

PUBLIC HEARING
ON
BILL 18-0021 “THE PROCESSING SALES TAX
CLARIFICATION ACT OF 2009”

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

The Honorable Jack Evans, Chairman

February 25, 2009, 10:00 a.m.
John A. Wilson Building, Room 120



Testimony of Stephen M. Cordi
Deputy Chief Financial Officer
Office of Tax and Revenue
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer
District of Columbia

Mr. Chairman and members of the Committee, my name is Stephen Cordi, Deputy Chief Financial Officer for the Office of Tax and Revenue. I am pleased to present testimony today on Bill 18-0021, "The Sales Tax Clarification Act of 2009."

Bill 18-0021 would eliminate one of two separate and duplicative sales tax exemptions for utilities used in processing. It would also provide an express exemption for utilities used by restaurants, eliminating a lot of unproductive disputes as to the utility usage of particular pieces of equipment. Finally, it would conform the District's utility exemption for other processing activities to that of other jurisdictions by specifying that it shall apply to the production of tangible personal property for sale or resale.

The legislation does have one ambiguity which needs to be addressed. While the exemption is carefully-crafted in the definitional section to apply only to separately-metered food service facilities in hotels, the language of the exemption itself might be read to apply to hotels generally, a substantial expansion of existing law and potential for unintended revenue loss.

If this ambiguity is corrected, the Office of the Chief Financial Officer expects, that with the clarifications and simplifications provided by Bill 18-0021, the utility exemption in the District can work as it does in other jurisdictions where taxpayers claim the exemptions directly from utility companies without the necessity of bureaucratic intervention. Pepco and Washington Gas Light have been doing this for the State of Maryland for many years, and I believe that they can administer it here in the District in much the same way. Verification of entitlement to exemption can be handled through routine audit procedures just as all other sales tax exemptions.

With the correction to the legislation which I have discussed, the Office of the Chief Financial Officer can support Bill 18-0021 and urges its enactment. I very much appreciate the opportunity to testify on this legislation.