

**BILL BEING CONSIDERED BY THE DC COUNCIL HIDES COSTS OF BUSINESS TAX CUTS  
Bill Was Structured to Make Potentially Huge Tax Cuts Appear to Have “No Fiscal Impact”**

A bill that has received preliminary approval from the DC Council — and faces a final vote on January 8 — includes a provision that could cut the commercial property tax rate in fiscal year 2009 and every year after that. Yet the bill has been designed so that it officially has no effect on the city’s future finances. The hidden tax cuts, which could reach hundreds of millions of dollars, are fiscally irresponsible, according to an analysis of the bill by the DC Fiscal Policy Institute.

The new bill, the Small Business Commercial Property Tax Relief Act of 2007, replaces an earlier bill that was rejected because it would have reduced DC revenue collections by \$1.2 billion over four years. The new bill is slimmed down from the original version, yet still could provide large tax breaks for businesses and reduce revenues available for education, health care, and other services.

“It’s perfectly reasonable for the DC Council to consider business tax cuts,” said Ed Lazere, executive director of the DC Fiscal Policy Institute. “But we also must be honest about the costs and tradeoffs — and make sure that any tax cuts are fully factored into the city’s budget.”

The bill would trigger an automatic tax cut if commercial property tax collections in 2009 are higher than projections made in December 2007. Every dollar collected in excess of the current projection would be used to reduce the commercial property tax rate, with a design that helps all businesses but particularly smaller businesses. There are several problems with this bill:

**The bill makes business property tax cuts the top priority for the fiscal year 2009 budget.**

The tax cut would be automatic — whether or not the District could afford the revenue loss in that year and whether or not a commercial property tax cut is considered a top priority at that time.

**The impact on DC revenues could be significant.** If commercial property tax collections in FY 2009 are just five percent higher than the current estimate, the bill would trigger automatic tax cuts of \$65 million. If revenues are 10 percent more than expected, the tax cut would total \$130 million.

**The bill hides the costs of possible business tax cuts.** A straightforward cut in business property taxes would be considered by the CFO to reduce revenues — and would have to be paid for. Because the tax cuts in the current bill are contingent on revenue collections being higher than currently projected, they appear to not upset the city’s current financial plan. This makes it easy for the DC Council to support it, because the bill doesn’t have to be paid for.

“The District is reeling from a tax embezzlement scandal that could total over \$40 million,” Lazere added. While we wring our hands over the millions that disappeared through corruption, we should not pass legislation that allows millions more to disappear.”

The [DC Fiscal Policy Institute](http://www.dcfpi.org) conducts research and public education on budget and tax issues in the District of Columbia, with a particular emphasis on issues that affect low- and moderate-income residents.