a member of a combined reporting group in the subsequent year.

(3) Except where otherwise provided, no tax credit or post-apportionment deduction earned by one member of the group, but not fully used by or allowed to that member, may be used, in whole or in part, by another member of the group or applied, in whole or in part, against the total income of the combined group. A post-apportionment deduction carried over into a subsequent year as to the member that incurred it, and available as a deduction to that member in a subsequent year, will be considered in the computation of the income of that member in the subsequent year regardless of the composition of that income as apportioned, allocated, or wholly within the District.

(c) The taxpayer's share of the business income apportionable to the District of each combined group of which it is a member shall be the product of the:

(1) Business income of the combined group, determined under§ 47-1810.05; and

(2) Taxpayer member's apportionment percentage, determined in accordance with this chapter, including in the property, payroll, and sales factor numerators of the taxpayer's property, payroll, and sales, respectively, associated with the combined group's unitary business in the District and including in the denominator the property, payroll, and sales of all members of the combined group, including the taxpayer, which property, payroll, and sales are associated with the combined group's unitary business wherever located.

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

14) LEVY A LOCAL SERVICE FEE

Proposed Amendment

(xx) 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 inserting 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 employer 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:

14) LEVY A LOCAL SERVICE FEE

"(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.".

Redline § 51-103
Employer contributions
[Partially quoted]

(m) (1) Commencing January 1, 2006, an administrative funding assessment of 0.2% of all wages as defined in subsection (e)(6) of this section shall be paid by all employers liable for contributions required by subsections (b) and (c) of this section and by all employers liable for payments in lieu of contributions required by subsection (h) of this section. The administrative funding assessment shall be paid quarterly, but shall be separate and distinct from contributions or payments in lieu of contributions.

(2) All administrative funding assessment payments collected shall be deposited into the Unemployment and Workforce Development Administrative Fund established by § 51-114(d) and shall not be credited to the accounts of individual employers.

(3) Repealed.

(4) (A) For calendar quarters commencing after September 30, 2007, if the administrative funding assessments required by paragraph (1) of this subsection are not paid when due, there shall be added thereto interest at the rate of 1.5% per month, or fraction thereof, from the date the assessments became due until paid. Interest shall not be charged to a court-appointed fiduciary when the assessment payments are not paid timely because of a court order.

(B) If an administrative funding assessment is not paid on or before the first day of the second month following the close of the calendar quarter for which it is due, there shall be added a penalty of 10% of the amount due. The penalty shall not be less than $ 100; provided, that for good cause shown, the penalty may be waived by the Director of the Department of Employment Services.

(n) Notwithstanding any other provision of this subchapter, all assignments of contribution rates and transfers of experience in any year commencing after December 31, 2005 shall be made in accordance with the following:

(1) If an employer transfers all or a portion of its trade or business to another employer and,

at the time of transfer, there exists any common ownership, management, or control of the 2 employers, the unemployment experience for the trade or business shall be transferred to the employer receiving the trade or business. The contribution rates of both employers shall be recalculated and made effective on the 1st day of the next rating year. Any penalties that may be imposed on the transfer under § 51-104 shall be retroactive to the beginning of the year in which the transfer occurred.

(2) If a person is not subject to this subchapter at the time it acquires the trade or business of an employer subject to this subchapter, the unemployment experience of that trade or business shall not be transferred if the Director determines that the acquisition was solely or primarily for purpose of obtaining a lower contribution rate. In such event, the person shall be assigned a new employer rate under subsection (c)(3)(A) of this section. The Director shall use objective criteria to determine whether the trade or business was acquired solely or primarily for the purpose of obtaining a lower contribution rate, including:

(A) The cost of acquiring the trade or business enterprise;

(B) Whether the trade or business was continued by the person after acquisition;

(C) The length of time that the trade or business was continued; and

(D) Whether a substantial number of new employees were hired to perform duties unrelated to the trade or business activity prior to the acquisition.

(3) The Director shall establish procedures to identify the transfer or acquisition of a trade or business for the purposes of this subchapter.

(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 times (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 times 1.5. The first 4 employees of each employer 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.

Redline § 51-114. Payment of administrative expenses

(a) All moneys received by the Director from the United States under title III of the Social Security Act or from other sources for administering this subchapter shall, immediately upon such receipt, be deposited in the Treasury of the United States as a special deposit to be used solely to pay such administrative expenses (including expenditures for rent, for suitable office space in the District of Columbia, and for lawbooks, books of reference, and periodicals), traveling expenses when authorized by the Director, premiums on the bonds of the Director's employees, and allowances to investigators for furnishing privately-owned motor vehicles in the performance of official duties at rates not to exceed $ 65 per month. All such payments of expenses shall be made by checks drawn by the Director and shall be subject to audit by the

Mayor of the District of Columbia in the same manner as are payments of other expenses of the District. Notwithstanding the provisions of this section and the provisions of §§ 51-102 and 51-108, the Director is authorized to requisition and receive from the Director's account in the Unemployment Trust Fund in the Treasury of the United States of America, in the manner permitted by federal law, such moneys standing to the District's credit in such Fund, as are permitted by federal law to be used for expenses incurred by the Director for the administration of this subchapter and to expend such moneys for such purposes. Moneys so received shall, immediately upon such receipt, be deposited in the Treasury of the United States in the same special account as are all other moneys received for the administration of this subchapter. All moneys received by the Director pursuant to § 302 of the Social Security Act shall be expended solely for the purposes and in the amounts found necessary by the Department of Labor for the proper and efficient administration of this subchapter. In lieu of incorporation in this subchapter of the provision described in § 303(a)(9) of the Social Security Act, the Mayor shall include in the Mayor's annual report to Council of the District of Columbia, provided in § 51-113, a report of any moneys received after July 1, 1941, from the Department of Labor under title III of the Social Security Act, and any unencumbered balances in the Employment Compensation Administration Fund as of that date, which the Department of Labor finds have, because of any action or contingency, been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Department of Labor for the proper administration of this subchapter.

(b) (1) There is hereby created a special fund in the General Fund of the District of Columbia, separate and apart from the District Unemployment Fund, to be known as the Special Administrative Expense Fund. Notwithstanding any contrary provisions of this subchapter:

(A) Interest and penalties collected from employers, and dishonored check penalties authorized by § 1-333.11 shall after January 31, 1972, be deposited into the Clearing Account in the District Unemployment Fund in the Treasury of the United States for clearance only and shall not, except as provided in paragraph (4) of this subsection, be deemed a part of the District Unemployment Fund;

(B) Thereafter, during each calendar quarter, there shall be transferred from the Clearing Account to such Special Administrative Expense Fund all moneys described in subparagraph (A) of this paragraph collected during the preceding quarter; and

(C) Refunds of such moneys paid into the Special Administrative Expense Fund shall be made from such Fund.

(2) (A) Said moneys shall not be expended or available for expenditure in any manner which would permit their substitution for, or a corresponding reduction in, federal funds which would in the absence of said moneys, be available to finance expenditures for the administration of this subchapter. Nothing in this subsection shall prevent said moneys from being used as a revolving fund to cover expenditures, necessary and proper under the law, for which federal funds have been duly requested but not yet received, subject to the charging of such expenditures against such funds when received. The moneys in this Fund shall be used by the Director for the payment of costs of administration which are found by the Director not to be proper and valid charges payable out of federal grants or other funds received for the administration of this subchapter. All such payments of expenses shall be made by checks drawn by the Director and shall be subject to audit by the District in the same manner as are payments of other expenses of the District.

(B) The monies in this Fund shall also be used for the payment of the monetary benefit described in § 51-119.01(b).

(3) No expenditure of this Fund shall be made unless and until the Director by written statement of authorization finds that no other funds are available or can properly be used to finance such expenditures. Vouchers drawn to pay expenditures of this Fund shall, among other things, include a copy of the written authorization of the Director hereinbefore referred to.

(4) The moneys in this Fund shall be continuously available to the Director for expenditures and refunds in accordance with the provisions of this subsection and shall not lapse at any time or be transferred to any other fund or account except as are herein provided. If, on October 31st of any calendar year, the balance in this Fund exceeds $ 1,000,000 by $ 1,000 or more, the Director shall transfer such excess to the Unemployment Trust Fund. The interest on the funds in the Fund shall be credited to the Fund.

(c) (1) There is created a special fund in the General Revenue Fund of the District of Columbia Treasury, which shall be separate from the District Unemployment Fund, to be known as the Interest Account. Notwithstanding any contrary provisions of this subchapter:

(A) All interest surcharges collected from employers shall be deposited in the Interest Account; and

(B) All moneys in the Interest Account shall be used for the payment of interest assessed on interest-bearing advances received under title XII of the Social Security Act.

(2) Of the amount deposited in the Interest Account, $ 4,500,000 shall be transferred to the Special Administrative Expense Fund established by subsection (b) of this section, upon certification of the Director to the Chief Financial Officer of the District of Columbia that such monies are no longer needed to pay such interest bearing advances and interest assessments. The funds transferred from the Interest Account to the Special Administrative Account shall not be subject to the limitations imposed by subsection (b)(4) of this section and shall be expended on:

(A) Installation of an Interactive Voice Response system, for processing initial, reopened, and transitional claims, for responding to inquiries on current benefit overpayment balances and status of most recent repayments, for providing general information on the process for filing an appeal and specific information on the status of a filed appeal, and for the processing of a household employer's annual contribution report;

(B) Implementation of Internet based electronic applications, which would allow an employer to register, to update its account for changes of address, phone, and business status, to submit its quarterly reports, and in the case of a household employer to submit annual reports and make payment electronically;

(C) Implementation of an integrated scanning, imaging, and retrieval system;

(D) Implementation of an Internet based fraud control program;

(E) Implementation of an Internet based system for scheduling benefit hearings and other procedures;

(F) Implementation of a system for direct deposit and electronic transfer of benefit payments; and

(G) Activities in support of the Unemployment Compensation Terrorist Response Temporary Amendment Act of 2002, effective July 23, 2002 (D.C. Law 14-171; 49 DCR 5072), and the increased workload associated with the events of September 11, 2001.

(d) (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 Unemployment and Workforce Development Administrative Fund.

(2) Notwithstanding any contrary provisions of this subchapter:

(A) All administrative assessment payments collected from employers shall be deposited into the Administrative Assessment Account. The interest on the funds in the Administrative Assessment Account shall be credited to the Administrative Assessment Account.

(B) All funds deposited into the Administrative Assessment Account shall be used exclusively for the improvement of benefit claim eligibility determinations, the provision of employment and reemployment services, fraud prevention, and the costs of collecting and administering the administrative funding assessment.

