



The District's Dime

Going Beyond the Budget Book

The DC Fiscal Policy Institute blog
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DC Council Takes Final Vote on Fiscal Year 2015 Budget

By Jenny Reed

As of this past Tuesday, the DC budget for fiscal year 2015 is done! (That's pending Mayoral and Congressional approval, of course.) During the Council's final budget vote, it reaffirmed its plan to extend the sales tax to more services, including health clubs, as part of reforms that will reduce taxes for most residents and businesses. But the Council had to modify its plan for how the tax package will be implemented.

The Council also made two important changes: one will add a tool to address family homelessness, and the second could restore income assistance cuts for some families enrolled in Temporary Assistance for Needy Families (TANF).

The Council's tax package, which was based on recommendations of the [DC Tax Revision Commission](#), was changed after concerns raised by the DC Chief Financial Officer. The Council did not alter any planned tax changes, but instead changed how they would be paid for and implemented.

- **How the tax reductions will be paid for:** Instead of using surplus streetcar funds, the tax reductions slated for 2016 and beyond will be "triggered" only if revenue projections increase after the budget is set each year.

Tax Changes That Will Take Effect January 1, 2015*
<i>Income Tax Changes</i>
New income tax bracket for middle incomes
Maintain the top tax bracket and rate in tax year 2016 and beyond
Increased the standard deduction
Expand the DC EITC for childless workers
Eliminate certain income tax expenditures
Phase out the personal exemption for high-income households
<i>Sales Tax Changes</i>
Add line on the individual income tax form to capture use tax
Broaden the sales tax to certain services
Unify taxation of tobacco products
<i>Business Tax Changes</i>
Reduce the unincorporated and incorporated business franchise tax
Exempt passive investment vehicles from the unincorporated business franchise tax
Use a single weighted sales formula for the calculation of the business income tax
<i>*For more detail on these proposals click here.</i>

- **How the tax package will be implemented:** Tax changes for 2015 including the expansion of the Earned Income Tax Credit for childless workers will go into effect automatically. (See **Table** above.). The remainder will be triggered into effect in small chunks and in a set order as additional revenues become available. To see the full order, click [here](#).

On other fronts, the DC Council changed the budget to allow the Department of Human Services to allocate a portion of the city's rental subsidies (in the tenant-based local rent supplement program) to families who are homeless. This was recommended by DCFPI and 25 other organizations in the [Helping Families Home Roadmap](#).

The budget also included a provision to restore benefits for some families in TANF—but only if revenue projections rise in June, which seems unlikely. Families who have received TANF for more than 60 months have experienced two rounds of benefit cuts in recent years and receive just \$257 per month for a family of three. In October, these benefits will fall to \$154 per month, clearly too little to meet a family's needs, if the Council's provision does not go into effect. If it does, some of those families would see their benefits restored to the full level.

Stay tuned to the District's Dime for DCFPI's updated [budget toolkit](#) that will help you understand how the approved FY 2015 budget impacts programs and services you care about.