

Testimony before the Committee on Finance and Revenue
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Public Roundtable on Bill 13-586, “Tax Clarity Act of 2000”

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Office of the Chief Financial Officer

Good morning Chairman Evans and Members of the Committee. Thank you for the opportunity to testify today on Bill 13-586, the “Tax Clarity Act of 2000”.

The Office of Tax and Revenue (OTR) is committed to enhancing taxpayer compliance with District tax laws while at the same time reducing the compliance burden on taxpayers. This bill proposes many changes to the D.C. Code that would assist OTR in accomplishing both of these goals. Additionally, provisions in the bill would reduce the administrative burdens on the District.

BACKGROUND

Tax laws are by nature complex; but current District tax law is even more complex than necessary. This is the result of many years of modifications, additions, and deletions from the District’s system of taxation. This bill, above all else, is the first major effort to systematize the tax code by compiling most provisions that apply to all taxes into their own separate chapters, rather than having them strewn throughout the code. Also included

were some minor technical corrections and changes that benefited taxpayers and tax administration alike. In short, this bill is a comprehensive effort to simplify the code and make it apply consistently for all District taxes and taxpayers.

Three new administrative chapters in the bill deal with interest and penalties, administration, and compliance. These provisions will streamline the tax code for the future. The integrated tax system being implemented at OTR will be greatly benefited by having to look in one place in Title 47 for interest and penalties, or to determine the time period for the statute of limitations on assessment, for example. This streamlining makes it easier for taxpayers and tax practitioners alike to know what the laws are regarding a collection matter. It means that neither tax administrators nor taxpayers will get tripped up because of inartful or archaic wording, or otherwise confusing provisions that currently exist. This bill does not fix everything, but it is a good start.

Some initiatives deal with more substantive matters, such as repealing the tax on snack foods or reforming the real property tax sale process. Some initiatives, such as including commercial local exchange carriers in the gross receipts tax provisions, in effect codify current practice where the law has been ambiguous or simply conflicted with other code provisions. Some changes are proposed to recognize the effect of court decisions such as the consolidated return filing provision or repealing the substantial benefits test for franchise and sales tax exemptions for charitable organizations. Others simply bring District law into close alignment with the Internal Revenue Code where the District relies heavily on Federal practice, such as in the

exempt organizations area. In every case, however, the bill takes the best of what the current code, the Internal Revenue Code, or other state laws had to offer to simplify tax administration and tax compliance.

MINOR CORRECTIONS AND OTHER ISSUES

There are still some changes to this bill that OTR would recommend. Many of these are minor tinkering and corrections that we would be happy to work on with the Committee as the bill approaches mark up. There are two items, however, that I would like to discuss at this point.

OTR has made tremendous progress in the real property assessment area. The Chief Assessor is committed to making efficient and accurate assessments of real property. In making accurate assessments, the Chief Assessor uses all available information that is relevant to a particular property. For commercial properties, this includes the income and expense forms of comparables. However, if the assessment is appealed to the Board of Real Property Assessments and Appeals (BRPAA), we are unable to provide this key information to BRPAA in support of our assessment. BRPAA has to determine the market value without having all of the pertinent data on which the assessment was based. This bill would remedy this situation by allowing BRPAA to review the income and expense forms that were used by the Chief Assessor in determining market value. The information would not be available to anyone but BRPAA so as to maintain its confidentiality. Since an owner has the right to a trial de novo in the District of Columbia Superior Court, due process is not violated by non-

disclosure of the income and expense forms for comparable properties used by the Chief Assessor and BRPAA to determine market value.

We also recommend that rather than repeal the sunset of the triennial assessment process (Section 105(b) of the Real Property Assessment Process and Tax Revenue Anticipation Notes Amendment Act of 1997 (“the Act”), the Council wait until the Committee on Finance and Revenue reviews the provisions of the Act and makes recommendations for their continuance, amendment or termination as specified in Section 105(a) of the Act. At that time the Council can review the triennial assessment process and its impact, and then make a determination whether or not it should continue.

Lastly, we recommend striking section 402 of the legislation, except for proposed section 47-4120(a)(3) which authorizes OTR employees to serve as an affiant. Those provisions are no longer necessary because OTR will be working with the Office of the Inspector General and will not need separate peace officer authority for OTR employees.

A PACKAGE DEAL

The clarifications and changes together result in a small revenue gain each year. The bill should be considered in its entirety, rather than as separable components. The goal of revenue neutrality is achieved only by keeping all parts of the bill together as a comprehensive package.

I have attached a summary of the initiatives in the bill. I will be happy to answer any questions you may have on this bill.