



GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF REVENUE ANALYSIS

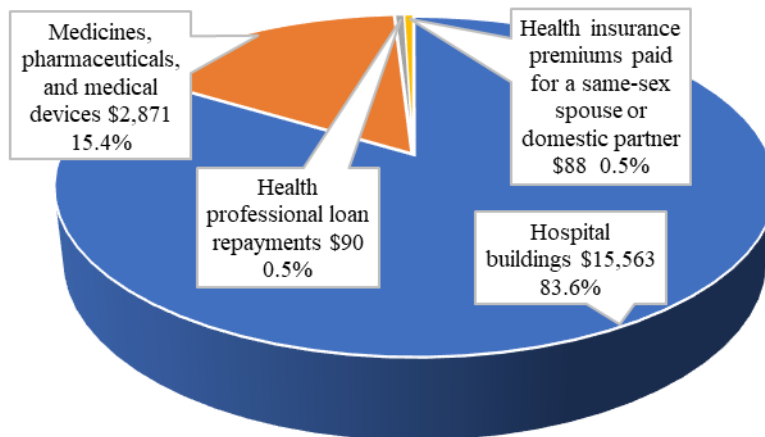
Muriel Bowser, Mayor
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Fact Sheet: District Health and Education Tax Expenditure Review

Health-Related Tax Expenditures

Chart 1: FY 2020 Revenue Forgone to Health-related Tax Expenditures, \$000

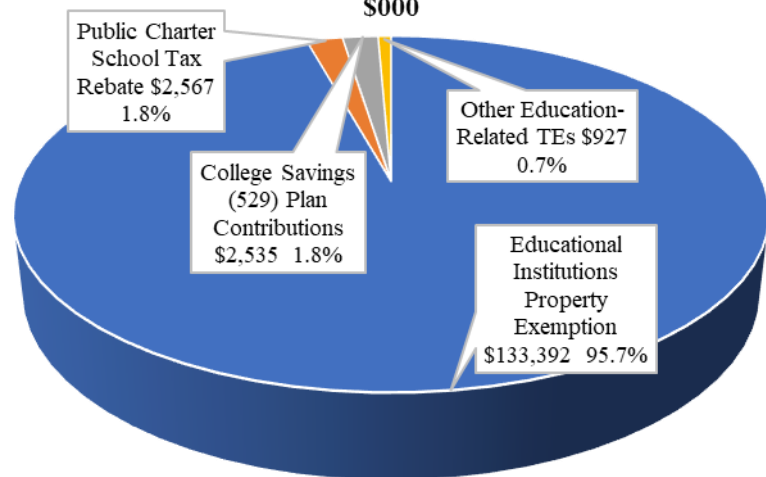


Source: ORA. Note: Summing tax expenditures does not consider possible interactions among individual tax expenditures, so it does not produce an exact estimate of the revenue that would be gained were any specific provision removed.

- Health-related tax expenditures are aimed at improving access to healthcare goods and services for District residents, workers, and visitors.
- Categorical health-related tax expenditures totaled \$18.6 million in FY 2020.
- The property tax exemption for hospitals is the largest of these provisions at 84 percent of the total. Other provisions include a sales tax exemption for medicines, pharmaceuticals, and medical devices.

Education-Related Tax Expenditures

Chart 2: FY 2020 Revenue Forgone to Education-related Tax Expenditures, \$000

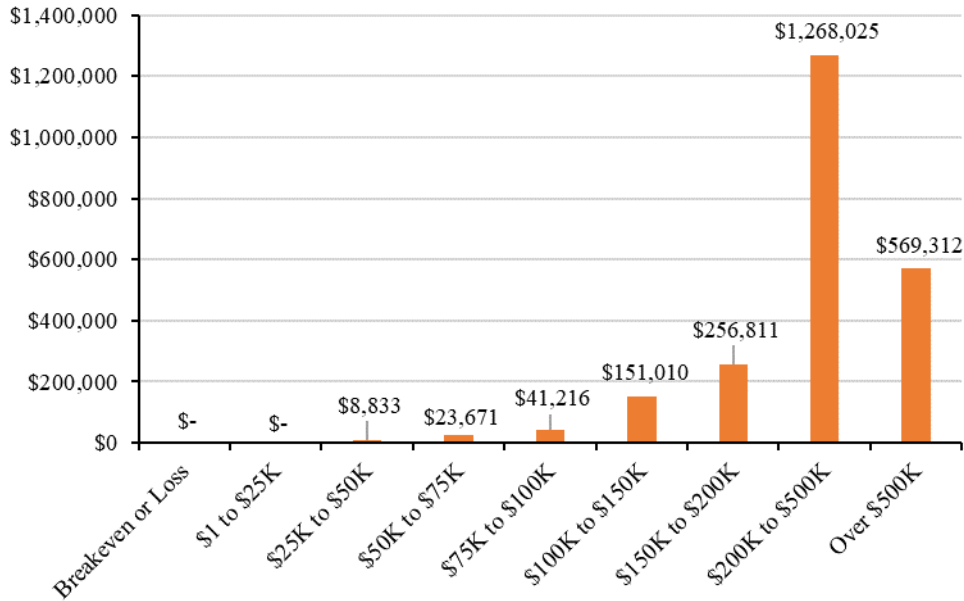


- Education-related expenditures are intended to promote excellent and equitable educational opportunities for District students as well as provide fair treatment of District educators and education organizations.
- Categorical education-related tax expenditures totaled \$139.4 million in FY 2020.
- The property tax exemption for educational institutions is the largest of these provisions at 96 percent of the total. Other provisions include an income tax subtraction for contributions to a DC college savings (529) plan (see Chart 3 on page two).

Source: ORA. Note: Other Education-Related TEs includes property tax exemptions for private libraries and higher educational institutions, deed recordation and transfer tax exemptions for educational institutions, and income tax subtractions for public school teacher expenses.



Chart 3: Income Tax Revenue Forgone from the DC 529 College Savings Program by Income Group (FAGI), TY 2018



Source: ORA Analysis of DC Individual Income Tax data.

Note: Tax revenue forgone was calculated using the median effective tax rate from claimants in each income category in TY 2018.

Overall Recommendations

A recommendation for an education-related tax expenditure follows:

- Consider increasing the public-school teacher expenses income tax subtraction limit for out-of-pocket classroom supplies costs based on an analysis showing that in 2018 a DC public-school teacher spent on average \$527 more than what could be reimbursed.