(C) The services and improvements shall include:

(i) Increasing the number of referrals to intensive reemployment services;

(ii) Providing job coaches, job clubs, and weekly reemployment workshops;

(iii) Increasing the number of eligibility review interviews;

(iv) Increasing the number of fraud investigations;

(v) Increasing the number of staff to perform these expanded services; and

(vi) Other activities that may increase the likelihood of employment or reemployment.

(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 Revenue Fund of the District of Columbia at the end of a fiscal year.

15) EXPAND SALES TAX TO MORE SERVICES

Proposed Language

(xx) Section 47-2001(n)(1) is amended as follows:

(1) Paragraph (T) is amended by striking the word "and" at the end.

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

(3) Add new subparagraphs (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.".

15) EXPAND SALES TAX TO MORE SERVICES

Redline § 47-2001

[Partially quoted]

(n) (1) "Retail sale" and "sale at retail" mean the sale in any quantity or quantities of any tangible personal property or service, including any such sales effected via the internet by a nexus-vendor, taxable under the terms of this chapter. These terms mean all sales of tangible personal property to any person for any purpose other than those in which the purpose of the purchaser is to resell the property so transferred in the form in which the same is, or is to be, received by him, or to use or incorporate the property so transferred as a material or part of other tangible personal property to be produced for sale by manufacturing, assembling, processing, or refining. For the purpose of the tax imposed by this chapter, these terms shall include, but not be limited to, the following:

(A) (i) Sales of food or drink prepared for immediate consumption as defined in subsection (g-1) of this section; and

(ii) Sales of food or drink when sold from vending machines;

(iii) Repealed;

(iv) Sales of soft drinks.

(B) Any production, fabrication, or printing of tangible personal property on special order for a consideration;

(C) The sale or charge, to include net charges and additional charges, for any room or rooms, lodgings, or accommodations furnished to transients by any hotel, room remarketer, inn, tourist camp, tourist cabin, or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients for a consideration.

(D) The sale of natural or artificial gas, oil, electricity, solid fuel, or steam;

(E) The sale of material used in the construction, and of materials used in the repair or alteration, of real property, which materials, upon completion of such construction, alterations, or repairs, become real property, regardless of whether or not such real property is to be sold or resold, however, this section shall not apply to the sale of material for the purpose of subsequently transporting the property outside the District for use solely outside the District;

(F) The sale or charges for possession or use of any article of tangible personal property granted under a lease or contract, regardless of the length of time of such lease or contract or whether such lease or contract is oral or written; in such event, for the purposes of this chapter, such lease or contract shall be considered the sale of such article and the tax shall be computed and paid by the vendor upon the rental paid; provided, however, that the gross proceeds from the rental of films, records, or any type of sound transcribing to theaters and radio and television broadcasting stations shall not be considered a retail sale;

(G) (i) The sale of or charges to subscribers for local telephone service. The inclusion of such sales and charges in the definition of the terms "retail sale" and "sale at retail" shall not authorize any tax to be imposed under this chapter on so much of any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment as is properly attributable to such installation.

(ii) The term "local telephone service" means:

(I) The access to a local telephone system, and the privilege of telephonic quality communication with substantially all persons having telephone or radio telephone stations constituting a part of such local telephone system; and

(II) Any facility or service provided in connection with a service described in clause (I) of this sub-subparagraph. The term "local telephone service" does not include any service which is a "toll

telephone service" or a "private communication service" as defined in sub-subparagraphs (iii) and (iv) of this subparagraph.

(iii) The term "toll telephone service" means:

(I) A telephonic quality communication for which there is a toll charge which varies in amount with the distance and elapsed transmission time of each individual communication and the charge is paid within the United States; and

(II) A service which entitles the subscriber, upon payment of a periodic charge (determined as a flat amount or upon the basis of total elapsed transmission time), to the privilege of an unlimited number of telephonic communications to or from all or a substantial portion of the persons having telephone or radio telephone stations in a specified area which is outside the local telephone system area in which the station provided with this service is located.

(iv) The term "private communication service" means:

(I) The communication service furnished to a subscriber which entitles the subscriber to exclusive or priority use of any communication channel or groups of channels, or to the use of an intercommunication system for the subscriber's stations, regardless of whether such channel, or groups of channels, or intercommunication system may be connected through switching with a service described in sub-subparagraph (ii) or (iii) of this subparagraph;

(II) Switching capacity, extension lines and stations, or other associated services which are provided in connection with, and are necessary or unique to the use of, channels, or systems described in clause (I) of this sub-subparagraph; and

(III) The channel mileage which connects a telephone station located outside a local telephone system area with a central office in such local telephone system, except that such term does not include any communication service unless a separate charge is made for such service;

(H) The sale of or charges for admission to public events, except live performances of ballet, dance, or choral performances, concerts (instrumental and vocal), plays (with and without music), operas and readings and exhibitions of paintings, sculpture, photography, graphic and craft arts, but including movies, circuses, burlesque shows, sporting events, and performances or exhibitions of any other type or nature; provided, that any casual or isolated sale of or charge for admission made by a semipublic institution not regularly engaged in asking such sales or charges shall not be considered a retail sale or sale at retail;

(I) The sale of or charges for the service of repairing, altering, mending, or fitting tangible personal property, or applying or installing tangible personal property as a repair or replacement part of other tangible personal property, whether or not such service is performed by other means of coin-operated equipment or by any other means, and whether or not any tangible personal property is transferred in conjunction with such service;

(J) The sale of or charges for copying, photocopying, reproducing, duplicating, addressing, and mailing services and for public stenographic services;

(K) The sale of or charges for the service of laundering, dry cleaning, or pressing of any kind of tangible personal property, except when such service is performed by means of self-service, coin-operated equipment, and the rental of textiles to commercial users when the essential part of the rental includes the recurring service of laundering or cleaning thereof;

(L) The sale of or charge for the service of parking, storing, or keeping motor vehicles or trailers, except that:

(i) Where a sale or charge for the service described in this subparagraph is made to a District

resident who is a tenant in an apartment house or the owner of a condominium unit or a cooperative unit in which he or she resides, and the motor vehicle or trailer of the tenant or owner is parked, stored or kept on the same premises on which the tenant or owner has his or her place of residence, except as otherwise provided in this paragraph the sale or charge is exempt from the tax imposed by this subparagraph. The exemption shall not extend to a tenant or owner whose motor vehicle or trailer is used for commercial purposes or whose occupancy of the building is for commercial purposes; or

(ii) (I) Where the sale or charge for the service is made to a District resident who possesses and shows to those providing the service a parking sales tax exemption card issued and signed by the Mayor or his or her duly authorized representative pursuant to sub-subparagraph (iii) of this subparagraph, the sale or charge is exempt from the tax imposed by this paragraph;

(II) This exemption shall extend only to those District residents using the service for the purpose of keeping their vehicles or trailers near their place of residence and shall not extend to a resident whose motor vehicle or trailer is used for commercial purposes, as ascertained by the Mayor or his or her duly authorized representative;

(iii) Upon application by a District resident, the Mayor shall issue to him or her a parking sales tax exemption card; provided, that the resident:

(I) Possesses a District motor vehicle or trailer registration certificate and identification tag for the motor vehicle or trailer to be parked, if so required by § 50-1501.02(a);

(II) Has registered the vehicle or trailer to a residential address in the District, if a registration certificate is required by § 50-1501.02(a), which address is located within one-half mile of the address of the business or operation providing the service; and

(III) Provides the Mayor the name and address of the business or operation to provide the service;

(iv) The parking sales tax exemption card shall state the name and address of the person to whom it is issued, the name and address of the business or operation to provide the service, and any other information, including a photograph, deemed necessary by the Mayor;

(iv-I) (I) Where the sale or charge for service is made by a valet parking service business, the sale or charge for service shall be exempt from the tax imposed by this sub-subparagraph.

(II) For the purposes of this sub-subparagraph, the term "valet parking service business" means a corporation, partnership, business entity, or proprietor who takes temporary control of a motor vehicle of a person attending any restaurant, business, activity, or event to park, store, or retrieve the vehicle. The term "valet parking service business" shall not include a garage, parking lot, or parking facility that provides parking services by parking lot attendants.

(v) For the purpose of this paragraph, the term:

(I) "Motor vehicle" means any vehicle propelled by an internal-combustion engine or by electricity or steam, except road rollers, farm tractors, and vehicles propelled only upon stationary rails or tracks; and

(II) "Trailer" means a vehicle without motor power intended or used for carrying property or persons and drawn or intended to be drawn by a motor vehicle, whether such vehicle without motor power carries the weight of the property or persons wholly on its own structure or whether a part of such weight rests upon or is carried by a motor vehicle;

(M) The sale of or charges for the service of real property maintenance and landscaping.

(i) (I) For the purposes of this paragraph, the term "real property maintenance" means any activity that keeps the land or the premises of a building clean, orderly, and functional, including the performance

of minor adjustments, maintenance, or repairs which include: floor, wall, and ceiling cleaning; pest control; window cleaning; servicing inground and in building swimming pools; exterior building cleaning; parking lot, garage, and recreation area maintenance; exterior and interior trash removal; restroom cleaning and stocking; lighting maintenance; chimney and duct cleaning; and ground maintenance; but does not include; painting, wallpapering, or other services performed as part of construction or major repairs; or services performed under an employee-employer relationship.

(II) The term "real property maintenance" shall not include the exterior or interior trash removal of recyclable material. For the purposes of this sub-sub-subparagraph, the term "recyclable material" means material that would otherwise become municipal solid waste and is shown by the provider of the interior or exterior trash removal that the material has been collected, separated, or processed to be returned into commerce as a raw material or product, or has been sold to a company in the business of separating or processing recyclable materials.

(ii) For the purposes of this paragraph, the term "landscaping" means the activity of arranging or modifying areas of land and natural scenery for an improved or aesthetic effect; the addition, removal, or arrangement of natural forms, features, and plantings; the addition, removal, or modification of retaining walls, ponds, sprinkler systems, or other landscape construction services; and other services provided by landscape designers or landscape architects such as consultation, research, preparation of general or specific design or detail plans, studies, specifications or supervision, or any other professional services or functions associated with landscaping;

(N) The sale of or charges for data processing and information services.

(i) For the purposes of this paragraph, the term "data processing service" means the processing of information for the compilation and production of records of transactions; the maintenance, input, and retrieval of information; the provision of direct access to computer equipment to process, examine, or acquire information stored in or accessible to the computer equipment; the specification of computer hardware configurations, the evaluation of technical processing characteristics, computer programming or software, provided in conjunction with and to support the sale, lease, operation, or application of computer equipment or systems; word processing, payroll and business accounting, and computerized data and information storage and manipulation; the input of inventory control data for a company; the maintenance of records of employee work time; filing payroll tax returns; the preparation of W-2 forms; the computation and preparation of payroll checks; and any system or application programming or software.

