



D.C. Tax Revision Commission

MEETING MINUTES

Subject: D.C. Tax Revision Commission Public Hearing
Date: Dec. 3, 2012
Time: 4:00 p.m. to 7:00 p.m.
Location: John A. Wilson Building, 1350 Pennsylvania Ave, N.W., Washington, D.C. 20004

Members Present:

Anthony Williams	Fitzroy Lee
David Brunori	Teresa Hinze
Catherine Collins	Pauline Schneider
Mark Ein	Nicola Whiteman
Tracy Gordon	Ed Lazere
Stefan Tucker	Pauline Schneide
Nicola Whiteman	

Invited Speakers:

The public hearing was open to any member of the community wishing to address the D.C. Tax Revision Commission. Please see below for a complete roster of those who testified.

Staff:

Kevin Clinton	Richard C. Auxier
Mike Bell	Ashley Lee

I. Call to Order (Commission Chairman)

Mr. Anthony Williams, Chairman of the D.C. Tax Revision Commission (the “Commission”), called the meeting to order. Mr. Williams opened the public hearing by noting that having a transparent and engaging process with the public are explicit goals of the Commission, and that the Commission will be actively seeking public feedback throughout its tenure.

Before taking public testimony, Mr. Williams outlined the objective criteria that are guiding the Commission as it sets out to provide a comprehensive set of recommendations for improving the District’s tax system.

The Commission's criteria include:

1. Certainty
2. Neutrality (Efficiency)
3. Competitiveness
4. Fairness in Apportionment of Revenues (Equity)
5. Transparency and Accountability
6. Simplicity in Taxpayer Compliance and Revenue Administration

Mr. Williams then noted that a research agenda had been crafted based on the Commission's mandate. The public hearing was scheduled so that the public could provide feedback on that agenda, and so the Commission could make changes to it accordingly. After briefly describing the current research agenda, Mr. Williams detailed how the hearing would proceed—testimony in groups of four followed by question from the commissioners—and opened the hearing to public comment.

**Please note: A brief summation of the public testimony is recorded in these minutes. Complete written testimony, if provided, is accessible to the public via the Commission's website.*

II. First Round of Public Testimony: Dan Wedderburn, David Bardin, George Beatty and Marie Drissel

Testimony of Dan Wedderburn, Chair of the Tax Reform Committee, D.C. for Democracy

Mr. Wedderburn, speaking as a member of D.C. for Democracy, stressed the need for the Commission to address the fairness of the D.C. tax code. Specifically, he asked that the Commission investigate and recommend policies that would increase the progressivity of the District's tax system, particularly the income tax. Additionally, Mr. Wedderburn asked that the Commission hold a public hearing one month prior to the release of its final recommendations.

Testimony of David Jonas Bardin, former member of board of directors, D.C. Water and Sewer Authority

Mr. Bardin, who previous served on the board of D.C. Water and Sewer Authority (DC Water), asked that the Commission consider tax and other revenue treatment for the utility service, that he stated is treated and taxed differently than other public utilities.

Testimony of George Beatty

Mr. Beatty allocated most of his testimony to the need for simplicity in the D.C tax code—specifically as it relates to the individual income tax. His testimony also touched on the need for increased progressivity, changes to the estate tax that will make it more competitive with Virginia and the need for more tax revenue to fund public infrastructure.

Testimony of Marie Drissel, member of 1998 Tax Revision Commission

Ms. Drissel, who in addition to being a member of the 1998 Commission has dedicated 39 years to neighborhood activism in the District, asked the Commission to study real property tax administration. Ms. Drissel testified about the disparities in the commercial and residential property tax administration systems, and highlighted the inadequacies of the residential property assessment process. She stated that the current system is unfair to many low-income households, and is in fact a key factor in driving many of these residents out of their neighborhoods and the city.

Questions to the first panel

Numerous members of the Commission weighed in on the desire for a more progressive tax code. Mr. Williams asked Ms. Driseel if making the residential property tax appeal process simpler—Ms. Driseel at one point advocated making appeals into a smart phone application, for example—would lead to an increase in frivolous appeals. Ms. Driseel stated that she highly doubted this would result given the other hurdles in the appeals process that would remain in place even in the simplest system.

III. Second Round of Public Testimony: Gerry Widdicombe, Barbara Lang, Jim Dinegar and Sally Kram

Testimony of Gerry Widdicombe, Director of Economic Development, Downtown Business Improvement District (BID)

Mr. Widdicombe, speaking on behalf of the Downtown BID, raised the issue of tax competition and the disincentive the current tax code gives to businesses considering locating in the District. Specifically, Mr. Widdicombe stated that the city's commercial property taxes are driving business out of D.C. and into Ballston (a burgeoning neighborhood in Arlington, Virginia). He also spoke to how different the business environment is in the downtown area compared with the rest of the District. While organizations that require a D.C. location (he specifically cited AARP) will pay exorbitant commercial property taxes, business looking to locate in surrounding neighborhoods cannot afford such taxes and are driven "across the river." Mr. Widdicombe advised the Commission investigate ways to address these disparate property tax elasticities.

