

**PUBLIC ROUNDTABLE ON
BILL 16-230 “RECYCLABLE MATERIALS SALES TAX
CLARIFICATION ACT OF 2005”**

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

The Honorable Jack Evans, Chairman

**April 20, 2005, 12:00 p.m.
Room 120, John A. Wilson Building**



**Testimony of
Daniel L. Black, Jr.
Deputy Chief Financial Officer
Office of Tax and Revenue**

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

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Daniel L. Black, Jr., Deputy Chief Financial Officer for the Office of Tax and Revenue (OTR). I am pleased to present critical testimony today on Bill 16-230, the “Recyclable Materials Sales Tax Clarification Act of 2005.”

For the past 16 years, District law has imposed a sales tax on the gross receipts derived by a for-profit trash company in providing exterior or interior garbage removal services. This sales tax applies whether or not that company decides to recycle a part of that garbage by selling it to a third-party reuser.

However, Bill 16-230 would repeal the sales tax on these services retroactive to July 25, 1989, to the extent that the garbage removed by the for-profit company was recycled. Thus, the bill would require OTR to refund all of the tax collected on garbage removal services involving recycled garbage for the past 16 years.

OTR strenuously opposes the enactment of this bill. We believe this proposal is unadministerable and susceptible to fraud. We are deeply concerned that there may be no accurate, objective way for OTR to ascertain what portion of the total garbage collected over the past 16 years was recycled by these for-profit trash companies. This information is needed to calculate the amount of sales tax with interest to be refunded under this proposal. For a similar reason, OTR is also concerned about administering or auditing this exemption in the bill on a going-forward basis.

In addition, the bill is likely to have a discriminatory tax effect because OTR is unable to identify many of the persons that have paid this sales tax over the past 16 years, so as to refund sales tax to those persons. The District's sales tax forms do not require vendors to specify the nature of their business or what portion of the sales tax collected was imposed on any particular services. Thus, only some of the persons entitled to refunds under this bill would receive them.

Furthermore, if enacted, the bill would interfere with the on-going administration and collection of District taxes by negating existing, written settlement and closing agreements previously entered into by OTR and a taxpayer. The bill would therefore encourage taxpayers who have failed to comply with their District tax obligations and have already agreed to fulfill them through the tax administrative process to seek legislative redress for the purpose of eliminating retroactively those obligations to the District.

Unlike state constitutions, our Home Rule Charter limits the objects and sources on which the District can impose tax and raise revenue. Thus, for many years the District has imposed sales tax on garbage removal services performed by for-profit companies without regard to whether some of the garbage was recycled. Additionally, this tax generally does not affect homeowners because it is the District that collects their garbage and recycles a portion of it.

We are currently researching the fiscal impact and are unable to quantify this proposal at this time. We will provide an estimate as quickly as possible.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other Council members might have at this time.

#