(ii) For the purposes of this paragraph, the term "information service" means the furnishing of general or specialized news or current information, including financial information, by printed, mimeographed, electronic, or electrical transmission, or by wire, cable, radio waves, microwaves, satellite, fiber optics, or any other method in existence or which may be devised; electronic data retrieval or research, including newsletters, real estate listings, or financial, investment, circulation, credit, stock market, or bond rating reports; mailing lists; abstracts of title; news clipping services; wire services; scouting reports; surveys; bad check lists; and broadcast rating services; but does not include: information sold to a newspaper or a radio or television station licensed by the Federal Communication Commission, if the information is gathered or purchased for direct use in newspapers or radio or television broadcasts; charges to a person by a financial institution for account balance information; or information gathered or compiled on behalf of a particular client, if the information is of a proprietary nature to that client and may not be sold to others by the person who compiled the information, except for a subsequent sale of the information by the client for whom the information was gathered or compiled.

(iii) The term "data processing services" does not include a service provided by a member of an affiliated group of corporations to other corporate members of the group. Data processing services shall be exempt from sales tax if the service is rendered by a member of the affiliated group of corporations, has not been purchased with a certificate of resale or exemption by the corporation that provides the service, is rendered for the purpose of expense allocation, and is not for the profit of the corporation providing the service. For the purposes of this sub-subparagraph, the term "affiliated group" shall have the same meaning as defined in 26 U.S.C. § 1504(a);

(O) The sale of or charge for any newspaper or publication;

(P) (i) The sale of or charges for stationary two-way radio services, telegraph services, teletypewriter services, and teleconferencing services. The sale of or charges for services listed in this subparagraph shall not be considered sales of or charges for private communication services as defined in subparagraph (G)(iv) of this paragraph;

(ii) The sale of or charges for "900", "976", "915", and other "900"-type telecommunication services;

(iii) The sale of or charges for telephone answering services, including automated services and services provided by human operators;

(iv) The sale of or charges for telephone services rendered by means of coin-operated telephones; and

(v) The sale of or charges for services enumerated in sub-subparagraphs (i) through (iv) of this subparagraph shall not include sales of or charges for services that are subject to tax under § 47-2501 or Chapter 39 of this title;

(Q) The sale of or charge for any delivery in the District for which a separate charge is made, except merchandise delivered for resale for which a District of Columbia certificate of resale has been issued or the delivery of any newspapers;

(R) The sale of or charge for the service of procuring, offering, or attempting to procure in the District job seekers for employers or employment for job seekers, including employment advice, counseling, testing, resume preparation and any other related services;

(S) The sale of or charge for the service of placing a job seeker with an employer in the District;

(T) The sale of a prepaid telephone calling card, even if no card has been issued. Notwithstanding any other provision of law, any sale of a prepaid telephone calling card on or after October 1, 1997, shall be deemed the sale of tangible personal property subject only to such taxes as are imposed on the sale of food for immediate consumption as defined under subsection (g-1) of this section, even where no card has been issued. Gross receipts or charges from the sale of the telecommunication service purchased through the use of a prepaid telephone calling card, even if no card has been issued, shall not be subject to the taxes imposed under § 47-2501 et seq.; or § 47-3901 et seq.; ~~or~~

(U) The sale of or charges for armored car service, private investigation service, and security service; provided, that an armored-car-services vendor may reasonably apportion any charges for any out-of-state delivery component, including the apportionment of distance, time, or number of stops within and outside of the District; provided further, that application of the sales and use tax to charges for security services is controlled by the delivery point of the services; provided further, that the reimbursement of incidental expenses paid to a third party and incurred in connection with providing a taxable private detective service shall not be included~~.~~;

15) EXPAND SALES TAX TO MORE SERVICES

(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 and pool;
(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.

16) USE TAX LINE

Proposed Language

There is no statutory language recommendation.

Redline

There is no redline.

Notes:

It is our opinion that the use tax and any safe harbor provisions can be administered through regulations. Use tax is found in Chapter 22 of Title 47 but the TRC proposal does not amend existing law. Instead the TRC proposal would require the individual income tax payer to remit use tax on the D-40 (individual income tax return) instead of through from FR-329 which is submitted independently of the D-40. The TRC recommends promulgating regulations consistent with creating a use tax line on the D-40 and establishing a "safe harbor" table as noted below.

Safe harbor threshold based on AGI: The TRC recommends that a use tax threshold be adopted for District taxpayers that is based on AGI. Instead of itemizing use tax, the taxpayer will be able to refer to a table that will give an estimated payment for the year. We recommend OTR adopt the table below.

Adjusted Gross Income (AGI) Range:	**Use Tax Liability**
Less Than $20,000	$7
$20,000 to $39,999	$21
$40,000 to $59,999	$35
$60,000 to $79,999	$49
$80,000 to $99,999	$63
$100,000 to $149,999	$88
$150,000 to $199,999	$123
More than $199,999 -Multiply AGI by 0.070% (.0007)	

17) SALES TAX INCREASE

Proposed Language

(xx) Section 47-2002(a) is amended by striking 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.

(xx) 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.

Redline § 47-2002(a)

(a) A tax is imposed upon all vendors for the privilege of selling at retail certain tangible personal property and for the privilege of selling certain selected services (defined as "retail sale" and "sale at retail" in this chapter). Beginning October 1, 2013 the rate of such tax shall be 5.75%; beginning October 1, 2014 the rate of such tax shall be 6% of the gross receipts from sales of or charges for such tangible personal property and services, except that:

(1) The rate of tax shall be 18% of the gross receipts from the sale of or charges for the service of parking or storing of motor vehicles or trailers, except the service of parking or storing of motor vehicles or trailers on a parking lot owned or operated by the Washington Metropolitan Area Transit Authority and located adjacent to a Washington Metropolitan Area Transit Authority passenger stop or station;

(2) (A) The rate of tax shall be 10.05% of the gross receipts from the sale of or charges for any room or rooms, lodgings, or accommodations furnished to a transient by any hotel, inn, tourist camp, tourist cabin, or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients;

(B) If the occupancy of a room or rooms, lodgings, or accommodations is reserved, booked, or otherwise arranged for by a room remarketer, the tax imposed by this paragraph shall be determined based on the net charges and additional charges received by the room remarketer.

(3) The rate of tax shall be 9% of the gross receipts from the sale of or charges for:

(A) Food or drink prepared for immediate consumption as defined in § 47-2001(g-1);

(B) Spirituous or malt liquors, beers, and wine sold for consumption on the premises where sold; and

(C) Rental or leasing of rental vehicles and utility trailers as defined in § 50-1505.01;

(3A) The rate of tax shall be 10% of the gross receipts of the sales of or charges for spirituous or malt liquors, beers, and wine sold for consumption off the premises where sold;

(4) Repealed;

(4A) The rate of tax shall be 5.75% of the gross receipts from the sale of or charges for tangible personal property or services by legitimate theaters, or by entertainment venues with 10,000 or more seats, excluding any such theaters or entertainment venues from which such taxes are applied to pay debt service on tax-exempt bonds;

(5) The rate of tax shall be 12% of the gross receipts from the sale of or charges for cigars,

excluding premium cigars;

(6) The rate of tax shall be 12% of the gross receipts from the sale of or charges for other tobacco products; and

(7) (A) The rate of tax shall be 6% of the gross receipts from the sale of or charges for medical marijuana, as defined in the Legalization of Marijuana for Medical Treatment Initiative of 1999, transmitted on December 21, 2009 (D.C. Act 13-138) [Chapter 16B of Title 7].

(B) The proceeds of the tax collected under subparagraph (A) of this paragraph shall be deposited in the Healthy DC and Health Care Expansion Fund established by [§ 31-3514.02].

(b) Of the sales tax revenue received pursuant to this section, $ 1,170,000 annually shall be used to fund the Reimbursable Detail Subsidy Program in the Alcoholic Beverage Regulation Administration.

Redline of § 47-2202. Imposition of tax

There is hereby imposed and there shall be paid by every vendor engaging in business in the District and by every purchaser a tax on the use, storage, or consumption of any tangible personal property and service sold or purchased at retail sale. The rate of tax imposed by this section shall be ~~5.75%, except for the period beginning October 1, 2009, and ending September 30, 2012, the rate shall be 6%,~~ 5.75%; beginning October 1, 2014, the rate of tax imposed by this section shall be 6% of the sales price of such tangible personal property and services, except that:

(1) The rate of tax shall be 12% of the gross receipt from the sale of or charges for the service of parking or storing of motor vehicles or trailers, except the service of parking or storing of motor vehicles or trailers on a parking lot owned or operated by the Washington Metropolitan Area Transit Authority and located adjacent to a Washington Metropolitan Area Transit Authority passenger stop or station;

(2) (A) The rate of tax shall be 10.05% of the gross receipts from the sale of or charges for any room or rooms, lodgings, or accommodations, furnished to a transient by any hotel, inn, tourist camp, tourist cabin, or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients;

(B) If the occupancy of a room or rooms, lodgings, or accommodations is reserved, booked, or otherwise arranged for by a room remarketer, the tax imposed by this paragraph shall be determined based on the net charges and additional charges received by the room remarketer.

(3) The rate of tax shall be 9% of the gross receipts from the sale of or charges for:

(A) Food or drink prepared for immediate consumption as defined in § 47-2001(g-1);

(B) Spirituous or malt liquors, beer and wine sold for consumption on the premises where sold; and

(C) Rental or leasing of rental vehicles and utility trailers as defined in § 50-1505.01;

(3A) The rate of tax shall be 9% of the gross receipts of the sales of or charges for spirituous or malt liquors, beers, and wine sold for consumption off the premises where sold; and

(4) [Repealed].

18) UNIFY TOBACCO TAXATION

Proposed Language

(xx) 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)(2)(J) is amended by inserting the phrase "and other tobacco products as defined in § 47-2401(5A)" after the word "tobacco".

(xx) Section 47-2002(a) is amended as follows:

(1) Subsection (4A) is amended by inserting the word "and" at the end.

(2) Subsections (5) and (6) are repealed.

(xx) Section 47-2401 is amended as follows:

(2) The title is amended to read "Tobacco Tax".

(3) Paragraph (1) is repealed.

(4) Paragraph (2) is amended by inserting the phrase "or other tobacco products" after the word "cigarettes".

(5) Paragraph (5) is amended by striking the phrase "cigars,".

(6) Paragraph (5A) is amended to read as follows:

18) UNIFY TOBACCO TAXATION

"(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.".

(7) Paragraph (8) is amended by inserting the phrase "or other tobacco products" after the word "cigarettes".

(8) Paragraph (8A) is repealed.

(9) Paragraph (10) is amended by inserting the phrase "or other tobacco products" after the word "cigarette".

(10) 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.".

(xx) The title of Section 47-2402. is amended to read "Imposition; payment of cigarette tax"

(xx) 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.

18) UNIFY TOBACCO TAXATION

"(2)(A) Beginning as of 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 recomputed 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".

