AN AMENDMENT

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IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

DATE: July 7, 2020

OFFERED BY: Councilmember Charles Allen

TO: B23-760, the Fiscal Year 2021 Budget Support Act of 2020

VERSION: __ Introduced
           __ Committee Report
           __ Committee Print
           x First Reading
           __ Engrossed
           __ Enrolled
           __ Amendment
           __ Amendment in Nature of Substitute

Amendment:

Title VII, page 203, line 4297 is amended by adding new a new subtitle P to read as follows:

SUBTITLE P. COMBINED REPORTING TAX DEDUCTION DELAY.

Sec. 7161. Short title.

“This subtitle may be cited as the “Combined Reporting Tax Deduction Delay Amendment Act of 2020”.

Sec. 7162. Section 47-1810.08(b) of the District of Columbia Official Code is amended as follows:
(a) Paragraph (1) is amended by striking the phrase “beginning with the 10th year of the combined filing” and inserting the phrase “beginning with the 15th year of the combined filing” in its place."

(b) Paragraph (2) is amended by striking the number “2015” and inserting the number “2020” in its place.

**Fiscal Impact:**

This amendment will generate $7,443,000 additional revenue in Fiscal Years 2021-2024.

**Rationale:**

In 2011, the Council adopted legislation that required combined tax reporting for unitary businesses. This may have caused an increased tax obligation for some corporations or affiliate corporations, and, in accordable with generally accepted accounting practices and federal regulations, may have required some corporations to report deferred tax liabilities. Consequently, also in 2011, the Council created a deduction that publicly traded corporations could take to offset the impact of the potential future tax liabilities, but the Council also delayed that deduction such that corporations could not claim it until 2016. That a corporation could, at a late date, take this deduction allowed a publicly traded corporation to avoid listing any future tax liability in its public filings. In 2016, the Council delayed the deduction for another 5 years. Some experts question whether the 2011 tax changes created any actual ongoing liability for corporation, but, in any case, it appears that the major benefit of the tax deduction for publicly traded corporations is the ability to forego reporting future tax liabilities. That benefit will accrue to publicly traded corporation even if they cannot actually claim the deduction. Any publicly traded corporation that intends to take this deduction had to have filed with the Office of Tax and Revenue in 2011, so we know that if corporations are allowed to take this deduction, it will result in a loss of $7.4 million per year for 7 years. The Council has twice delayed this deduction, and a global pandemic that has caused more than 100,000 District residents to file for unemployment benefits and has caused many small, locally-owned businesses to close forever is not the time to allow publicly traded corporations to reduce the taxes that they pay to the District. This amendment would again delay by 5 years a tax deduction for publicly traded corporations.