

PUBLIC HEARING ON
BILL 20-348
TAX CLARITY EQUITY AMENDMENT ACT OF
2013

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

The Honorable Jack Evans, Chairman

July 12, 2013, 10:00 a.m.
John A. Wilson Building, Room 123



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 20-348 “Tax Clarity Equity Amendment Act of 2013.”

Bill 20-348 would, if enacted, authorize tax credits in the amounts of refunds which would have been allowed for tax years prior to 2001 as a result of adjustments to income made by the IRS. The credits authorized by the legislation could be claimed over a four-year period in equal amounts beginning on or after January 1, 2017.

The Office of Tax and Revenue believes that the general 3-year statute of limitations is applicable to claims for refund of pre-2001 taxes resulting from IRS changes. For this reason, if the Council wishes to provide for the payment of such refunds, the enactment of legislation like Bill 20-348 is necessary.

As written, the legislation is open-ended, potentially authorizing the refund of taxes barred by limitations for more than 60 years. By its terms,

the credits authorized by the legislation are, moreover, not limited to adjustments (1) that would affect DC income; (2) that have not already been allowed to the taxpayer; or (3) that are not barred by the statute of limitations. Accordingly, we have discussed with Committee staff revisions to the legislation which would narrow its scope while accomplishing the purpose of the sponsors. Those suggested revisions are attached to my testimony. If the Committee determines to proceed with the legislation, we urge the adoption of the attached revisions.

I very much appreciate the opportunity to testify on this legislation.

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend Title 47 of the District of Columbia Code to clarify that if the amount of taxable income for a taxable year (or portion of a taxable year) of a taxpayer, as reported by the taxpayer, for federal income tax purposes is changed or corrected by the Commissioner of Internal Revenue for certain tax years preceding the Tax Clarity Act of 2000 and this change or correction results in a decrease in the taxpayer's computed District tax for such year, the taxpayer may claim a tax credit equal to such decrease over a period of four years in equal amounts beginning in tax year 2017.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA,

That this act may

be cited as the "Tax Clarity Equity Amendment Act of 2013".

Sec. 2. Tax Credit Authorization.

- (a) The District of Columbia government shall provide a tax credit to a taxpayer whose taxable income for tax years preceding the Tax Clarity Act of 2000 was changed or corrected by the Commissioner of Internal Revenue provided that, the change or correction was based on a federal income tax provision to which the District tax law conforms; the taxpayer has not previously adjusted the DC tax return for this change; and the resulting refund is barred by the statute of limitations. The tax credit shall equal the decrease in the District tax, without overpayment interest, for such tax years, computed using the changed or corrected taxable income as determined by the Commissioner of Internal Revenue to the extent the change conforms to District tax law.
- (b) This tax credit shall be applied over a four year period in equal amounts in tax periods beginning on or after January 1, 2017.

- (c) The taxpayer shall designate the tax type or types for applying the credit by notifying the Office of Tax and Revenue at the time the credit is taken on a return.

Sec. 3. Applicability.

- (a) This section shall apply to tax years beginning after December 31, 1997 and ending before January 1, 2001.

Sec. 4. Fiscal impact statement.

The Council adopts the fiscal impact statement of the Chief Financial Officer as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

Sec. 5. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1), and publication in the District of Columbia Register.