

PUBLIC HEARING ON
B 16-35, “STANDARD DEDUCTION AND PERSONAL
EXEMPTIONS COUPLING ACT OF 2005

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

The Honorable Jack Evans, Chairman

March 14, 2005, 10:30 a.m.
Council Chamber, John A. Wilson Building



Testimony of
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Good morning, Mr. Chairman and members of the committee. I am Julia Friedman, Deputy Chief Financial Officer for the Office of Revenue Analysis. I am pleased to testify today on Bill 16-35, the “Standard Deduction and Personal Exemptions Coupling Act of 2002.”

The Standard Deduction and Personal Exemptions Coupling Act of 2005 couples the District’s standard deduction and personal exemption amounts to mirror the federal deductions. Since the federal rate is higher, the proposed coupling will increase OTR refunds to taxpayers. Currently, the District standard deduction is \$1,000 for married taxpayers filing separately and \$2,000 for all others. The federal standard deduction is \$4,850 for married taxpayers filing separately, \$7,150 for head of household filers, and \$9,700 for married taxpayers filing jointly. The District exemption amount is \$1,370 compared to the federal exemption amount of \$3,100 for taxpayers with adjusted gross incomes under \$107,025. At the federal level, annual adjustments for inflation are made to the exemptions and standard deductions.

Increasing standard deduction and exemption amounts is a way to reduce the “creep” in the real costs of the income tax. We estimate that the revenue reduction to the District under the provisions of this bill would be about \$80 million annually, and a total of approximately \$322 million for fiscal years 2005 through 2008. The estimate includes the cost of annual adjustments for inflation. The Office of Tax and Revenue estimates that first-year implementation costs would be approximately \$150,000.

Thank you for this opportunity to comment. I would be glad to answer any questions you or members may have.

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