

**PUBLIC HEARING ON  
BILL 16-037, “ESTATE AND INHERITANCE TAX  
RE-COUPLING ACT OF 2007”**

**Before the  
Committee on Finance and Revenue  
Council of the District of Columbia**

**The Honorable Jack Evans, Chairman**

**February 7, 2007, 1:00 p.m.  
John A. Wilson Building, Room 412**



**Testimony of  
Robert Ebel and Sherryl Hobbs Newman  
Office of the Chief Financial Officer**

**Natwar M. Gandhi  
Chief Financial Officer  
Government of the District of Columbia**

Good afternoon Chairman Evans and distinguished members of the committee. I am Robert Ebel, Deputy Chief Financial Officer for Revenue Analysis, and I am pleased to be joined by my colleague Sherryl Hobbs Newman, Deputy Chief Financial Officer for Tax and Revenue. Our testimony this afternoon relates to Bill 17-037, the “Estate and Inheritance Tax Re-Coupling Act of 2007.”

## **Background**

The federal *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA) provided for phased reductions of federal estate taxes, culminating in elimination of those taxes for 2010. The act also provided that, beginning in FY 2011, the taxes would be re-imposed, presumably under the 2001 rules, which would then remain constant for subsequent years.

Prior to EGTRRA's enactment, the District of Columbia and numerous states had imposed taxes that were determined in part or altogether by the federal rules. The District, like many of the affected states, "decoupled" from the EGTRRA changes to estate tax law to prevent or mitigate the loss of revenue.

## **Financial Impact: Bill 17-037, Partial Conformity to Federal Law**

Bill 17-037 would apply EGTRRA's phased changes in federal estate tax rules to the District's estate tax law for estates of individuals who die in 2007, 2008, or 2009. For later years, the District's rules as they exist in 2009 would remain in effect. Thus, the proposed bill would provide partial conformity to federal law by adopting the same exemption levels in FY 2008 and FY 2009. Under this partial conformity, the District's estate tax revenue would decline by \$3.2 million in FY 2008 and \$38.5 million in the FY 2008 through FY 2011 period (Table 1).

<b>Table 1. Estate and Inheritance Tax Re-Coupling Act of 2007 Partial &amp; Full Conformity (\$ in millions)</b>					
<b>Item</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>4-Year Total</b>
Federal Threshold – Current Law	\$2.0	\$3.5	Abolished	\$1.0	
District Threshold – Current Law	\$1.0	\$1.0	\$1.0	\$1.0	
District Threshold – Partial Conformity	\$2.0	\$3.5	\$3.5	\$3.5	
District Threshold – Full Conformity	\$2.0	\$3.5	Abolished	\$1.0	
District Estate Tax Revenue – Current Law	\$31.7	\$32.3	\$32.0	\$32.0	<b>\$128.0</b>
Reduced Revenue – Partial Conformity	(\$3.2)	(\$9.7)	(\$11.6)	(\$14.0)	<b>(\$38.5)</b>
Reduced Revenue – Full Conformity	(\$3.2)	(\$9.7)	(\$32.0)	(\$0.0)	<b>(\$44.9)</b>

### **Full Conformity**

The costs of full conformity to federal law are also shown in Table 1. Under this scenario, the District would adopt the federal exemption levels of \$2.0 million in FY 2008 and \$3.5 million in FY 2009. Then the District would abolish the estate tax in FY 2010 and return to an exemption level of \$1 million in FY 2011 and thereafter.

Under full conformity, the District’s estate tax revenue would decline by \$3.2 million in FY 2008 and \$44.9 million in the FY 2008 through FY 2011 period. After losing the full \$32 million in estate tax revenue in FY 2010, the District could expect to collect most or all of the currently projected \$32 million in revenue in FY 2011. However, by conforming fully to federal law, the District would risk losing all of its estate tax revenue if, in 2011, the U.S. Congress allows the estate tax to lapse.

We will be pleased to respond to your questions and to prepare further detail on this issue.