

**PUBLIC HEARING ON**  
**BILL 19-163**  
**VENDOR SALES TAX COLLECTION AND**  
**REMITTANCE ACT OF 2011**

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

**The Honorable Jack Evans, Chairperson**

**April 13, 2011, 10:30 a.m.**  
**John A. Wilson Building**



**Testimony of Stephen M. Cordi**  
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**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 very much appreciate the opportunity to testify today on Bill 19-163, the Vendor Sales Tax Collection and Remittance Act of 2011.

In general, the legislation would repeal the existing requirement for street vendors to remit \$375 per quarter in lieu of collecting and remitting the sales tax. With this special provision repealed, street vendors would be required to collect and remit the tax as other licensed sales tax vendors.

This change can be handled relatively easily by the Office of Tax and Revenue, since all it requires is that regular sales tax accounts be created for the existing vendors. The legislation should make clear that the final \$375 payment, representing the tax for the July through September 2011 quarter, but not due until October 20, 2011, remains payable. As the legislation is now written, the receipts for this last quarter will be lost.

It is questionable whether this change will produce more or less revenue than existing law. By definition, essentially all of the vendors are transient in nature and all of their sales and purchases are in cash. It is a foregone conclusion that much of the tax will be lost. The Office of Revenue Analysis will provide an estimate of what revenue leakage to expect when it prepares its fiscal impact statement, but there is every reason to expect that the leakage would be high.

The Office of Tax and Revenue will endeavor to enforce the new collection requirements through audit. As you might imagine, though, doing audits of cash basis taxpayers who are likely to be judgment-proof is likely to be both difficult and unrewarding. To the extent audit staff is diverted from existing revenue-raising activities for this purpose, additional costs to the District necessarily follow.

If the object of the legislation is to protect store-based merchants from unfair competition and/or to raise revenue for the District, the assured way of achieving that objective is simply to raise the existing quarterly fee to a higher level. The fee can also be indexed for inflation if that is desirable.

While not as desirable, the object could also be achieved by leaving the existing fee in place, provide for the collection of the tax and requiring

the vendors to remit only amounts in excess of the fee on their sales tax returns. This will at least assure that the District doesn't lose existing revenues, though it does nothing to mitigate the District's loss of audit revenues.

Please feel free to call upon us for any assistance we can provide as you consider Bill 19-163.