

PUBLIC HEARING

ON

**Bill 20-482, “Fiscal Year 2014 Budget Support Technical Clarification Act of
2013”**

**Before the
Committee of the Whole
Council of the District of Columbia**

Chairman Phil Mendelson

**November 7, 2013, 9:30 AM
John A. Wilson Building, Council Chamber**



**Testimony of
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**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Mendelson and Members of the Committee of the Whole. My name is Aaishah Hashmi, Corporate Tax Counsel at the Office of Tax and Revenue. I am pleased to testify for the Office of the Chief Financial Officer on Bill 20-482, The Budget Support Technical Clarification Act of 2013.

The proposed bill clarifies the scope of the production exemption. The exemption is from sales tax from utility use and applies when goods are produced for sale by using one of the eligible production operations, namely, manufacturing, processing, assembling and refining.

There is much state law on what constitutes manufacturing, processing, assembling and refining. For example, “manufacturing” is generally a process by which a product is created that is substantially different in form, character, composition, and usefulness from its components. A good example is the making of furniture. A furniture manufacturer purchases wood and creates designs to make furniture. The manufacturer then cuts the wood and puts the pieces together to create the finished product.

“Processing” generally results in a change in the nature, shape, or form of materials. For example, pasteurizing milk would constitute a processing operation. “Assembling” means attaching or fitting together parts to form a complete product. An example would be the assembly of radios. Finally, “refining” means removing or separating a desirable product from raw or contaminated materials by physical, mechanical, or chemical processes. An example of this would be the production of gasoline or fuel oils.

This legislation clarifies that only utilities consumed directly in production operations are eligible for an exemption from sales tax.

This concludes my testimony. I will be happy to answer any questions.