"(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".

(xx) 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.

(xx) Section 47-2404(3)(B) is amended by inserting the phrase "or other tobacco product" after the word "cigarette" where it appears.

(xx) Section 47-2405 is amended as follows:

(1) The Section title is amended by inserting "and other tobacco products" at the end of the title.

(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.".

(xx) 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:

"(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".

18) UNIFY TOBACCO TAXATION

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

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

Redline §47-2001

(a) Repealed.
(a-1) "Additional charges" means the excess of the gross receipts from the sale of or charges for any room or accommodations received by a room remarketer over the net charges.
(a-2) "Armored car service" means picking up and delivering money, receipts, or other valuable items with personnel and equipment to protect the properties while in transit. The term "armored car service" shall not include coin rolling or change-room services; provided, that these charges are separately stated.
(b) "Business" includes any activity engaged in by any person or caused to be engaged in by him with the object of gain, benefit, or advantage, either direct or indirect.

~~(b-1) "Cigar" means any roll for smoking, other than a cigarette as defined in § 47-2401(1) [§ 47-2401(1A)], made wholly or in part of tobacco, and where the wrapper or cover of the roll is made of natural leaf tobacco or any substance containing tobacco.~~
Repealed.

(c) "Collector" means the Collector of Taxes of the District or his duly authorized representatives.
(d) "Mayor" means the Mayor of the District of Columbia or his duly authorized representative or representatives.
(e) "District" means the District of Columbia.
(f) "Engaging in business" means commencing, conducting, or continuing in business, as well as liquidating a business when the liquidator thereof holds himself out to the public as conducting such a business.
(g) "Food or drink" means items sold for human or animal ingestion that are consumed for their taste or nutritional value. These items include, but are not limited to, baby foods and formula; baked goods; baking soda, baking powder, and baking mixes; bouillon; cereal and cereal products; cocoa and cocoa products; coffee and coffee substitutes; condiments; cooking wines; cough drops; edible cake decorations; egg and egg products; fish and fish products, including shellfish; fruit, fruit products, and fruit juices; gelatin; honey; ice cream; meat and meat products; milk and milk products; nondairy creamers; oleomargarine; pasta and pasta products; poultry and poultry products; powdered drinks, including health and diet drinks; salad dressings; salt and salt substitutes; sauces and gravies; snack foods; soups; spices and herbs; sugar and sugar products; syrup and syrup substitutes; tea and tea substitutes; vegetables, vegetable products, and vegetable juices; vitamins; water; yogurt; pet foods; flavored extracts; ice; and any combination of these items. The term "food or drink" does not include spirituous or

malt liquors, beers, and wines; drugs, medicines or pharmaceuticals; chewing tobacco; toothpaste; or mouthwash.

(g-1) "Food or drink prepared for immediate consumption" includes, but is not limited to, food or drink in a heated state (except heated baked goods whose heated state is solely a result of baking); sandwiches suitable for immediate consumption; prepared salads; salad bars; party platters; cold drinks dispensed in or with a cup or glass either by a retailer or on a self-service basis by the consumer; frozen yogurt, ice cream, or ice milk sold in quantities of less than one pint; and all food or drink, served by, or sold in or by, restaurants, lunch counters, cafeterias, hotels, caterers, boarding houses, carryout shops or like places of business.

(g-2) Repealed.

(h) "Gross receipts" means the total amount of the sales prices of the retail sales of vendors, valued in money, whether received in money or otherwise.

(h-1) "Net charges" means the gross receipts from the sale of or charges for any room or accommodations received from a room remarketer by the operator of a hotel, inn, tourist camp, tourist cabin, or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients for a consideration.

(h-2) "Nexus-vendor" means a vendor that has a physical presence within the District of Columbia, such as property or retail outlets, selling via the internet property or rendering services to a purchaser in the District.

(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, ~~cigar, premium cigar, or pipe tobacco~~. 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.

(i) "Person" includes an individual, partnership, society, club, association, joint-stock company, corporation, estate, receiver, trustee, assignee, or referee, and any other person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, and any combination of individuals acting as a unit.

~~(i-1) "Premium cigar" means any cigar with a retail cost of $ 2.00 or more, or packaged units of cigars averaging $ 2.00 or more per packaged cigar at retail.~~
Repealed.

(i-2) (1) "Private investigation service" means an investigation being conducted for purposes of providing information related to:

(A) A crime or wrong committed, assumed to have been committed, or threatened to be committed;

(B) The identity, habits, conduct, movement, location, affiliations, associations, transactions, reputation, or character of any person;

(C) The credibility of a witness or of any other individual;

(D) The location of a missing individual;

(E) The location or recovery of lost or stolen property;

(F) The origin, cause of, or responsibility for a fire, accident, damage to or loss of property, or injury to an individual, regardless of who conducts the investigation;

(G) The affiliation, connection, or relation of any person with an organization or other person;

(H) The activities, conduct, efficiency, loyalty, or honesty of any employee, agent, contractor, or subcontractor;

(I) The financial standing, creditworthiness, or financial responsibility of any person;

(J) Securing evidence for use before any investigating committee, board of award, or board of arbitration, or for use in a trial of any civil or criminal cause;

(K) Providing uniformed or non-uniformed personal protection;

(L) Conducting polygraph testing;

(M) Conducting background checks on prospective employees or tenants; or

(N) Conducting background checks on individuals by or at the request of an insurance company for workers' compensation purposes.

(2) The term "private investigation service" shall not include private-process service, unless the service goes beyond service of process to a missing person investigation.

(j) "Purchaser" includes a person who purchases property or to whom is rendered services, receipts from which are taxable under this chapter.

(k) "Purchaser's certificate" means a certificate signed by a purchaser and in such form as the Mayor shall prescribe, stating the purpose to which the purchaser intends to put the subject of the sale, or the status or character of the purchaser.

(l) "Retailer" includes:

(1) Every person engaged in the business of making sales at retail;

(2) Every person engaged in the business of making retail sales at auction of tangible personal property owned by the person or others; and

(3) Every person engaged in the business of making sales for storage, use, or other consumption, or in the business of making sales at auction of tangible personal property owned by the person or others for storage, use, or other consumption.

(m) "Retail establishment" means any premises in which the business of selling tangible personal property is conducted or in or from which any retail sales are made.

(n) (1) "Retail sale" and "sale at retail" mean the sale in any quantity or quantities of any tangible personal property or service, including any such sales effected via the internet by a nexus-vendor, taxable under the terms of this chapter. These terms mean all sales of tangible personal property to any person for any purpose other than those in which the purpose of the purchaser is to resell the property so transferred in the form in which the same is, or is to be, received by him, or to use or incorporate the property so transferred as a material or part of other tangible personal property to be produced for sale by manufacturing, assembling, processing, or refining. For the purpose of the tax imposed by this chapter, these terms shall include, but not be limited to, the following:

(A) (i) Sales of food or drink prepared for immediate consumption as defined in subsection (g-1) of this section; and

(ii) Sales of food or drink when sold from vending machines;

(iii) Repealed;

(iv) Sales of soft drinks.

(B) Any production, fabrication, or printing of tangible personal property on special order

for a consideration;

(C) The sale or charge, to include net charges and additional charges, for any room or rooms, lodgings, or accommodations furnished to transients by any hotel, room remarketer, inn, tourist camp, tourist cabin, or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients for a consideration.

(D) The sale of natural or artificial gas, oil, electricity, solid fuel, or steam;

(E) The sale of material used in the construction, and of materials used in the repair or alteration, of real property, which materials, upon completion of such construction, alterations, or repairs, become real property, regardless of whether or not such real property is to be sold or resold, however, this section shall not apply to the sale of material for the purpose of subsequently transporting the property outside the District for use solely outside the District;

(F) The sale or charges for possession or use of any article of tangible personal property granted under a lease or contract, regardless of the length of time of such lease or contract or whether such lease or contract is oral or written; in such event, for the purposes of this chapter, such lease or contract shall be considered the sale of such article and the tax shall be computed and paid by the vendor upon the rental paid; provided, however, that the gross proceeds from the rental of films, records, or any type of sound transcribing to theaters and radio and television broadcasting stations shall not be considered a retail sale;

(G) (i) The sale of or charges to subscribers for local telephone service. The inclusion of such sales and charges in the definition of the terms "retail sale" and "sale at retail" shall not authorize any tax to be imposed under this chapter on so much of any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment as is properly attributable to such installation.

(ii) The term "local telephone service" means:

(I) The access to a local telephone system, and the privilege of telephonic quality communication with substantially all persons having telephone or radio telephone stations constituting a part of such local telephone system; and

(II) Any facility or service provided in connection with a service described in clause (I) of this sub-subparagraph. The term "local telephone service" does not include any service which is a "toll telephone service" or a "private communication service" as defined in sub-subparagraphs (iii) and (iv) of this subparagraph.

(iii) The term "toll telephone service" means:

(I) A telephonic quality communication for which there is a toll charge which varies in amount with the distance and elapsed transmission time of each individual communication and the charge is paid within the United States; and

(II) A service which entitles the subscriber, upon payment of a periodic charge (determined as a flat amount or upon the basis of total elapsed transmission time), to the privilege of an unlimited number of telephonic communications to or from all or a substantial portion of the persons having telephone or radio telephone stations in a specified area which is outside the local telephone system area in which the station provided with this service is located.

