PUBLIC ROUNDTABLE ON
BILL 16-702, "HEATING OIL TAXATION RELIEF AMENDMENT ACT OF 2006"

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

The Honorable Jack Evans, Chairman

April 10, 2006, 11:15 a.m.
Room 120, John A. Wilson Building

Testimony of
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Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Matthew Braman, Director of Operations for the Office of Tax and Revenue. I am pleased to present testimony today on Bill 16-702, the "Heating Oil Taxation Relief Amendment Act of 2006."

This bill proposes to change the manner in which heating oil is taxed in the District under D.C. Official Code ("Code") section 47-2501 from a tax on gross receipts from deliveries to a tax imposed on the number of gallons delivered. Currently, Code section 47-2501(a)(5) provides that the gross receipts from deliveries of heating oil are taxed at the rate of 10% in case of deliveries made after December 31, 2004, for residential customers by a person who delivers heating oil to an end-user in the District. Code section 47-2501 further provides that the gross receipts from such deliveries are taxed at the rate of 11% in case of deliveries made after December 31, 2004, for non-residential customers.

Bill 16-702 establishes a new subsection (a-5) to Code section 47-2501. That subsection provides that for sales included in bills rendered after July 1, 2007, each person who delivers heating oil to an end-user to the District must file an affidavit before the 21st day of each month beginning August 1, 2007, with the Mayor indicating the number of gallons delivered for final consumption for the preceding billing period; pay to the Mayor a tax of $0.1480542, as of July 2, 2007, for each gallon of heating oil delivered to all District end-users for the preceding period; and pay to the Mayor an additional tax of $0.0145436, as of July 2, 2007, for each gallon of hearing oil delivered to nonresidential District end-users for the preceding billing period.

New subsection (a-5) also provides that all revenues collected at the $0.0145436 additional tax rate under new subsection (a-5)(B)(ii) for sales to nonresidential District end-users are to be deposited in the Ballpark Revenue Fund. New subsection (a-5) also allows each person who delivers heating oil to District end-users to pass on the taxes imposed under subsection (a-5) as a surcharge reflected as a separate line item on customers' bills.

Finally, Bill 16-702 establishes a new subsection (a-6) under Code section 47-2501. New subsection (a-6) provides a transition rule for any sales of heating oil to District end-users made on or after June 1, 2007, that are not included in bills rendered after July 1, 2007, and taxed under new subsection (a-5) shall be taxed at the prior rates provided in subsection (a)(5) and reported in the affidavit due on July 21, 2007.

OTR has reviewed Bill 16-702. Last year, the Council approved emergency and temporary legislation that changed the method of taxation of natural gas from one imposed on the gross receipts of sales of natural gas by gas companies to one that is imposed on per-therms of gas delivered to customers. We supported this legislation, in particular, because it closed a loophole in the law which does not exist with the current heating oil tax, and because it mitigated, to some degree, the consumer's costs for energy.

The existing method of taxation of heating oil allows the District's tax revenues to rise with the price of heating oil, whereas under the new system if the price rises, the District will get the same amount of revenues, assuming the same number of gallons of heating oil is delivered. Like the gross receipts tax for natural gas and electricity, under the new system the District would then have to review the tax rates per gallon every few years to make sure the District is not losing any revenues. We estimate OTR's operational costs for the first year of implementation of Bill 16-702 to be $176,000 for personnel services, $100,000 for programming and $10,000 for other costs, totaling $286,000.

Fiscal Impact of Bill 16-702

The Office of the Chief Financial Officer is developing complete fiscal impact estimates of this bill and we will provide the numbers to the committee shortly.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other councilmembers might have at this time.