



MAKE ★ ONE ★ CITY ★ POSSIBLE

create opportunities to **live** and **work** in d.c.

The Fair Budget Coalition fights for a just and inclusive District of Columbia through advocacy and organizing and by advancing budget and public policy initiatives which reflect the interdependency of the District's community and economic development systems.

★ RAISE REVENUE TO MAKE ONE CITY POSSIBLE ★

Any parent, homeowner, or business owner knows that investments matter — that devoting resources wisely up front is critical to achieving success down the road. Neglecting investments, on the other hand, may create short term savings but have negative long-term implications.

The same is true for the District. Investments in people, neighborhoods, and infrastructure are needed to maintain the city's progress and attack its major challenges.

DC's leaders should focus on providing the investments needed to make One City possible, and then assess the adequacy of our current revenue system to meet those needs. If resources are inadequate, the District should look for ways to save money, through greater efficiency or through reductions in lower priority services.

But the District's leaders also should be willing to pursue revenue increases if they are needed to protect our most important investments. For this reason, revenue increases need to be maintained as an option for the Fiscal Year 2013 budget, particularly if the city faces a gap between expected revenues (local and federal) and the costs of maintaining services.

This report does not make specific recommendations, but there are numerous options for raising revenue that can be explored, even without changing tax rates.

- **Payments in Lieu of Tax:** The District should explore ways to negotiate Payments in Lieu of Tax with major institutions that pay no property tax, including hospitals and universities. The District may be in a position to negotiate PILOTs when such entities are seeking assistance from the city, such as financing assistance for expansions.
- **Penalties for Violations of Worker Protection Laws:** As discussed above, the District should increase enforcement and penalties targeted at businesses that violate basic workplace protection laws, which has proven effective in other states at increasing compliance with such laws in addition to raising revenue.
- **Tax on Commercial Refinancing:** Under current practice, DC does not levy recordation tax when debt on commercial buildings is re-financed and re-recorded, unless the new loan amount exceeds the old. Yet there are some indications that current law requires tax to be applied to the full re-financed loan amount, and a number of cities tax commercial loans this way. Given the strength of DC's downtown housing market, reviewing when and how the recordation tax is applied could identify revenue-raising options.
- **End Practice of Allowing Families to Split Income:** Under current law, two earner families are allowed to split their income when filing income taxes (even if they file a joint return). This means that while DC has a new tax rate for income over \$350,000, the new rate does not apply to some families unless their income is above \$700,000. DC could require families that file a joint federal return to file a joint DC return and combine their income.
- **Modernize Sales Tax to Match Consumer Spending:** DC's economy relies heavily on services and online sales, yet the sales tax does not apply to many services and many online purchases. The sales tax could be reviewed and updated to ensure that it applies to current consumer spending patterns.