

Government of the District of Columbia  
Office of the Chief Financial Officer




Natwar M. Gandhi  
Chief Financial Officer

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CHAIRMAN CROPP

**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi   
Chief Financial Officer

**DATE:** MAR - 1 2005

**SUBJECT:** Fiscal Impact Statement: "Public School Teachers Income Tax Exclusion Act of 2005"

**REFERENCE:** Bill Number 16-022 as Introduced

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**Conclusion**

The proposed legislation will be subject to inclusion in an approved budget and financial plan. Funds have not been appropriated and allocated for the purposes of implementing the provisions of the proposed legislation. The proposed legislation would result in unbudgeted reductions in local General Fund revenue of approximately \$8.41 million beginning in FY 2005 and \$36.16 million in FY 2005 through FY 2008. Unbudgeted revenue reductions may be made as long as the District's budget and financial plan remains in balance.

**Background**

The proposed legislation would establish an income tax exclusion for persons who are employed by the District Board of Education as a teacher. The teacher must be permanently appointed and complete one full academic year before becoming eligible for the exclusion. The exclusion does not apply to non-education related income. In addition, to be eligible the teacher must be a District resident and file a District tax return.

### **Financial Plan Impact**

Funds have not been appropriated for the purposes of implementing the bill's provisions. District resources could be made available to implement the provisions of the proposed legislation.

Creating this income tax exclusion will result in foregone local General Fund income tax revenue of approximately \$8.42 million in FY 2005. The Office of Tax Revenue estimates that programming and Tax Form changes will have a cost of \$150,000. The table in Figure 1 presents the impact of the proposed legislation on the District's financial plan.

<b>Estimated Reductions in Income Tax Revenue</b>				
<i>(S in millions)</i>				
<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>4 -Year Total</b>
<b>\$8.42</b>	<b>\$8.88</b>	<b>\$9.31</b>	<b>\$9.55</b>	<b>\$36.16</b>