



How Did Funding for Affordable Housing And Taxes Change in Next Year's Budget?

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The District's Dime is back with more updates on the changes in next year's budget! Today we'll cover two big topics in DC: affordable housing and taxes.

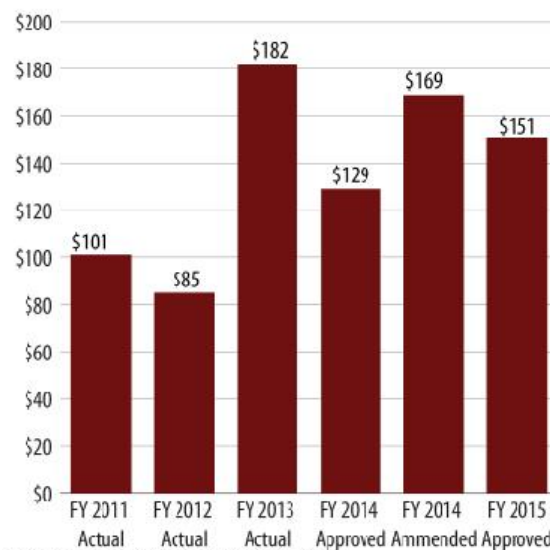
Affordable Housing in DC's FY 2015 Budget

The District plans to spend \$151 million in local revenues on affordable housing next year. That's 16 percent more than the initially approved budget for FY 2014, after adjusting for inflation. But the Mayor and Council added \$40 million in mid-2014 to the Housing Production Trust Fund. Taking that into account, the FY 2015 budget is a 10 percent *drop* from the FY 2014 budget. The FY2015 budget includes:

- **Increases to rental assistance.** About 500 more low-income households will get help from DC's local rent supplement program, including some seniors who will be able to move out of nursing homes and homeless families.
- **Funds to house chronically homeless veterans and families.** The District will end chronic homelessness among veterans next year and provide permanent supportive housing to about 75 chronically homeless families.
- **A new locally funded low-income housing tax credit (LIHTC).** The new credit, modeled on the federal LIHTC, will draw more private investment into the production of affordable housing.

Figure 1

Reduction for Affordable Housing Reflects Shift of One-Time Dollars to Housing Trust Fund in FY 2014



Source: Proposed FY 2013 to FY 2015 Budget and Financial Plan

Numbers in millions and adjusted for inflation to equal 2013 dollars

*Total funds for affordable housing include the general fund budget's for: Department of Housing and Community Development, the Housing Production Trust Fund, the DC Housing Authority, the Department of Mental Health's Bridge Subsidy Program, and the Department of Human Services' Permanent Supportive Housing Program. In prior years, the total funds securitized from the Housing Production Trust Fund for New Communities projects had been included in the total funds for affordable housing. This analysis removes the funding used to securitize bonds for New Communities projects in FY 2015 and prior years. Therefore, total figures in this analysis may not match totals reported in prior years' analyses.

Tax Changes in DC's FY 2015 Budget

Next year’s budget includes many tax changes by starting to implement many of the recommendations of the D.C. Tax Revision Commission. These changes include:

- **Income Tax Cuts for Virtually All Residents.**

Lower- income residents will benefit from an increase in the standard deduction and from an expansion of the Earned Income Tax Credit for childless workers. The budget also reduces the income tax rate on income between \$40,000 and \$60,000, which will help moderate and higher-income residents. The budget calls to further increase the standard deduction and further reduce the middle-income rate in future years if certain revenue triggers are met.

Table 1		
Tax Commission Recommendations in the FY 2015 Budget and Timing of Revenue Impact		
Tax Commission Recommended Changes	FY 2015 In Millions	FY 2016 In Millions
Reduce Middle-Income Tax Rate	(\$37.5)	(\$38.4)
Raise the Standard Deduction	No Effect	(\$15.6)
Expand EITC to Childless Workers	No Effect	(\$10.8)
Maintain 8.95% Income Tax Rate	No Effect	\$18.7
Phase-out Personal Exemption for High Income Households	No Effect	\$4.7
Eliminate of Homebuyer Credit, Long-term Care Exemption, and Government Pension Exclusion	No Effect	\$3.7
Reduce Business Income Tax Rate	(\$20.0)	(\$21.0)
Change Business Income Apportionment	\$20.0	\$21.0
Exempt Investment Firms from Income Tax	(\$4.4)	(\$4.4)
Equalize Taxes on Tobacco Products	\$7.0	\$6.9
Broaden Sales Tax Base to Services	\$9.2	\$9.5
Adding Use Tax Line to Income Tax Return	No Effect	\$1.0

***Note: This does not include the budget provisions which implement the remaining tax commission recommendations if future revenue increase triggers are met. Source: FY 2015 Budget and Financial Plan*

- **Business Tax Changes.** These include a cut in the business income tax rate, a change in the way multistate companies determine DC profits, and a business income exemption to encourage investment firms to locate in DC. The business tax rate will be reduced further if triggers are met.
- **Property Tax Assistance for Seniors.** The budget expands the Schedule H property tax credit for low- and moderate-income seniors and allows interest-free property tax deferrals for long-time senior homeowners.
- **Sales tax changes.** The budget raises taxes on non-cigarette tobacco products and expands the sales tax to a number of services. Both were recommended by the tax commission.

Keep checking back in with the District’s Dime for more toolkit updates this summer!