(iv) The term "private communication service" means:

(I) The communication service furnished to a subscriber which entitles the subscriber to exclusive or priority use of any communication channel or groups of channels, or to the use of an intercommunication system for the subscriber's stations, regardless of whether such channel, or groups of channels, or intercommunication system may be connected through switching with a service described in sub-subparagraph (ii) or (iii) of this subparagraph;

(II) Switching capacity, extension lines and stations, or other associated services which are provided in connection with, and are necessary or unique to the use of, channels, or systems described in clause (I) of this sub-subparagraph; and

(III) The channel mileage which connects a telephone station located outside a local telephone system area with a central office in such local telephone system, except that such term does not include any communication service unless a separate charge is made for such service;

(H) The sale of or charges for admission to public events, except live performances of ballet, dance, or choral performances, concerts (instrumental and vocal), plays (with and without music), operas and readings and exhibitions of paintings, sculpture, photography, graphic and craft arts, but including movies, circuses, burlesque shows, sporting events, and performances or exhibitions of any other type or nature; provided, that any casual or isolated sale of or charge for admission made by a semipublic institution not regularly engaged in asking such sales or charges shall not be considered a retail sale or sale at retail;

(I) The sale of or charges for the service of repairing, altering, mending, or fitting tangible personal property, or applying or installing tangible personal property as a repair or replacement part of other tangible personal property, whether or not such service is performed by other means of coin-operated equipment or by any other means, and whether or not any tangible personal property is transferred in conjunction with such service;

(J) The sale of or charges for copying, photocopying, reproducing, duplicating, addressing, and mailing services and for public stenographic services;

(K) The sale of or charges for the service of laundering, dry cleaning, or pressing of any kind of tangible personal property, except when such service is performed by means of self-service, coin-operated equipment, and the rental of textiles to commercial users when the essential part of the rental includes the recurring service of laundering or cleaning thereof;

(L) The sale of or charge for the service of parking, storing, or keeping motor vehicles or trailers, except that:

(i) Where a sale or charge for the service described in this subparagraph is made to a District resident who is a tenant in an apartment house or the owner of a condominium unit or a cooperative unit in which he or she resides, and the motor vehicle or trailer of the tenant or owner is parked, stored or kept on the same premises on which the tenant or owner has his or her place of residence, except as otherwise provided in this paragraph the sale or charge is exempt from the tax imposed by this subparagraph. The exemption shall not extend to a tenant or owner whose motor vehicle or trailer is used for commercial purposes or whose occupancy of the building is for commercial purposes; or

(ii) (I) Where the sale or charge for the service is made to a District resident who possesses and shows to those providing the service a parking sales tax exemption card issued and signed by the Mayor or his or her duly authorized representative pursuant to sub-subparagraph (iii) of this subparagraph, the sale or charge is exempt from the tax imposed by this paragraph;

(II) This exemption shall extend only to those District residents using the service for the purpose of keeping their vehicles or trailers near their place of residence and shall not extend to a resident whose motor vehicle or trailer is used for commercial purposes, as ascertained by the Mayor or his or her duly authorized representative;

(iii) Upon application by a District resident, the Mayor shall issue to him or her a parking sales tax exemption card; provided, that the resident:

(I) Possesses a District motor vehicle or trailer registration certificate and identification tag for the motor vehicle or trailer to be parked, if so required by § 50-1501.02(a);

(II) Has registered the vehicle or trailer to a residential address in the District, if a registration certificate is required by § 50-1501.02(a), which address is located within one-half mile of the address of the business or operation providing the service; and

(III) Provides the Mayor the name and address of the business or operation to provide the service;

(iv) The parking sales tax exemption card shall state the name and address of the person to whom it is issued, the name and address of the business or operation to provide the service, and any other information, including a photograph, deemed necessary by the Mayor;

(iv-I) (I) Where the sale or charge for service is made by a valet parking service business, the sale or charge for service shall be exempt from the tax imposed by this sub-subparagraph.

(II) For the purposes of this sub-subparagraph, the term "valet parking service business" means a corporation, partnership, business entity, or proprietor who takes temporary control of a motor vehicle of a person attending any restaurant, business, activity, or event to park, store, or retrieve the vehicle. The term "valet parking service business" shall not include a garage, parking lot, or parking facility that provides parking services by parking lot attendants.

(v) For the purpose of this paragraph, the term:

(I) "Motor vehicle" means any vehicle propelled by an internal-combustion engine or by electricity or steam, except road rollers, farm tractors, and vehicles propelled only upon stationary rails or tracks; and

(II) "Trailer" means a vehicle without motor power intended or used for carrying property or persons and drawn or intended to be drawn by a motor vehicle, whether such vehicle without motor power carries the weight of the property or persons wholly on its own structure or whether a part of such weight rests upon or is carried by a motor vehicle;

(M) The sale of or charges for the service of real property maintenance and landscaping.

(i) (I) For the purposes of this paragraph, the term "real property maintenance" means any activity that keeps the land or the premises of a building clean, orderly, and functional, including the performance of minor adjustments, maintenance, or repairs which include: floor, wall, and ceiling cleaning; pest control; window cleaning; servicing inground and in building swimming pools; exterior building cleaning; parking lot, garage, and recreation area maintenance; exterior and interior trash removal; restroom cleaning and stocking; lighting maintenance; chimney and duct cleaning; and ground maintenance; but does not include; painting, wallpapering, or other services performed as part of construction or major repairs; or services performed under an employee-employer relationship.

(II) The term "real property maintenance" shall not include the exterior or interior trash removal of recyclable material. For the purposes of this sub-sub-subparagraph, the term "recyclable material" means material that would otherwise become municipal solid waste and is shown by the provider of the interior or exterior trash removal that the material has been collected, separated, or processed to be returned into commerce as a raw material or product, or has been sold to a company in the business of separating or processing recyclable materials.

(ii) For the purposes of this paragraph, the term "landscaping" means the activity of arranging or modifying areas of land and natural scenery for an improved or aesthetic effect; the addition, removal, or arrangement of natural forms, features, and plantings; the addition, removal, or modification of retaining walls, ponds, sprinkler systems, or other landscape construction services; and other services provided by landscape designers or landscape architects such as consultation, research, preparation of general or specific design or detail plans, studies,

specifications or supervision, or any other professional services or functions associated with landscaping;

(N) The sale of or charges for data processing and information services.

(i) For the purposes of this paragraph, the term "data processing service" means the processing of information for the compilation and production of records of transactions; the maintenance, input, and retrieval of information; the provision of direct access to computer equipment to process, examine, or acquire information stored in or accessible to the computer equipment; the specification of computer hardware configurations, the evaluation of technical processing characteristics, computer programming or software, provided in conjunction with and to support the sale, lease, operation, or application of computer equipment or systems; word processing, payroll and business accounting, and computerized data and information storage and manipulation; the input of inventory control data for a company; the maintenance of records of employee work time; filing payroll tax returns; the preparation of W-2 forms; the computation and preparation of payroll checks; and any system or application programming or software.

(ii) For the purposes of this paragraph, the term "information service" means the furnishing of general or specialized news or current information, including financial information, by printed, mimeographed, electronic, or electrical transmission, or by wire, cable, radio waves, microwaves, satellite, fiber optics, or any other method in existence or which may be devised; electronic data retrieval or research, including newsletters, real estate listings, or financial, investment, circulation, credit, stock market, or bond rating reports; mailing lists; abstracts of title; news clipping services; wire services; scouting reports; surveys; bad check lists; and broadcast rating services; but does not include: information sold to a newspaper or a radio or television station licensed by the Federal Communication Commission, if the information is gathered or purchased for direct use in newspapers or radio or television broadcasts; charges to a person by a financial institution for account balance information; or information gathered or compiled on behalf of a particular client, if the information is of a proprietary nature to that client and may not be sold to others by the person who compiled the information, except for a subsequent sale of the information by the client for whom the information was gathered or compiled.

(iii) The term "data processing services" does not include a service provided by a member of an affiliated group of corporations to other corporate members of the group. Data processing services shall be exempt from sales tax if the service is rendered by a member of the affiliated group of corporations, has not been purchased with a certificate of resale or exemption by the corporation that provides the service, is rendered for the purpose of expense allocation, and is not for the profit of the corporation providing the service. For the purposes of this sub-subparagraph, the term "affiliated group" shall have the same meaning as defined in 26 U.S.C. § 1504(a);

(O) The sale of or charge for any newspaper or publication;

(P) (i) he sale of or charges for stationary two-way radio services, telegraph services, teletypewriter services, and teleconferencing services. The sale of or charges for services listed in this subparagraph shall not be considered sales of or charges for private communication services as defined in subparagraph (G)(iv) of this paragraph;

(ii) The sale of or charges for "900", "976", "915", and other "900"-type telecommunication services;

(iii) The sale of or charges for telephone answering services, including automated services and services provided by human operators;

(iv) The sale of or charges for telephone services rendered by means of coin-operated telephones; and

(v) The sale of or charges for services enumerated in sub-subparagraphs (i) through (iv) of this subparagraph shall not include sales of or charges for services that are subject to tax under § 47-2501 or Chapter 39 of this title;

(Q) The sale of or charge for any delivery in the District for which a separate charge is made, except merchandise delivered for resale for which a District of Columbia certificate of resale has been issued or the delivery of any newspapers;

(R) The sale of or charge for the service of procuring, offering, or attempting to procure in the District job seekers for employers or employment for job seekers, including employment advice, counseling, testing, resume preparation and any other related services;

(S) The sale of or charge for the service of placing a job seeker with an employer in the District;

(T) The sale of a prepaid telephone calling card, even if no card has been issued. Notwithstanding any other provision of law, any sale of a prepaid telephone calling card on or after October 1, 1997, shall be deemed the sale of tangible personal property subject only to such taxes as are imposed on the sale of food for immediate consumption as defined under subsection (g-1) of this section, even where no card has been issued. Gross receipts or charges from the sale of the telecommunication service purchased through the use of a prepaid telephone calling card, even if no card has been issued, shall not be subject to the taxes imposed under § 47-2501 et seq.; or § 47-3901 et seq.; or

(U) The sale of or charges for armored car service, private investigation service, and security service; provided, that an armored-car-services vendor may reasonably apportion any charges for any out-of-state delivery component, including the apportionment of distance, time, or number of stops within and outside of the District; provided further, that application of the sales and use tax to charges for security services is controlled by the delivery point of the services; provided further, that the reimbursement of incidental expenses paid to a third party and incurred in connection with providing a taxable private detective service shall not be included.

(2) The terms "retail sale" and "sale at retail" shall not include the following:

(A) Sales of transportation and communication services other than sales of data processing services, information services, local telephone service, or any service enumerated in paragraph (1)(P) of this subsection;

(B) Professional, insurance, or personal service transactions which involve sales as inconsequential elements for which no separate charges are made, except as otherwise provided in paragraph (1) of this subsection;

(C) Any sale in which the only transaction in the District is the mere execution of the contract of sale and in which the tangible personal property sold is not in the District at the time of the execution and is not sold by a nexus-vendor; provided, however, that nothing contained in this subsection shall be construed to be an exemption from the tax imposed under Chapter 22 of this title;

(D) Sales to a common carrier or sleeping car company by a corporation all of whose capital stock is owned by 1 or more common carriers or sleeping car companies of tangible personal property, procured or acquired by such corporation outside the District, which consists of repair or replacement parts used for the maintenance or repair of any train operating principally without the District in the course of interstate commerce, or commerce between the District and a state, provided such sales are made in connection with the furnishing of terminal

services pursuant to a written agreement entered into before January 1, 1963;

(E) Sales of food or drink of a type that constitute "eligible foods", as defined in 7 CFR § 271.2, or food purchased for animal ingestion, without regard to whether such food or drink is purchased with food stamps, except sales of food or drink prepared for immediate consumption and soft drinks;

(F) Sales of Internet access service--

(i) For the purposes of this subparagraph, the term "Internet access service" means a service that enables users to access content, information, electronic mail, or other services offered over the Internet and may also include access to proprietary content, information, and other services as part of a package of Internet access services offered to consumers.

(ii) "Internet access service" shall not include the sale of or charges for data processing and information services as defined in paragraph (1)(N)(i) and (ii) of this subsection that do not enable users to access content, information, electronic mail, or other services offered over the Internet.