Testimony of Barbara Lang, President & CEO, D.C. Chamber of Commerce

Ms. Lang, who was representing the 1,700 members of the D.C. Chamber of Commerce, asked that the Commission recommend changes to the tax code that will "cater to our small business while being attractive to large business as well." She also raised fears of businesses leaving the District for Virginia in response to an overly burdensome tax system. In fact, Ms. Lang stated that the city is "at the bottom of the nation's list for places to do business." Specifically, she asked that the Commission address issues surrounding the (lack of) a commuter tax without raising taxes on those in the District, that the corporate real property tax be lowered, and to support the Technology Sector Enhancement Act.

Testimony of Jim Dinegar, CEO, Greater Washington Board of Trade

Mr. Dinegar, speaking on behalf of the Greater Washington Board of Trade, also raised concerns about the District's competitive disadvantages in attracting and retaining business in the city. He said that many companies are not merely comparing D.C. with its immediate neighbors, Maryland and Virginia, but the entire region and encouraged the Commission to look at the tax systems of states such as Delaware and Pennsylvania. Mr. Dinegar also stressed the importance of tax collection, and that the city must do everything within its power to collect taxes from those who owe them before they turn to raising tax rates.

Testimony of Sally Kram, Director of Government and Public Affairs, Consortium of Universities of the Washington Metropolitan Area

Ms Kram, representing the Consortium of Universities, asked that the Commission not recommend a payment in lieu of taxes (PILOT) system for the District's universities. Ms. Kram stated that PILOT programs are rare, do not work and would be a poor fit for the District. She also asked that the Commission take note of all the non-revenue benefits that universities provide to the city, including economic and population growth as well as less tangible benefits.

Questions to the second panel

Members of the Commission inquired about several aspects of this round of testimony. Many asked for ideas for mitigating the commercial property tax burden. Specifically, how can the city attract businesses to areas of the district where demand is elastic while extracting higher property taxes from organizations wedded—with inelastic demand—to the center of D.C.? In fact, the idea of establishing multiple and geographically based rates was broached. Other members raised the concern that some of the desires of those giving testimony may be in conflict. Specifically, is the desire for tax system with a broad base and low rates compatible with specific tax credits and tax cuts aimed at attracting business to the city? Another commissioner asked the panel where they planned to raise revenue given the roster of tax reductions they had proposed. Mr. Williams closed out the round of questioning by thanking the group for their testimony and asking them to continue their engagement with the Commission. Furthermore, he asked that the group compile some additional research on what other states and localities are doing successfully with their tax systems: What have other governments specifically done to improve their competitiveness and what can the District change to enhance its business environment?

IV. Third Round of Public Testimony: Bart Uze, James Rooney and Campbell Johnson

Testimony of Bart Uze, Legal Counsel, Ryan, LLC

Mr. Uze, appearing on behalf of Michael Allen, principal at Ryan, LLC (a state and local tax consulting firm), wanted to bring to the attention of the Commissions Title 47 of the D.C. Official Code. Mr. Uze was asking that the law be amended so that a taxpayer appealing a real

estate assessment only be required to pay the uncontested portion of the tax as a prerequisite to filing such an appeal. This would change would both keep taxpayer money from being tied up in court during litigation and prevent the District from counting revenue that may never materialize. Mr. Uze stated that such a change would make the system that is more fair and accurate.

Testimony of James Rooney, Avenir Corporation

Mr. Rooney asked the Commission to study and recommend eliminating the District's unincorporated business tax. His firm, Avenir Corporation, was founded in D.C. in 1980, currently conducts separate account business. Going forward, the firm would like to offer pooled investment vehicles—such as mutual funds—to its clients but they have been persuaded not to because of D.C. unincorporated business tax that creates a 10% layer of taxation on top of capital gains at the partnership level. Mr. Rooney stated that he knows of no other state that applies such a tax and that the tax was the reason that D.C. lacks a vibrant financial industry. Members of Avenir Corporation discussed removing the tax with the D.C. Council but no change was adopted. Mr. Rooney stated that if no change is made as a result of this Commission his organization is prepared to open a wing dedicated to pooled accounts in another jurisdiction to avoid the tax.

Testimony of Campbell Johnson, Urban Housing Alliance

Mr. Johnson, representing the Urban Housing Alliance, testified before the Commission to advocate for a “Homeowners Bill of Rights” that he stated would make the property tax assessment process more fair and transparent. Mr. Johnson expressed his concerns that the District's current property tax policies were driving many residents out of the city. He also asked that the Commission recommend improvements to the city's property tax appeals process.

Questions to the third panel

Numerous questions were raised about improving the administration of the property tax in response to the third round of testimony. Members asked what could be done in changing neighborhoods that treated all residents fairly and allowed for an efficient assessment process.

V. Third Round of Public Testimony: Bart Uze, James Rooney and Campbell Johnson

Testimony of Simon Rakoff, Fortify Ventures LLC

Mr. Rakoff, a member of Fortify Ventures, shared his story of becoming an investor in emerging industries and encouraged the Commission to look for ways to craft a tax system that supports small investors. He also advocated for the Technology Enhancement Act as a policy that would incentivize more people to invest in burgeoning companies.

*There were no questions for the fourth panel.

VI. Adjournment (Commission Chairman)

Mr. Williams thanks all those who took the time to testify before the Commission and the meeting was adjourned.