

October 23, 2002

Council of the District of Columbia

PUBLIC HEARING ON BILL 14-845, "MASTER BUSINESS REGISTRATION ACT OF 2002;"

BILL 14-559, "RELIGIOUS ORGANIZATIONS SUPPORT AMENDMENT ACT OF 2002;" AND

BILL 14-687, "GENERAL LICENSURE LAW TECHNICAL AMENDMENT ACT OF 2002"

Testimony of Julia Friedman, Deputy Chief Financial Officer

Before the Committee on Consumer and Regulatory Affairs

Good morning, Chairman Ambrose and members of the Committee on Consumer and Regulatory Affairs. I am Julia Friedman, Deputy Chief Financial Officer for Research and Analysis. I am here today to testify on behalf of the Office of the Chief Financial Officer (OCFO) in response to a series of questions you posed regarding the Master Business License program.

Bill 14-845, the Master Business License Registration Act of 2002, would increase the threshold for obtaining a Master Business License from \$2,000 to \$20,000 in annual gross receipts. The bill would also implement an amnesty program that expires during FY 2003. Passage of this bill would cost the District \$740,460 in FY 2003 and \$1,385,805 between FY 2003 and FY 2006. Revenue-neutral fiscal impact statements were previously submitted for Bill 14-559, the Religious Organizations Support Amendment Act of 2002, and Bill 14-687, the General Licensure Law Technical Amendment Act of 2002.

Your first question asked about exempting certain occupations and businesses from the Master Business License requirement. The OCFO believes that there would be a cost to the city if entities that obtain their licenses from agencies other than the Department of Consumer and Regulatory Affairs were exempted from the Master Business License requirement. Data is not readily available to make such estimates, and a substantial amount of research would be required to provide the exact costs of exemption. If the committee would still like my office to provide this information, please let me know.

Your second question asked about the fiscal impact statement for the Master Business Registration Act of 2002. According to the Office of Tax and Revenue, there are 24,684 unincorporated businesses in the District that generate less than \$20,000 in annual gross receipts. Increasing the threshold for the Master Business License from \$2,000 to \$20,000 in annual gross receipts will cost the District \$740,460 in FY 2003. Because this act does not increase the cost of the \$15 biennial renewal process, the fiscal impact of this act on later years is more limited. It is estimated that approximately \$215,115, per annum, will be lost after FY 2003 by increasing the threshold.

There are just over 3,000 non-profit organizations located in the District of Columbia, and an unknown number that actually conduct business in the city. Because non-profit organizations do not pay franchise taxes to the District, the OCFO is unable to determine how many non-profits generate revenue under or over the \$20,000 threshold. The impact of non-profit organizations was not included in this estimate.

Your final question asked about the impact of the Budget Support Act Amendment on Master Business License Fees. The Department of Consumer and Regulatory Affairs Fees and Charges Amendment Act of 2002 in the FY 2003 Budget Support Act Amendment Act of 2002 would increase the cost of obtaining a Master Business License from \$25 to \$35 and increase the cost of endorsements from \$5 to \$10. Passage of both this amendment in the Budget Support Act and the Master Business Registration Act would increase the District's losses to \$1,110,690 in FY 2003 and \$1,801,035 between FY 2003 and FY 2006. Although it can be argued that the increase in fees could be used to offset the losses from increasing the threshold, the fee was raised to balance the District's FY 2003 budget – not pay for increasing the threshold amount. If the Master Business License fee was raised to \$61 and the renewal fee was raised to \$19, it would cover the revenue lost from increasing the minimum threshold to \$20,000 in gross annual receipts.

Madame Chairman, this concludes my statement. I ask that my statement be made part of the record.

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