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Councilmember Brianne K. Nadeau

AN AMENDMENT

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

Date: May 14, 2019

Offered by: Councilmember Brianne K. Nadeau

To: B22-XXX, the Fiscal Year 2020 Budget Support Act of 20l9

Version: ___ Introduced

___ Committee Report

___ Committee Print

__ First Reading

___ Engrossed

___ Enrolled

_X_ Amendment

___ Amendment in Nature of Substitute

AMENDMENT # - NEW SUBTITLE

1. Insert a new subtitle to read as follows:

“SUBTITLE VII-X. Downloading Lost Revenues Amendment Act of 2019.

“Sec. 7XX1. Short Title.

“This subtitle may be cited as the “Downloading Lost Revenues Amendment Act of 2019”.

“Sec. 7XX2. Title 47 of the District of Columbia Official Code is amended as follows:

“(a) Chapter 18 is amended as follows:

“(1) The table of contents is amended by adding a new section designation to read as follows:

"47-1817.06a. Allocation of Tax on Qualified High Technology Companies.".

"(2) Section 47-1817.03 is amended as follows:

"(A) Subsection (a) is amended by striking the phrase "December 31, 2000" and inserting the phrase "December 31, 2000, and ending on December 31, 2019" in its place.

"(B) A new subsection (a-1) is added to read as follows:

"(a-1) Except as provided in subsection (b) of this section, for taxable years beginning after December 31, 2019, a Qualified High Technology Company shall be allowed a credit against the tax imposed by § 47-1817.06 equal to 5% of the wages paid during the first 24 calendar months of employment to a qualified employee hired after December 31, 2000.".

"(C) Subsection (b)(1) is amended by striking the phrase "$5,000 in a taxable year" and inserting the phrase "$5,000 in a taxable year; provided, that beginning after December 31, 2019, the credit under subsection (a) of this section shall not be allowed to exceed, for each qualified employee, $3,000 in a taxable year" in its place.

"(D) Subsection (c) is amended to read as follows:

"(c) A credit allowable under this section may be carried forward for 10 years if:

"(1) The amount of the credit allowable under this section exceeds the tax otherwise due from a Qualified High Technology Company; and

"(2) The amount of the credit allowable under this section was obtained for wages of a qualified employee hired before October 1, 2019.".

"(3) Section 47-1817.06(a)(1) is amended as follows:

"(A) The existing text is designated as subparagraph (A).

"(B) The newly designated subparagraph (A) is amended by striking the phrase "Notwithstanding any other provision of this chapter" and inserting the phrase "Notwithstanding any other provision of this chapter and for tax years ending on or before December 31, 2019" in its place.

"(C) A new subparagraph (B) is added to read as follows:

"(B) Notwithstanding any other provision of this chapter, for tax years beginning after December 31, 2019, a Qualified High Technology Company shall be allowed a credit against taxes imposed by § 47-1807.02 as follows:

(i) The credit shall be allowed in an amount equal to the lesser of:

Deleted: Paragraph (1) is amended by striking the phrase "except as provided for in paragraph (2)" and inserting the phrase "except as provided for in paragraphs (2) and (3)" in its place.

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Deleted: paragraph (3) is added to read as follows:

Deleted: "(3) Beginning on or after January 1, 2020, a Qualified High Technology Company may receive a reduced rate of 6% on taxable income in lieu of the tax on taxable income imposed by § 47-1807.02 for no more than 5 years; provided, that the total amount that each Qualified High Technology Company may receive in exemptions under this paragraph shall not exceed $250,000 in a taxable year.".¶

(I) $250,000 per taxable year; or

(II) The difference between the amount of tax that would otherwise be due based on the applicable rate of tax imposed by § 47-1807.02 and the reduced rate of 6%.

(ii) The credit shall be allowed for 5 taxable years from the date the Qualified High Technology Company is no longer eligible to receive an exemption under subparagraph (a)(2) of this section."

"(4) A new section 47-1817.06a is added to read as follows:

"47-1817.06a. Allocation of Income Tax on Qualified High Technology Companies.

"For the tax year beginning January 1, 2020, all franchise tax revenue generated in accordance with the amendments made by section 7XX2(a)(1-3) of the Downloading Lost Revenues Amendment Act of 2019, passed on 1st reading on May 14, 2019 (Engrossed version of Bill 23-209), shall be allocated annually, subject to the availability of funding, in the following priority:

"(1) $2,400,000 to the Office of the State Superintendent of Education to fund section 11b of the Birth-to-Three for All DC Amendment Act of 2018 effective October 30, 2018 (D.C. Law 22-179; 65 DCR 9569); and

"(2) All remaining revenue shall be allocated to the District of Columbia Water and Sewer Authority to fund lead service line replacements for properties with lead service lines that traverse the public and private-residential sides of a property line and are adjacent to lead service lines on public property that have already been replaced pursuant to the Lead Water Service Line Replacement and Disclosure Amendment Act of 2019, effective March 13, 2019 (D.C. Law 22-241; 66 DCR 923); provided, that once all such lead service lines have been replaced, all remaining revenues shall be allocated to the Department of Human Services and the District of Columbia Housing Authority for permanent supportive housing services, as that term is defined in section 2(28) of the Homeless Services Reform Act of 2005, effective October 22, 2005 (D.C. Law 16-35; D.C. Official Code § 4-751.01(28)), for individuals.".

(b) Chapter 20 is amended as follows:

(1) Section 47-2001(n)(2)(G) is repealed.

(2) Section 47-2005(31) is repealed.

"Sec. 7XX3. Allocation of Gross Sales Tax on Qualified High Technology Companies.

"For the tax year beginning January 1, 2020, all gross sales tax revenue generated in accordance with the repeal of sections 47-2001(n)(2)(G) and 47-2005(31) of the District of Columbia Official Code, pursuant to section 7XX2(b) of the Downloading Lost Revenues Amendment Act of 2019, passed on 1st reading on May 14, 2019 (Engrossed version of Bill 23-209), shall be allocated annually, subject to the availability of funding, in the following priority:

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"(1) $375,000 to the Department of Human Services for the New Heights Program for Expectant and Parenting Students;

"(2) $1,400,000 to the Department of Human Services for Homeless Street Outreach;

"(3) $300,000 to the Department of Employment Services for the DC Infrastructure Academy to provide Information Technology training;

"(4) $3,000,000 to the Department of Behavioral Health to support the expansion of the school-based mental health program; and

"(6) All remaining revenue shall be allocated to the Department of Human Services and the District of Columbia Housing Authority for permanent supportive housing services, as that term is defined in section 2(28) of the Homeless Services Reform Act of 2005, effective October 22, 2005 (D.C. Law 16-35; D.C. Official Code § 4-751.01(28)), for individuals.".

Rationale

In November 2018, The Chief Financial Officer's Office of Revenue Analysis released a report which found that the Qualified High Technology Company (QHTC) program costs the District upwards of $40 million in foregone revenue every fiscal year when all of its different tax breaks are considered. Among other concerning findings, the OCFO concluded that "few large companies are taking a large share of the QHTC credits without evidence of commensurate economic benefits." For this reason, as well as recognizing that the Mayor's FY2020 Proposed Budget leaves many gaps in critical areas of need, this amendment reinvests DC revenue that was previously allocated to reducing the taxes for QHTCs to programs that address homelessness, stable housing, and other priorities that are unfunded or underfunded in the FY2020 budget. These priorities include funding for permanent supportive housing, birth-to-three, homeless outreach, lead service line replacement, IT Training, New Heights, and school-based mental health services.