

PUBLIC HEARING ON
B 16-140, "SMALL BUSINESS PERSONAL PROPERTY TAX
EXEMPTION ACT OF 2005"

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

The Honorable Jack Evans, Chairman

March 14, 2005, 10:30 a.m.
Council Chamber, John A. Wilson Building



Testimony of
Julia Friedman
Deputy Chief Financial Officer
Office of Revenue Analysis

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

Good morning, Mr. Chairman and members of the committee. I am Julia Friedman, Deputy Chief Financial Officer for the Office of Revenue Analysis. I am pleased to testify today on Bill 16-140, the “Small Business Personal Property Tax Exemption Act of 2005.”

The Small Business Personal Property Tax Exemption Act would exempt from the personal property tax businesses whose gross receipts are less than \$500,000. Businesses with gross receipts of \$500,000 or more would be subject to personal property tax at a rate of \$3.40 per \$100 of value of taxable personal property.

Currently approximately 13,000 small businesses in the District are subject to personal property taxation. The proposed bill would exempt all but about 500 businesses from this tax. Specifically, the following entities would lose this exemption:

- (1) Any corporation, community chest fund or foundation organized exclusively for religious, scientific, charitable, or educational purposes.
- (2) Works of art lent without charge to the trustees of the National Gallery of Art that are owned by a nonresident of the United States who is not a citizen of the United States.
- (3) Any motor vehicle or trailer registered in the District.
- (4) Any company subject to a gross receipts or distribution tax.
- (5) A wireless telecommunication company except for office equipment or office furniture.

- (6) Any digital audio radio satellite service company provided the company is subject to a gross receipts tax
- (7) A qualified supermarket that is a development, for the first 10 years for which the tax imposed by this chapter would otherwise be due.
- (8) A Qualified High Technology Company for the 10 years beginning in the year of purchase.
- (9) Personal property owned and stored by the person in a public warehouse in the District of Columbia for reshipment outside the District of Columbia.

The reduction in revenue to the District is estimated to be about \$16 million annually and approximately \$65 million for the period of fiscal years 2005 through 2008. If the Council decided to offset this cost with a rate increase, the tax burden on businesses subject to the tax would increase by about one-third.

Thank you for this opportunity to comment. I would be glad to answer any questions you or members may have.

#