

Councilmember Tommy Wells  
Date: June 26, 2013

Amendment to BILL 20-199, FISCAL YEAR 2014 BUDGET SUPPORT ACT AMENDMENT IN THE  
NATURE OF A SUBSTITUTE

Page 213, Lines 13-16

Strike section 10005 in its entirety and insert a new section 10005 to read as follows:

“Sec. 10005. Adjustment of standard deduction to aid all DC taxpayers.

Section 47-1801.04 of the District of Columbia Official Code is amended as follows:

(a) Subparagraph (A) is amended by striking the number “\$4,000” and inserting the number “\$6,400” in its place.

(b) Subparagraph (B) is amended by striking the number “\$2,000” and inserting the number “\$3,200” in its place.”

**Rationale:** Replacing the proposed sales tax reduction with an increase in the standard deduction will 1) impact all DC tax payers, 2) provide the greatest relief for low and moderate tax payers, and 3) ensures that the tax relief will be targeted exclusively to DC residents, rather than visitors, commuters and tourists to the District.

- 1) **Impacts All DC Tax Payers.** The standard deduction is available for all DC taxpayers. The District’s standard deduction for families ranks in the bottom half nationally and is significantly lower than the federal standard deduction. This amendment would move the District from the bottom half to the top half in providing assistance and relief to tax payers – in particular single individuals and heads of households.
- 2) **Provides Greatest Relief for Low and Moderate Tax Payers.** While the standard deduction is available for all taxpayers, the standard deduction is used more frequently by taxpayers in the lower and moderate income brackets and the amount of the standard deduction will be a higher proportion of that households overall income, meaning they will see more significant tax relief.
- 3) **Provides Relief to DC Payers Rather than Visitors & Commuters.** Rather than a sales tax reduction – which will significantly benefit visitors, commuters and tourists to the District, an increase in the standard deduction will target tax relief directly and exclusively to DC residents and households.

In real terms and numbers, if you spent \$10,000 on goods in the District, the proposed sales tax reduction of a quarter percent would save you only \$25.

Compare that figure to the impact on lower income households. With this increase in the standard deduction, a family with an income of \$40,000 would see a savings of \$144 annually. In addition, it will have an even greater impact on that household once tax credits, such as the Earned Income Tax Credit, are factored in.

The budget is about choice. We have an opportunity to do the greatest good for the greatest number of District residents. Providing tax relief through the standard deduction will have real, significant and meaningful impacts for all DC tax payers rather than providing a sales tax cut that provides marginal help and is a benefit that will largely target commuters and visitors to the District.