

MOVING TOWARDS TAX EQUITY AND RACIAL EQUITY



In August 2021, the DC Council adopted a tax plan that accomplishes two goals: increasing tax equity in DC and raising much-needed revenue for long-term transformative investments that advance racial equity.

The tax increase will generate **\$101.1 million** when it begins in fiscal year 2022, and **over \$175 million** by fiscal year 2025. With the new revenue, the District will finally be able to tackle some of its deepest inequities.

The Tax Plan Requires High-Income Residents to Pay More of Their Fair Share

- **The tax plan is fair:** it raises taxes on only **4%** of DC taxpayers, *all of whom earn more than \$250,000 in annual taxable income.*
- **The tax plan is well-targeted:** more than **90%** of the revenue raised will be paid by individuals with incomes *over \$1,000,000 a year.*
- **The tax plan is modest, too:** it means an extra \$75 per year for someone who makes \$260,000. And for someone earning half-a-million dollars, it means an extra \$1,500 per year—*a little over \$100 per month.*

The Revenue Raised Will Advance Racial Justice

While most of the District's low-income residents are Black and Brown, most of the richest residents (those subject to the tax increase) are white.¹ The tax plan advances racial equity by redistributing resources towards:



- **Affordable housing for 2,500 households,** mostly for residents that are unhoused—about **85%** of whom are Black.



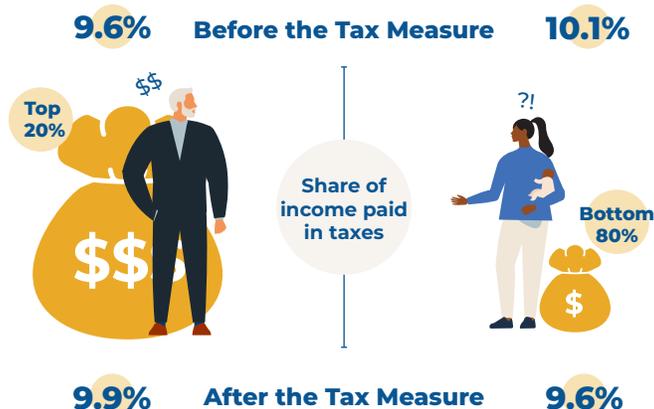
- **Fair pay for DC's early childhood educators,** the supermajority of whom are Black and Brown.



- **Expanding DC's Earned Income Tax Credit (EITC) to match 100% of the federal EITC,** making it the most generous in the nation and helping families provide for their children.

Moving DC Towards Tax Equity

A progressive tax structure—where those with more resources have a higher tax responsibility—is the foundation of a thriving and equitable society. Implementing this small tax increase on DC's highest-income residents and expanding the EITC brings us closer to tax equity.



¹Virtually all of the tax increase falls on the top 5% of the income distribution in DC (based on 2022 incomes), and two-thirds of the top 5% of tax units are white (based on 2019 data, the latest race data available). Source: Special data request to the Institute on Taxation and Economic Policy in 2021.