(iii) "Internet access service" shall not include telecommunication services as defined in paragraph (1)(P) of this subsection or Chapter 39 of this title;

(G) Sales within the District of Columbia by Qualified High Technology Companies of intangible property or services otherwise taxable as a retail sale or sale at retail, including Internet-related services and sales, including website design, maintenance, hosting, or operation; Internet-related consulting, advertising, or promotion services; the development, rental, lease, or sale of Internet-related applications, connectivity, digital content, or products and services; advertising space and design; graphic design; banner advertising; subscription services; downloads from databases; services that involve the provision of strategic advice for Internet use and presence; Internet website design and maintenance services; Internet website assessment and diagnostic services; the use of proprietary content, information, and other services as part of a package of Internet advice and consulting services. This paragraph shall not apply to telecommunication service providers.

(H) Sales of valet parking services by a valet parking service business, as defined in paragraph (1)(L)(iv-I)(II) of this subsection;

(I) Fees retained by a retail establishment under [§ 8-102.03(b)(1)]; or

(J) Sales of cigarettes as defined in § 47-2401(1A) and other tobacco products as defined in §47-2401(5A).

(o) "Return" includes any return filed or required to be filed as herein provided.

(o-1) "Room remarketer" means any person, other than the operator of a hotel, inn, tourist camp, tourist cabin, or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients for a consideration, having any right, access, ability, or authority, through an internet transaction or any other means whatsoever, to offer, reserve, book, arrange for, remarket, distribute, broker, resell, or facilitate the transfer of rooms the occupancy of which is subject to tax under this chapter and also having any right, access, ability or authority to determine the sale or charge for the rooms, lodgings, or accommodations.

(p) (1) "Sales price" means the total amount paid by a purchaser to a vendor as consideration for a retail sale, valued in money, whether paid in money or otherwise, without any deduction on account of any of the following:

(A) The cost of the property sold;

(B) The cost of materials used, labor or service cost, interest charged, losses, or any other expenses;

(C) The cost of transportation of the property prior to its sale at retail. The total amount of the sales price includes all of the following:

(i) Any services that are a part of the sale; and

(ii) Any amount for which credit is given to the purchaser by the vendor; or

(D) Amounts charged for any cover, minimum, entertainment, or other service in hotels, restaurants, cafes, bars, and other establishments where meals, food or drink, or other like tangible personal property is furnished for a consideration.

(2) The term "sales price" does not include any of the following:

(A) Cash discounts allowed and taken on sales;

(B) The amount charged for property returned by purchasers to vendors upon rescission of contracts of sale when the entire amounts charged therefor are refunded either in cash or credit, and when the property is returned within 90 days from the date of sale;

(C) The amount separately charged for labor or services rendered in installing or applying the property sold, except as provided in subsection (n)(1) of this section;

(D) The amount of reimbursement of tax paid by the purchaser to the vendor under this chapter; or

(E) Transportation charges separately stated, if the transportation occurs after the sale of the property is made.

(q) "Sale" and "selling" mean any transaction whereby title or possession, or both, of tangible personal property is or is to be transferred by any means whatsoever, including rental, lease, license, or right to reproduce or use, for a consideration, by a vendor to a purchaser, or any transaction whereby services subject to tax under this chapter are rendered for consideration or are sold to any purchaser by any vendor, and shall include, but not be limited to, any "sale at retail" as defined in this chapter. Such consideration may be either in the form of a price in money, rights, or property, or by exchange or barter, and may be payable immediately, in the future, or by installments.

(q-1) (1) "Security service" shall include any activity that is performed for compensation as a security guard to protect any individual or property and provided on the premises of a person's residential or commercial property, the service of monitoring an electronically controlled burglar or fire alarm system for any residential or commercial property located in the District, or responding to a distress call or an alarm sounding from a security system.

(2) The term "security service" shall not include:

(A) Installing a burglar or fire alarm system in commercial or residential property;

(B) Maintaining or repairing a security system for a customer;

(C) Monitoring property located entirely outside of the District, even if the equipment used to perform the monitoring service is located in the District; or

(D) Providing a medical-response system used by individuals to summon medical aid.

(r) "Semipublic institution" means any corporation, and any community chest, fund, or foundation, organized exclusively for religious, scientific, charitable, or educational purposes, including hospitals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(r-1) "Soft drink" means a non-alcoholic beverage with natural or artificial sweeteners. The term "soft drink" shall not include a beverage that:

(1) Contains:
(A) Milk or milk products;
(B) Soy, rice, or similar milk substitutes;
(C) Fruit or vegetable juice, unless the beverage is carbonated; or
(D) Coffee, coffee substitutes, cocoa, or tea; or
(2) Is prepared for immediate consumption, as defined in subsection (g-1) of this section.

(s) "Tangible personal property" means corporeal personal property of any nature.
(t) "Tax" means the tax imposed by this chapter.
(u) "Taxpayer" means any person required by this chapter to make returns or to pay the tax imposed by this chapter.
(v) "Tax year" means the calendar year, or the taxpayer's fiscal year if it be other than the calendar year when such fiscal year is regularly used by the taxpayer for the purpose of reporting District income taxes as the tax period in lieu of the calendar year.
(w) "Vendor" includes a person or retailer, including a nexus-vendor, selling property or rendering services upon the receipts from which a tax is imposed under this chapter.
(w-1) (1) "Special Event" means an uncommon, unique, noteworthy, or extra occurrence of a specific activity open to the general public that is designed, advertised, or promoted for an identified purpose to be conducted or held on a designated day or series of days, whether held outdoors, indoors, or both, in a public or private facility, at which at least 50 vendors will be present. Special events include auctions, shows, celebrations, circuses, expositions, entertainment, exhibits, fairs, festivals, fund raisers, historical re-enactments, movies, pageants, parades, and sporting events, the conduct of which has the effect, intent, or propensity to draw persons and create an atmosphere or opportunity to sell tangible personal property or services which are taxable under this chapter or Chapter 22 of this title.
(2) Special events shall not include an activity that constitutes a "qualified convention or trade show activity" as defined in section 513(d) of the Internal Revenue Code of 1986.
(x) The foregoing definitions shall be applicable whenever the words defined are used in this chapter unless otherwise required by the context.

Redline § 47-2002
(a) A tax is imposed upon all vendors for the privilege of selling at retail certain tangible personal property and for the privilege of selling certain selected services (defined as "retail sale" and "sale at retail" in this chapter). The rate of such tax shall be 6% of the gross receipts from sales of or charges for such tangible personal property and services, except that:
(1) The rate of tax shall be 18% of the gross receipts from the sale of or charges for the service of parking or storing of motor vehicles or trailers, except the service of parking or storing of motor vehicles or trailers on a parking lot owned or operated by the Washington Metropolitan Area Transit Authority and located adjacent to a Washington Metropolitan Area Transit Authority passenger stop or station;
(2) (A) The rate of tax shall be 10.05% of the gross receipts from the sale of or charges for any room or rooms, lodgings, or accommodations furnished to a transient by any hotel, inn, tourist camp, tourist cabin, or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients;
(B) If the occupancy of a room or rooms, lodgings, or accommodations is reserved, booked, or otherwise arranged for by a room remarketer, the tax imposed by this paragraph shall

be determined based on the net charges and additional charges received by the room remarketer.

(3) The rate of tax shall be 9% of the gross receipts from the sale of or charges for:

(A) Food or drink prepared for immediate consumption as defined in § 47-2001(g-1);

(B) Spirituous or malt liquors, beers, and wine sold for consumption on the premises where sold; and

(C) Rental or leasing of rental vehicles and utility trailers as defined in § 50-1505.01;

(3A) The rate of tax shall be 10% of the gross receipts of the sales of or charges for spirituous or malt liquors, beers, and wine sold for consumption off the premises where sold;

(4) Repealed;

(4A) The rate of tax shall be 5.75% of the gross receipts from the sale of or charges for tangible personal property or services by legitimate theaters, or by entertainment venues with 10,000 or more seats, excluding any such theaters or entertainment venues from which such taxes are applied to pay debt service on tax-exempt bonds; and

~~(5) The rate of tax shall be 12% of the gross receipts from the sale of or charges for cigars, excluding premium cigars;~~

~~(6) The rate of tax shall be 12% of the gross receipts from the sale of or charges for other tobacco products; and~~

(7) (A) The rate of tax shall be 6% of the gross receipts from the sale of or charges for medical marijuana, as defined in the Legalization of Marijuana for Medical Treatment Initiative of 1999, transmitted on December 21, 2009 (D.C. Act 13-138) [Chapter 16B of Title 7].

(B) The proceeds of the tax collected under subparagraph (A) of this paragraph shall be deposited in the Healthy DC and Health Care Expansion Fund established by [§ 31-3514.02].

(b) Of the sales tax revenue received pursuant to this section, $ 1,170,000 annually shall be used to fund the Reimbursable Detail Subsidy Program in the Alcoholic Beverage Regulation Administration.

Redline §47-2401—~~Cigarette Tax~~ Tobacco Tax

§ 47-2401. Definitions

As used in this chapter, unless the context clearly indicates otherwise:

~~(1) The term "cigar" means any roll of tobacco wrapped in leaf tobacco or in any substance containing tobacco, except that the term shall not include products treated as cigarettes.~~

(1A) The term "cigarette" means:

(A) Any roll for smoking containing tobacco wrapped in paper or in any substance other than tobacco leaf;

(B) Any roll for smoking containing tobacco, wrapped in any substance, weighing 4 pounds per thousand or less, except those wrapped entirely in whole tobacco leaf that do not have a filter; or

(C) Any roll for smoking containing tobacco wrapped in any substance, however labeled or named, flavored or not, which because of its appearance, size, the type of tobacco used in the filler, or its packaging, pricing, marketing, or labeling, is likely to be offered to, purchased by, or

consumed by consumers as a cigarette as described in this paragraph.

(2) The term "consumer" means any person who manufactures or possesses cigarettes or other tobacco products for his own consumption or for transfer, without consideration, to another consumer, but not for transfer to other persons or for transfer with consideration.

(3) The term "District" means the District of Columbia.

(3A) The term "importer" means "importer" as the term is defined in section 5702(l) of the Internal Revenue Code of 1986, approved October 22, 1986 (68A Stat. 707; 26 U.S.C. § 5702(l)) [now 26 U.S.C. § 5702(k)].

(3B) The term "manufacturer" means "manufacturer of tobacco products" as the term is defined in section 5702(d) of the Internal Revenue Code of 1986, approved October 22, 1986 (68A Stat. 707; 26 U.S.C. § 5702(d)).

(4) The term "Mayor" means the Mayor of the District of Columbia or his authorized representatives.

