Note: After our panel's testimony, Chairperson Mendelson challenged Elizabeth McNichol's (Center on Budget and Policy Priorities) statement that very wealthy DC residents pay a lower overall DC tax rate than those earning about $50,000 per year, with the rate going down as income goes up. Mendelson claimed our tax structure is progressive despite the impact of regressive sales taxes. McNichol's excellent testimony opposing the estate tax cut directly followed my own testimony (see below) "Stop subsidizing wealthy residents, especially especially millionaires who are paying a lower overall DC tax rate than all but the poorest in our community!". Mendelson also incorrectly claimed that DC property taxes are progressive, rather than regressive (see data below in Appendix). The overall impact as a function of family income is shown below in the Appendix, including an ITEP simulation of the 2014 tax legislation fully implemented. Mendelson did not allow me to respond to his claims, but I stated that the data supporting McNichol (and my own testimony) would be provided, here it is. Chairperson Mendelson continues to ignore the widely respected ITEP data on DC's tax structure, instead indulges in a "smoke and mirrors" misrepresentation. While we should recognize the progressivity of DC tax structure up to $50,000 family income, mainly as a result of the DC EITC, the unwelcome regressivity above this income must be challenged, especially in light of the Trump regime's plans for gutting the ACA and implementing a big tax cut for the wealthy.

My testimony:

Here is my bottom line message: DC Council, stop subsidizing developers who are gentrifying and displacing long term residents! Stop subsidizing slumlords like Sanford with our taxpayers' revenue! Stop subsidizing wealthy residents, especially millionaires who are paying a lower overall DC tax rate than all but the poorest in our community! Use the surplus and more than sufficient DC tax base to create a more just budget and prepare for the assault of the Trump regime!

Therefore, we strongly endorse the recommendations of the Fair Budget Coalition, as a long term member, but we advocate for even more aggressive measures to achieve a more just budget and tax structure.

In particular, the DC Council and Mayor should abandon its implicit acceptance of the “demonize the poor”/dependency ideology in its legislative decisions, e.g., the “Set up to fail rapid rehousing program” (WLCH, May 2017) and poverty-level income support for TANF recipients resulting in DC’s appallingly high child poverty level, in profound disrespect of DC government’s commitments made as the nation’s first Human Rights City (December 2008; see reports at: http://afsc.org/resource/report-state-human-rights-dc).

"People who dismiss the unemployed and dependent as "parasites" fail to understand economics and parasitism. A successful parasite is one that is not recognized by its host, one that can make the host work for it without appearing as a burden. Such is the ruling class in a capitalist society." (Jason Read, Professor of philosophy, University of Southern Maine).

The local example of the parasite: the highly subsidized big corporate/developer sector represented by the lobby of the 0.1%, the Federal City Council.

The “Good, the Bad and the Ugly” in the Mayor’s proposed budget for FY 2018

The Good
Tax cut for the working class, especially the near poor, $60 million
(raising the standard deduction/personal exemption to near federal levels)
TANF support extended past 60 month limit, guaranteed for children, but still insufficient (better: 80% going to children instead of 50%, as well as the below poverty income support)

The Bad
Tax cut for the wealthy (estate threshold raised to federal level) $12 million
Tax cut for business (reducing the business franchise tax) $28 million
Total: $40 million + recurring regressive tax cuts from previous triggers ($59 million) = $99 million

The Ugly, for example,
No funding for:
Public housing repair (FBC: $25 million)
Ban the Box implementation (FBC: $470,000)
Neighborhood Engagement Achieves Results (NEAR) Act (FBC: $7.7 million)
Affordable Childcare (expanded slots, but market rate)
Paid Family Leave startup (FBC: $20 million)

Even Uglier
All triggers implemented from 2014 legislation: DC taxes for families remain regressive from $50,000 (10% of income) to above, with millionaires paying 6% of their income; see chart in Appendix)

No cushion from potential cuts in federal funding

TANF income support will be one-third of the federal poverty level, with one half of Ward 8 children bearing the burden of poverty

Progressive Remedies

include:

Hike DC income tax rate for wealthy residents (supported by FBC), at minimum $150 million/year, even higher with federal income tax cut

and implementation of these FBC recommendations:

Withdraw all subsidies/abatements from developers/corporations not complying with local hiring, affordable housing regulations or wage/labor laws; Eliminate subsidies for housing providers/property owners [who operate housing units] with substandard, unlawful living conditions; End land giveaways and enforce affordable housing regulations on land sold/leased at discounted price; Increase taxes on developers building high end and luxury condos; Reconsider subsidized development projects that do not meet basic resident needs! Hike the tax rate on multi-state and multi-national corporations*

*E.g., Exelon/Pepco, and other corporations guilty of tax avoidance; see recent report from ITEP.

Finally, the DC Statehood Green Party is a member of the Save Our System Coalition, WMATA- FUND IT, FIX IT, MAKE IT FAIR, ATU 689, with its excellent plan. Dedicated funding for WMATA should be based on progressive taxation, not a regressive sales tax as promoted by the Mayor and Councilmember and WMATA Board Chairman Jack Evans. As I testified to WMATA on January 30, 2017, a less than 1% surtax on regional millionaires would cover the claimed shortfall in the FY 2018 budget. At the very least, if sales tax dedicated funding is passed then DC should give low-income and working class residents a deduction for this impact along with the rest of the regressive sales tax burden in their DC income tax schedule.

