



2014 SEP 23 PM 12:16

OFFICE OF THE  
SECRETARY

VINCENT C. GRAY  
MAYOR

SEP 23 2014

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
1350 Pennsylvania Avenue, NW  
Washington, DC 20004

Dear Chairman Mendelson:

Enclosed for consideration and approval by the Council is the "Promoting Economic Growth and Job Creation Through Technology Act of 2014". The proposed bill amends the Qualified High Technology Company (QHTC) program by adding a new provision § 47-1817.07a establishing a capital gain tax rate at 3% for individuals and businesses that experience a capital gain by disposing of stock or options held in a QHTC for more than 24 months.

The proposed tax rate benefit would be narrow in scope, applying only to those investments in a QHTC. The 3% tax rate will both help to create greater access to capital for local technology businesses and encourage employees and investors to remain in the District. A lower tax rate would also incentivize District investors to diversify their portfolios by placing capital in technology start-ups, an opportunity they would not have considered otherwise.

I previously introduced this capital gains legislation in the "Technology Sector Enhancement Act of 2012." Unfortunately; the provision was taken out before the Council approved the legislation. Now, more than ever, it is important to diversify the District's economy and create more jobs. I am reintroducing this provision because I believe it is essential we help our start-ups and provide them with the assistance they need to hire more residents.

In 2011, the District's unemployment rate was at a record at 10.8%. Government led initiatives, such as "One City One Hire," have had an instrumental impact in dropping the unemployment rate to 7.4%. However, the District's unemployment rate is still higher than the national average of 6.1% and we must do more to put our D.C. residents back to work.

One of our goals under the Five-Year Economic Development Strategy was to make the District the largest tech sector on the East Coast. We created "Digital DC," a tech corridor, to promote the District as the leading community in innovation and high-tech. As a result, we have become

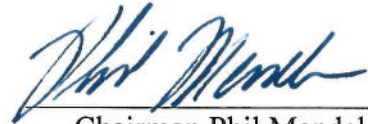
one of the fastest growing cities for technology companies and have received national attention. Not only does high-tech diversify our economy, it creates a platform for new and competitive jobs.

As always, I am available to discuss any questions you may have regarding this matter. I look forward to prompt and favorable consideration of this legislation.

Sincerely,

A handwritten signature in black ink that reads "Vincent C. Gray". The signature is written in a cursive style with a large, prominent "V" and a long, sweeping tail on the "y".

Vincent C. Gray

  
Chairman Phil Mendelson  
At the request of the Mayor

1  
2  
3  
4  
5  
6  
7 AN ACT  
8  
9

---

10  
11 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA  
12  
13

---

14  
15 To amend Title 47 of the District of Columbia Code to modify the tax rate for capital gain from  
16 the sale of an investment in a Qualified High Technology Company.  
17

18 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this  
19 act may be cited as the “Promoting Economic Growth and Job Creation Through Technology  
20 Act of 2014”.

21 Sec. 2. Chapter 18 of Title 47 of the District of Columbia Official Code is amended as  
22 follows:

23 (a) The table of contents for Chapter 18 is amended by inserting the section designation  
24 “47-1817.07a. Tax on capital gain from the sale or exchange of a Qualified High Technology  
25 Company investment.” after the section designation “47-1817.07. Rollover of capital gain from  
26 qualified stock to other qualified stock.”.

27 (b) A new section 47-1817.07a is added to read as follows:

28 “§47-1817.07a. Tax on capital gain from the sale or exchange of a Qualified High  
29 Technology Company investment.

30 “For tax years beginning January 1, 2015, notwithstanding any provision of this chapter  
31 and in lieu of the tax imposed by D.C. Official Code §§ 47-1806.03(a)(7)(A), 47-1807.02(a)(4)  
32 and 47-1808.03(a)(4) the tax on capital gain from the sale or exchange of an investment in a

1 District of Columbia Qualified High Technology Company as defined in D.C. Official Code 47-  
2 1817.01(5)(A) will be taxed at the rate of 3% if:

3 “(1) The investment was held by the investor for at least 24 continuous months;

4 “(2) The investment is in common or preferred stock or options of the Qualified  
5 High Technology Company; and

6 “(3) During the taxable year, the investor disposed or exchanged of some or all of  
7 his or her investment in the Qualified High Technology Company.”

8 Sec. 3. Fiscal Impact Statement

9 The Council adopts the fiscal impact statement of the Chief Financial Officer, as the  
10 fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule  
11 Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

12 Sec. 4. Effective Date.

13 This act shall take effect following approval by the Mayor (or in the event of veto by the  
14 Mayor, action by the Council to override the veto), a 30-day period of Congressional review as  
15 provided in section 602 (c)(1) of the District of Columbia Home Rule Act, approved December  
16 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02 (c)(1)), and publication in the District of  
17 Columbia Register.

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE ATTORNEY GENERAL



Legal Counsel Division

**MEMORANDUM**

**TO:** Lolita S. Alston  
Director  
Office of Legislative Support

**FROM:** Janet M. Robins  
Deputy Attorney General  
Legal Counsel Division

**DATE:** September 10, 2014

**SUBJECT:** Certification of Legal Sufficiency of Draft Bill, the "Promoting  
Economic Growth and Job Creation Through Technology Act of  
2014"  
(AL-14-544)

---

**This is to Certify that** this Office has reviewed the above-referenced draft bill and has found it to be legally sufficient. If you have any questions regarding this certification, please do not hesitate to contact me at 724-5524.

  
\_\_\_\_\_  
Janet M. Robins

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE ATTORNEY GENERAL



Legal Counsel Division



MEMORANDUM

**TO:** Ayesha Abbasi  
Legal Affairs and Policy Specialist  
Office of the Deputy Mayor for Planning and Economic Development

**FROM:** Janet M. Robins *JMR*  
Deputy Attorney General  
Legal Counsel Division

**DATE:** September 10, 2014

**SUBJECT:** Legal Sufficiency Review of Draft Bill, the "Promoting Economic Growth and Job Creation Through Technology Act of 2014"  
(AL-14-544)

---

This memorandum responds to your request of August 25, 2014 that this office review the "Promoting Economic Growth and Job Creation Through Technology Act of 2014" (bill) for legal sufficiency. The bill would add a section to Chapter 18 of Title 47 of the District of Columbia Official Code that would impose a reduced tax rate of 3% on capital gains from the sale or exchange of common or preferred stock or options of a Qualified High Technology Company.

The attached version of the bill reflects technical suggestions we made to you by email on August 27, 2014 and is legally sufficient. I have therefore attached a Certificate of Legal Sufficiency, which you should include in your package when you submit it to the Office of Legislative Support. Please remember that you must obtain a fiscal impact statement from the Office of the Chief Financial Officer to accompany the bill.

If you have any questions about this memorandum, please contact Laurie A. Ensworth, Senior Assistant Attorney General, Legal Counsel Division, at 724-5537, or me at 724-5524.

JMR/lae