(5) The term "original package" means a sealed package into which cigarettes, ~~cigars,~~ or other tobacco products are put up by the manufacturer for sale to consumers; provided, that if the package contains smaller-size packages that are also intended by the manufacturer for sale to consumers, only the smallest-size sealed package intended for sale to consumers shall be considered the original package.

(5A) The term "other tobacco product" means ~~a cigar, pipe tobacco, chewing tobacco, smokeless tobacco, snuff, roll-your-own tobacco~~, ~~or~~ any ~~other~~ product containing, made, or derived from tobacco that is intended for human consumption~~.~~, 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.

(5B) The term "package" means "package" as the term is defined in section 3(4) of the Federal Cigarette Labeling and Advertising Act, approved July 27, 1965 (79 Stat. 282; 15 U.S.C. § 1332(4)).

(6) The term "person" means any individual, partnership, society, club, association, joint-stock company, corporation, estate, receiver, trustee, assignee, referee, and any person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise; any combination of individuals or entities acting as a unit, or any officer or employee of a corporation or member or employee of a partnership, who as such officer, employee, or member is under a duty to perform the act in respect to which the violation occurs.

(7) The term "possession" includes actual or constructive possession, having legal title or an equitable interest which entitles a person to such possession, and the exercise of any right or power incident to such ownership or possession.

(8) The term "sell" or "sale" means any transaction where title or possession, or both, of cigarettes or other tobacco products is, or is to be, transferred in any manner or by any means

whatsoever, whether with or without consideration. The word "sell" or "sale" includes offering for sale, keeping for sale, or displaying for sale.

~~(8A) The term "smokeless tobacco" means any finely cut, ground, or powdered tobacco that is not intended to be smoked or any leaf tobacco that is not intended to be smoked.~~

(9) The term "stamp" means any fusion decal stamps, impressions made by metering devices, or other indicia authorized by the Mayor as evidence that the tax levied and imposed by this chapter has been paid.

(10) The term "vending machine" means any automated, self-service device that dispenses cigarettes or other tobacco products upon insertion of money, tokens, or any other form of payment.

(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.

Redline of § 47-2402. Imposition; payment of cigarette tax

(a) (1) Except as otherwise provided in § 47-2403, a tax is levied and imposed on the sale or possession on all cigarettes in the District of Columbia at the rate of $ 0.125 for each cigarette.

(2) Subject to paragraph (3) of this subsection and in lieu of the tax otherwise imposed by § 47-2002, a surtax is levied and imposed on the sale or possession of all cigarettes in the District at the rate of $ 0.36 per package of 20 or fewer cigarettes. If there are more than 20 cigarettes in the package, the surtax per pack will be incrementally increased by $.018 per each cigarette above 20.

(3) (A) Beginning as of March 31, 2012, and on March 31st of each year thereafter, the Mayor shall calculate the average retail price of a package of cigarettes from the best information available and shall recompute the surtax on the basis of the then applicable sales and use tax rate that otherwise would be applicable to the sale of cigarettes under § 47-2002.

(B) In calculating the average retail price for purposes of this paragraph, the Mayor shall exclude the current surtax imposed by this section and the portion of the presumptive wholesale and retail markup imposed by Chapter 45A of Title 28 of the District of Columbia Official Code on the current surtax. The Mayor shall provide notice of any change in the amount of the surtax on or before September 1st of that year, and the change shall be effective as of the following October 1st.

(b) Cigarettes on which the taxes levied and imposed by this section have been paid shall not be subject to additional taxation under this section; provided, that the burden of proof that the taxes levied and imposed by this section have been paid shall be upon the person who sells or possesses cigarettes in the District, against whom a tax assessment has been made, who has

submitted an application for a refund, or whose cigarettes have been seized. For the purposes of this section, the term "person" includes any officer or employee of a corporation responsible for payment of the tax, or any member of a partnership or association responsible for the payment of the tax.

(c) The tax levied and imposed by this section shall be paid by the affixture of stamps, purchased from the Mayor, evidencing the payment of the amount of tax imposed by this section. Such stamps shall be affixed to the original packages of cigarettes included in the directory of Tobacco Product Manufacturers maintained pursuant to § 7-1803.03(b) and shall be cancelled in the manner prescribed by the Mayor.

(d) Except as otherwise provided in this subsection and subsection (f) of this section, each licensed wholesaler shall affix a stamp or stamps, evidencing the payment of the amount of tax imposed by this section, to each original package of cigarettes to be kept for sale, offered for sale, displayed for sale, or sold within the District. Such stamps shall be affixed to each original package of such cigarettes within 72 hours after the receipt of such cigarettes and prior to the sale of such cigarettes unless such cigarettes are exempt from taxation under the provisions of this chapter. Whenever any cigarettes are found in the place of business of a licensed wholesaler without the stamps affixed as herein provided, or not segregated or marked as having been received within the preceding 72 hours, or not segregated or marked as being held for sale outside of the limits of the District, or not segregated or marked as being held for sale to the United States or the District government, or any instrumentalities thereof, or not segregated or marked for other exempt purposes under this chapter, a prima facie presumption shall arise that such cigarettes are subject to the tax levied and imposed by this section and are possessed in violation of the provisions of this chapter.

(e) Licensed retailers and vending machine operators shall not accept deliveries of unstamped or improperly stamped cigarettes. Such licensees shall examine all packages of cigarettes immediately upon their receipt and shall immediately return any and all unstamped or improperly stamped cigarettes to the licensed wholesaler. Unless substantial evidence to the contrary is shown, the possession of any unstamped or improperly stamped cigarettes by such licensees shall be prima facie evidence that such cigarettes are possessed in violation of the provisions of this chapter. The Mayor may, however, authorize licensed retailers and vending machine operators to acquire and have in their possession cigarettes bearing cigarette tax stamps issued by any other state or jurisdiction; provided, that such cigarettes are intended for sale in such other state or jurisdiction. Licensed retailers and vending machine operators shall not purchase, acquire, or have in their possession District tax stamps. Notwithstanding the provisions of this subsection, licensed retailers or vending machine operators, other than licensed retailers or vending machine operators who are also licensed wholesalers, who either have in their possession unused cigarette tax stamps or unstamped cigarettes on the effective date of this chapter shall not be deemed in violation of this subsection; provided, that such licensed retailers and vending machine operators affix or redeem such unused cigarette tax stamps and pay the tax levied and imposed by this section on such unstamped cigarettes in the manner and within the time specified by the Mayor.

(f) On sales of cigarettes to other licensed wholesalers, a licensed wholesaler may deliver such

cigarettes without affixing stamps thereon, and such other licensed wholesalers shall be liable for the tax imposed by this section on such cigarettes.

(g) All packages of cigarettes placed in cigarette vending machines shall be placed in such manner that the District cigarette tax stamps are visible whenever the packages are within that area of the vending machine which permits visibility of the packages.

(h) Except as authorized by this section or § 47-2403, no person shall willfully or knowingly sell, transfer, buy, receive, have in his possession, or offer to sell, transfer, buy, or receive any unstamped or improperly stamped cigarettes.

(i) No person shall sell, transfer, or offer to sell or transfer any cigarette tax stamps to any person other than the Mayor; nor shall any person buy, receive or offer to buy or receive any cigarette tax stamps from any person other than the Mayor.

(j) The Mayor may by regulation provide for the purchase of stamps at a discount not exceeding 10% of the face value of such stamps.

(k) The taxes imposed under this section shall be deemed to be a part of the selling price of cigarettes and shall be in addition to, and not in lieu of, any taxes imposed by any other law.

Redline of 47-2402.01 ~~Weight-based excise tax~~ Tax on other tobacco products

~~(a) In addition to the 12% gross sales tax imposed pursuant to § 47-2002(6), a tax of $ 0.75 per ounce and a proportionate tax at the same rate on all fractional parts of an ounce shall be imposed on the possession of other tobacco products as that term is defined in § 47-2001(v-1).~~ All funds generated pursuant to this subparagraph shall be deposited in the Community Health Care Financing Fund, established by [§ 7-1931(a)].

(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) The tax rate for other tobacco products shall apply after the taxable period ending September 30, 2014..
(3) All funds generated pursuant to this subparagraph shall be deposited in the Community Health Care Financing Fund, established by § 7-1931(a).

(b) (1) On or before the 21st day of each calendar quarter, every person upon whom the ~~weight-based excise~~ tax is imposed under the provisions of this chapter, during the preceding calendar quarter, shall file a return with the Mayor. The return shall provide:

(A) The total amount of product subject to tax for the quarter for which the return is filed;

(B) The amount of tax for which the person is liable; and

(C) Any other information as the Mayor considers necessary for the computation and collection of the tax.

(c) The Mayor may permit or require the returns to be made for other periods and upon other dates as he may specify.

(d) The form of returns shall be prescribed by the Mayor and shall contain such information as the Mayor may consider necessary for the proper administration of this chapter.

Redline § 47-2403

(a) Sale or possession of cigarettes in the District under the following circumstances shall be exempt from the tax levied and imposed by § 47-2402:

(1) Sales of cigarettes to or by the United States or the District government, or any instrumentalities thereof; possession of cigarettes or other tobacco products lawfully purchased from such governmental entities by persons legally entitled to purchase or receive such cigarettes or other tobacco products; and transfers, without consideration, of cigarettes or other tobacco products lawfully purchased from such governmental entities by persons legally entitled to purchase or receive such cigarettes or other tobacco products to other persons legally entitled to purchase or receive such cigarettes or other tobacco products from such governmental entities;

(2) [Repealed];

(3) Possession of cigarettes 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(f); sales of cigarettes by licensed wholesalers to other licensed wholesalers as provided for in § 47-2402(f); and possession by authorized licensed retailers and vending machine operators of cigarettes bearing cigarette tax stamps issued by any other state or jurisdiction 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 cigarettes therein;

(4) Possession by a consumer of 200 or fewer cigarettes, which do not bear proper evidence of the payment of the tax levied and imposed by § 47-2402, transported into the District by a consumer or manufactured in the District by a consumer; transfers, without consideration, of such cigarettes from 1 consumer to another consumer; and

(5) Possession of cigarettes or other tobacco products while being transported under such conditions that they are not deemed contraband under the provisions of § 47-2405.

(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.

(b) The burden of proof that any cigarettes or other tobacco products are exempt from taxation under this chapter shall be upon the person who sells or possesses such cigarettes or other tobacco products.

Redline § 47-2404

(a) No person shall manufacture for sale, keep for sale, offer for sale, display for sale in vending machines, or sell cigarettes or other tobacco product in the District without having first obtained a license or licenses for such purpose or purposes from the Mayor.