David Schwartzman
Chair, Political Policy & Action Committee
DC Statehood Green Party
1634 Montague St NW
Washington DC 20011
dschwartzman@gmail.com, 202-829-9063

Appendix


(More information is available at: https://www.dcctj.org/)

District of Columbia Taxes in 2015
<table>
<thead>
<tr>
<th>Income Group</th>
<th>Lowest 20%</th>
<th>Second 20%</th>
<th>Middle 20%</th>
<th>Fourth 20%</th>
<th>Top 20%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Range</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than $23,000</td>
<td>$23,000 – $38,000</td>
<td>$38,000 – $65,000</td>
<td>$65,000 – $109,000</td>
<td>$109,000 – $263,000</td>
<td>$263,000 – $1,647,000 or more</td>
</tr>
<tr>
<td><strong>Average Income in Group</strong></td>
<td>$13,600</td>
<td>$30,000</td>
<td>$52,100</td>
<td>$84,200</td>
<td>$158,200</td>
</tr>
<tr>
<td><strong>Sales &amp; Excise Taxes</strong></td>
<td>6.4%</td>
<td>5.2%</td>
<td>4.4%</td>
<td>3.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>General Sales—Individuals</td>
<td>2.8%</td>
<td>2.3%</td>
<td>2.1%</td>
<td>1.6%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Other Sales &amp; Excise—Ind.</td>
<td>0.9%</td>
<td>0.8%</td>
<td>0.6%</td>
<td>0.4%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Sales &amp; Excise on Business</td>
<td>2.6%</td>
<td>2.1%</td>
<td>1.7%</td>
<td>1.2%</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Property Taxes</strong></td>
<td>2.3%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Property Taxes on Families</td>
<td>1.3%</td>
<td>1.2%</td>
<td>1.1%</td>
<td>1.7%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Other Property Taxes</td>
<td>1.0%</td>
<td>0.7%</td>
<td>0.6%</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Income Taxes</strong></td>
<td>-3.2%</td>
<td>1.8%</td>
<td>4.0%</td>
<td>4.5%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>-3.2%</td>
<td>1.8%</td>
<td>4.0%</td>
<td>4.5%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>0.0%</td>
<td>—</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>Total Taxes</strong></td>
<td>5.6%</td>
<td>8.9%</td>
<td>10.4%</td>
<td>9.9%</td>
<td>9.7%</td>
</tr>
<tr>
<td><strong>Federal Deduction Offset</strong></td>
<td>—</td>
<td>-0.0%</td>
<td>-0.2%</td>
<td>-1.0%</td>
<td>-1.5%</td>
</tr>
<tr>
<td><strong>OVERALL TOTAL</strong></td>
<td>5.6%</td>
<td>8.9%</td>
<td>10.3%</td>
<td>8.9%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

Note: Table shows detailed breakout of data on previous page.
## New DC Tax System Distribution with the Fully Phased-In Impact of DC Council Tax Plan

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Lowest</th>
<th>Second</th>
<th>Middle</th>
<th>Fourth</th>
<th>Next 15%</th>
<th>Next 4%</th>
<th>TOP 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Range</td>
<td>Less than $22,000</td>
<td>$22,000 – $38,000</td>
<td>$38,000 – $62,000</td>
<td>$62,000 – $105,000</td>
<td>$105,000 – $250,000</td>
<td>$250,000 – $1,453,000</td>
<td>or more</td>
</tr>
<tr>
<td>Average Income in Group</td>
<td>$12,600</td>
<td>$28,800</td>
<td>$50,200</td>
<td>$80,200</td>
<td>$150,100</td>
<td>$460,400</td>
<td>$2,359,500</td>
</tr>
</tbody>
</table>

### Sales & Excise Taxes
- General Sales—Individuals: 2.8% - 2.1% - 1.6% - 1.3% - 0.8% - 0.3%
- Other Sales & Excise—Ind.: 1.1% - 0.7% - 0.5% - 0.3% - 0.1% - 0.0%
- Sales & Excise on Business: 2.7% - 2.2% - 1.9% - 1.3% - 0.9% - 0.5% - 0.26%

### Property Taxes
- Property Taxes: 2.5% - 1.9% - 2.3% - 2.2% - 2.2% - 1.8% - 1.54%
- Property Taxes on Families: 1.3% - 1.1% - 1.6% - 1.7% - 1.8% - 1.2% - 0.78%
- Other Property Taxes: 1.2% - 0.8% - 0.7% - 0.5% - 0.4% - 0.6% - 0.76%

### Income Taxes
- Personal Income Tax: -4.4% - 1.4% - 3.3% - 4.1% - 4.7% - 4.9% - 6.26%
- Corporate Income Tax: 0.0% - -0.0% - 0.0% - 0.0% - 0.0% - 0.1% - 0.1%

### Total Taxes
- 4.8% - 8.8% - 10.3% - 9.6% - 9.5% - 8.2% - 8.4%

### Federal Deduction Offset
- - -0.0% - -0.1% - -0.8% - -1.3% - -1.1% - -2.10%

### OVERALL TOTAL
- 4.8% - 8.8% - 10.1% - 8.8% - 8.1% - 7.1% - 6.3%

ITEP, June 17, 2014