PUBLIC HEARING ON BILL 17-0141, THE "NEW E-CONOMY TRANSFORMATION ACT OF 2007"

Before the
Committee on Finance and Revenue
Council of the District of Columbia

The Honorable Jack Evans, Chairman

September 26, 2007, 10:00 a.m.
Room 120, John A. Wilson Building

Testimony of
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Good morning, Chairman Evans, and members of the Committee on Finance and Revenue. I am Sherryl Hobbs Newman, Deputy Chief Financial Officer for the Office of Tax and Revenue ("OTR") of the District of Columbia ("District"). I am pleased to present testimony today on Bill 17-0141, the "New E-Conomy Transformation Act of 2007"

Bill 17-0141 amends D.C. Official Code § 47-811.03 (b) (1) by extending from 5 years to 10 years the abatement in increased real property taxes attributable to the construction of new buildings for which the initial certificate of occupancy or the initial temporary certificate of occupancy was received after December 31, 2000, or attributable to necessary improvements or renovations made to adapt or convert an existing building, or portion thereof, for use by a Qualified High Technology Company ("QHTC"). The bill also amends D.C. Official Code § 47-1817.06 (a) (2) (C) by extending the period from 5 to 10 years during which a QHTC located within a high technology development zone is allowed to pay franchise tax at a 0% rate instead of the normal 9.975% rate.

While we are not opposed to the purpose of this legislation, we would like to point out that the overall QHTC statute continues to pose significant challenges for OTR to administer. In particular, the QHTC's definitional section, D.C. Official Code § 47-1817.01, is in need of revision. As of 2005, 67 companies at a cost of $11,000,000 had claimed the credit. Given the size of the credit and the relatively small number of companies applying, it is especially important to pinpoint which taxpayers the Council intended to receive the benefits granted under the QHTC legislation.

We believe that fine-tuning the QHTC law would involve a significant investment in time, and we would be happy to work with the members of Committee and staff on this matter after the passage of the bill.

Fiscal Impact of Bill 17-0141

OTR respectfully requests that the Council appropriate $185,000 to cover both the cost of one additional senior auditor to help administer this legislation and programming costs necessary to collect key data on entities claiming QHTC status for audit purposes.

This legislation is not expected to have a fiscal impact on revenues in the FY 2008-FY 2011 budget and financial plan. A formal fiscal impact statement on the bill will be submitted to the Committee subsequent to this hearing.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other Councilmember's might have at this time.