(b) The Mayor may issue the following types of licenses, upon the filing of an application as prescribed by the Mayor:

(1) Wholesaler's licenses. -- A wholesaler's license shall authorize the licensee to manufacture, purchase, or otherwise acquire cigarettes or other tobacco product and to keep for sale, offer for sale, and sell such cigarettes or other tobacco product in original packages to consumers, to persons holding a license under this chapter as a wholesaler, retailer, or vending machine operator, and to persons for resale in other states or jurisdictions; provided, that with respect to sales made to persons for resale in other states or jurisdictions, such persons must be licensed under the laws of such other state or jurisdiction to engage in the business of selling cigarettes or other tobacco product therein. A wholesaler's license shall authorize the licensee to manufacture, keep for sale, offer for sale, and sell cigarettes or other tobacco product only at the place or places designated therein. Except as provided by the Mayor by regulation, a separate license shall be required for each place where cigarettes or other tobacco product are to be manufactured, kept for sale, offered for sale, or sold. The Mayor may provide, by regulation, for the issuance of a wholesaler's license for a place located outside of the District. The annual fee for a wholesaler's license shall be $ 50 for each place designated therein.

(2) Retailer's licenses. -- A retailer's license shall authorize the licensee to keep for sale, offer for sale, and sell cigarettes or other tobacco product to consumers in original packages from the place or places designated therein. A retailer's license shall not authorize the licensee to sell cigarettes or other tobacco product to other licensees for resale. Except as provided by the Mayor by regulation, a separate license shall be required for each retail establishment. The annual fee for a retailer's license shall be $ 15 for each retail establishment.

(3) Vending machine operator's licenses restricted.

(A) No license shall be issued for the sale of cigarettes or other tobacco product in an original package from or by means of a vending machine, except in the case of a tavern or nightclub licensed pursuant to § 25-113, an establishment that restricts admittance to persons 18 years of age or older, or a restaurant licensed pursuant to § 25-113.

(B) Any cigarette or other tobacco product vending machine that is located in a tavern, nightclub, establishment, or restaurant in accordance with subparagraph (A) of this paragraph

shall be located in an area that is in the immediate vicinity, plain view, and control of a responsible employee, so that any tobacco purchase is readily observable by an employee. The cigarette or other tobacco product vending machine shall not be located in a similar unmonitored area.

(C) The annual fee for a vending machine operator's license shall be $ 15 for each vending machine.

(D) Any cigarette or other tobacco product vending machine that is located in a tavern, nightclub, establishment, or restaurant in accordance with subparagraph (A) of this paragraph shall display the warning sign required by § 22-1320(e)(1).

(E) Any cigarette or other tobacco product vending machine that is located in a tavern, nightclub, establishment, or restaurant in accordance with subparagraph (A) of this paragraph shall not contain any non-tobacco product, other than matches.

(c) The Mayor shall keep a complete record of applications made for licenses under this section and of the actions taken thereon.

(d) The Mayor may, by regulation, adjust the license fees imposed by subsection (b) of this section and may establish fees for duplicate licenses.

(e) Licenses issued under this section shall remain in effect for such periods of time as may be prescribed by the Mayor by regulation, not exceeding 1 year from the effective date of such licenses, or until such licenses are suspended or revoked by the Mayor under subsection (f) of this section.

(f) The Mayor may, after a hearing, suspend or revoke any license issued under this section for any violation of this chapter or of the regulations promulgated under this chapter.

(g) The licenses required by this section shall be in addition to the licenses required by any other law or regulation.

(h) The Mayor may suspend any license issued under this section to any person convicted of a first or second violation of § 22-1320. The Mayor shall revoke the license for a third or subsequent violation.

(i) Any license issued pursuant to this chapter shall be issued as a General Sales endorsement to a basic business license under the basic business license system as set forth in subchapter I-A of Chapter 28 of this title.

Redline § 47-2405 Transportation of cigarettes and other tobacco products

(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.

(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 in the District. If the invoice or delivery ticket specifies that the cigarettes or untaxed 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 or 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 shall be subject to seizure and forfeiture as provided for in § 47-2409.

Redline of § 47-2408.

(a) The Mayor may require licensed wholesalers, retailers, vending machine operators, and every other person liable for or exempt from the tax imposed by this chapter or otherwise subject to the provisions of this chapter or the regulations issued by the Mayor pursuant to this chapter, to keep, maintain, and preserve records, books, and other documents; to file reports, statements, and returns; and to comply with such regulations relating thereto as the Mayor may prescribe. The Mayor may require that any reports, statements, or returns be verified by oath. The records, books, and other documents which the Mayor requires to be kept, maintained, and preserved shall be made available for examination and copying by the Mayor at the place or places prescribed by him at the time specified in subsection (b) of this section.

(b) For purposes of ascertaining the correctness of any report, statement, or return; making a report, statement, or return where a complete and accurate report, statement, or return has not been filed; determining that all taxes due under this chapter have been properly paid; and determining compliance with the provisions of this chapter and the regulations issued hereunder, the Mayor may:

(1) Examine and copy any records, books, or other documents which may be relevant to such inquiry;

(2) Summon any person to appear before him at the time and place specified in the summons and produce such records, books, or other documents and give such testimony and answer such interrogatories, under oath, as may be relevant to such inquiry;

(3) Upon presenting appropriate credentials to the owner, operator, or agent in charge, enter any building or place during the usual business hours or any other time when such building or place is open:

(A) Where required records, books, or other documents are kept, maintained, or preserved for purposes of examining and copying such records, books, or other documents; and

18) UNIFY TOBACCO TAXATION

(B) Where cigarettes or other tobacco products are manufactured, kept for sale, offered for sale, or sold by a licensed wholesaler, retailer, or vending machine operator; and

(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.

(c) Any owner, operator, or agent in charge of any building or place where required records, books, or other documents are kept, maintained, or preserved or where cigarettes or other tobacco products are manufactured, kept for sale, offered for sale, or sold by a licensed wholesaler, retailer, or vending machine operator who refuses to permit the Mayor, acting under the authority of subsection (b)(3) of this section, to enter and examine such records, books, or other documents or to inspect such cigarettes or other tobacco products, or who obstructs, impedes, or interferes with the Mayor while he is engaged in the performance of his official duties under subsection (b)(3) of this section shall, upon conviction thereof, be fined not more than the amount set forth in [§ 22-3571.01] or imprisoned for not more than 1 year, or both.

(d) Any person who, having been summoned, neglects or refuses to obey the summons issued as herein provided, shall, upon conviction thereof, be fined not more than the amount set forth in [§ 22-3571.01] or imprisoned for not more than 1 year, or both. If any person, having been summoned, neglects or refuses to obey the summons issued as herein provided, the Mayor may report that fact to the Superior Court of the District of Columbia, or 1 of the judges thereof, and that Court, or any judge thereof, is empowered to compel obedience of such summons to the same extent and under the same penalties as witnesses may be compelled to obey the subpoenas of that Court. Any failure to obey the order of the Court may be punished by the Court as a contempt thereof.

(e) No person shall willfully file an application for a license, permit, authorization, or refund; request for revision or abatement; claim for refund or allowance; or report, statement, or return; or keep or maintain any records, books, or other documents which are known to him to be false or fraudulent as to any material matter. No person shall willfully aid or assist in, or procure, counsel, or advise, the preparation, filing, or keeping of any applications, requests, claims, reports, statements, returns, records, books, or other documents which are false or fraudulent as to any material matter.

(f) Any person required to file any report, statement, or return or to keep, maintain, and preserve any records, books, or other documents, who fails to file a complete and accurate report, statement, or return on or before the date that such report, statement, or return is due (determined with regard to any extension of time for filing granted by the Mayor) or who fails to keep, maintain, and preserve complete and accurate records, books, or other documents, unless it is shown by such person that such failure is due to reasonable cause and not to neglect, shall pay a penalty of $ 10 for each day during which such failure continues. The provisions of §§ 47-412

[repealed] and 47-413 [repealed] shall be applicable to the tax imposed by this chapter, but the period of limitations upon assessment and collections shall be determined by § 47-4301.

(g) If any person required to keep, maintain, and preserve any records, books, or other documents relating to exempt sales or possessions of cigarettes or other tobacco products fails to keep, maintain, and preserve complete and accurate records, books, or other documents relating thereto, such sales and possessions shall, unless it is shown by such person that failure is due to reasonable cause and not to neglect, be deemed taxable sales and possessions.

(h) The Mayor may, upon written application made before the date prescribed for filing any report, statement, or return, grant a reasonable extension of time for filing the report, statement or return required by this chapter, whenever good cause exists for such extension.

Redline of § 47-2422

(a) The Mayor may revoke, suspend, or deny under § 47-2405 the general sales license endorsement on the master business license of any cigarette or other tobacco products dealer for a violation of this chapter or any implementing rule promulgated by the Mayor as provided under § 47-2415.

(a-1) Civil fines, penalties, and fees may be imposed as alternative sanctions for any infraction of § 47-2404, or any rules or regulations issued under the authority of that section, pursuant to Chapter 18 of Title 2. Adjudication of any infraction of § 47-2404, or any rules or regulations issued under the authority of that section, shall be pursuant to Chapter 18 of Title 2.

(b) The Mayor may (1) impose a civil penalty in an amount not to exceed the greater of 500% of the retail value of the cigarettes or other tobacco product involved or $ 5,000 for a violation of this chapter, or (2) assess tax due and interest on any product acquired, possessed, sold, or offered for sale in violation of this chapter.

(c) The license or authorization to affix stamps of an agent, distributor, dealer, or person found liable for a civil penalty under subsection (b)(1) of this section on 2 or more occasions shall be revoked and the agent, distributor, dealer, or person shall not be eligible for a license or authorized by the District to affix tax stamps under this chapter for one year.

Redline § 47-2425

(a) For the purpose of enforcing this chapter, the Mayor may request or share information with any state or local agency, federal agency, or any agency of a state or local agency.

(b) Any person who acquires, owns, possesses, transports into, or imports into the District cigarettes or other tobacco products which are subject to this chapter shall, with respect to such cigarettes or other tobacco products, maintain and keep all records required under this chapter and District law.

(c) In addition to any other remedy provided by law, any person who suffers economic injury or commercial harm as a result of a violation of this chapter may bring an action for injunctive or other equitable relief for a violation of this chapter, actual damages, if any, sustained by reason of the violation, and, as determined by the court, interest on the damages from the date of the complaint and taxable costs. If the trier of facts finds that the violation was willful, it may increase the damages to an amount not exceeding 3 times the actual damages sustained by reason of the violation.

(d) The Mayor shall provide a copy of the Gray Market Cigarette Prohibition Act of 2000, effective April 3, 2001, (D.C. Law 13-225; 48 DCR 35), to all District licensed wholesale and retail sellers of cigarettes. The Mayor should also provide translations of the act, in Spanish, Chinese, Korean, Vietnamese, and other languages as necessary, to license applicants. These translations should be prepared in collaboration with the Office on Latino Affairs and the Office on Asian and Pacific Islander Affairs.