

PUBLIC HEARING ON
B 16-115, “STANDARD AND ITEMIZED DEDUCTION FILING
ELECTION 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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Natwar M. Gandhi
Chief Financial Officer
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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 16-115, the “Standard and Itemized Filing Election Act of 2005.”

Currently, under District law as well as most other states, taxpayers claiming the itemized deduction on their federal returns must itemize on their District returns. This bill would contradict this standard practice and allow taxpayers to elect either the standard deduction or itemized deductions on their District returns. For example, if a married taxpayer filing jointly took the federal standard deduction of \$9,700, he/she also would have to take the standard deduction on the District income tax return. The taxpayer could not decide to itemize on the District return even if it might result in more favorable tax treatment to the taxpayer.

The proposed Standard and Itemized Filing Election Act would allow persons filing individual income tax returns in the District to elect whether they wish to take the standard deduction or to itemize their deductions on their District return, regardless of how they filed on their federal return. We are not able to determine how many District filers would make this election and, therefore, cannot estimate the revenue impact at this time. However, if up to 40 percent of married District taxpayers who currently take the standard deduction elect to itemize on their District return because it would be beneficial to them, we believe that the District’s revenue exposure would not exceed \$4 million annually. The Office of Tax and Revenue estimates that it would incur implementation costs of approximately

\$100,000 for additional staff and \$100,000 in subsequent audit and examination costs.

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

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