AMENDMENT:

A new subtitle XXX is added in Title VII to read as follows:

“SUBTITLE XXX. DOWNLOADING LOST REVENUES AMENDMENT ACT OF 2020

“Sec. 7XX1. Short Title.

“This subtitle may be cited as the “Downloading Lost Revenues Amendment Act of 2020”.

“Sec. 7XX2. Title 47 of the District of Columbia Official Code is amended as follows:

“(a) Section 47-1508(a)(10) is repealed.

“(b) Chapter 18 is amended as follows:
“(1) Section 47-1803.03(a)(18) is repealed.

“(2) Section 47-1817.01(5)(A)(ii) is amended by striking the number “2” and inserting the number “10” in its place.

“(3) Section 47-1817.02 is repealed.

“(4) Section 47-1817.04 is amended as follows:

“(A) Subsection (d) is amended by striking the figure “$20,000” and inserting the figure “$10,000” in its place.

“(B) Subsection (e) is repealed.

“(5) Section 47-1817.05(c) is repealed.

“(6) Section 47-1817.06 is repealed.

“(7) Section 47-1817.07 is repealed.

“(8) Section 47-1818.06(3) is repealed.

“Sec. 7xx3. Applicability.

Rationale

In November 2018, the Chief Financial Officer’s Office of Revenue Analysis released a report which found that the Qualified High Technology Company (QHTC) program costs the District upwards of $40 million in foregone revenue every fiscal year when all of its different tax breaks are considered. Among other concerning findings, the OCFO concluded that “few large companies are taking a large share of the QHTC credits without evidence of commensurate economic benefits.” For this reason, the Council enacted the Downloading Lost Revenues Amendment Act of 2019. A year has passed and there remains minimal evidence that the QHTC is attracting new companies to come to the District or stay in the District. Additionally, as a result of the public health emergency, the Mayor’s FY2021 Proposed Budget leaves many gaps in critical areas of need. This amendment recaptures DC revenue that was previously allocated to reducing the taxes for QHTCs to be used for programs that address homelessness, mental health services, benefits to undocumented and otherwise excluded residents, and other priorities that are unfunded or underfunded in the FY2021 Proposed Budget.
MEMORANDUM

TO: Councilmember Brianne K. Nadeau

FROM: Nicole L. Streeter, General Counsel

DATE: July 7, 2020

RE: Legal Sufficiency Determination for Amendment to Bill 23-760, the Fiscal Year 2021 Budget Support Act of 2020

The measure is legally and technically sufficient for Council consideration.

This amendment would reduce or repeal certain tax benefits for qualified high technology companies (“QHTCs”), including:

1. Disallowing QHTCs from exempting personal property from taxation;
2. Disallowing QHTCs from electing to expense certain depreciable business assets;
3. Requiring a company to, among other things, have 10 or more qualified employees in the District to qualify as a QHTC;
4. Repealing D.C. Official Code § 47-1817.02, which provides QHTCs a tax credit to reimburse employment relocations costs;
5. Reducing the tax credit QHTCs receive for expenditures paid or incurred for retraining a qualified disadvantaged employee from $20,000 to $10,000 for each qualified disadvantaged employee during the first 18 months of employment and repealing QHTCs’ ability to carry forward for 10 years, or take as a refundable credit in an amount up to 50% of, any unused amount of the credit;
6. Disallowing QHTCs from carrying forward for 10 years any unused amount of tax credit received for wages paid to qualified disadvantaged employees;
7. Repealing D.C. Official Code § 47-1817.06, which provides certain QHTCs with tax exemptions;
   8. Repealing D.C. Official Code § 47-1817.07, which provides rollover of capital gains from qualified stock to other qualified stock; and
   9. Disallowing a qualified social e-commerce company from receiving a waiver of corporate income tax on a QHTC.

I am available if you have any questions.
MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer

DATE: July 7, 2020

SUBJECT: Fiscal Impact Statement – Councilmember Nadeau Amendments

REFERENCE: Amendment to the Fiscal Year 2021 Budget Support Act of 2020
Circulated July 6, 2020 and amendment to the Fiscal Year 2021 Local Budget Act of 2020 as provided to the Office of Revenue Analysis July 7, 2020

Conclusion

Funds are sufficient in the proposed amendment to the Fiscal Year 2021 Budget Support Act of 2020 to make the proposed amendment to the Fiscal Year 2021 Local Budget Act of 2020.

Background

The proposed Budget Support Act amendment makes several changes to the District’s tax incentives for Qualified High Technology Companies¹ (QHTCs). The amendment:

- Repeals QHTC personal property tax exemptions
- Disallows QHTCs from electing to expense certain depreciable business assets
- Requires QHTCs to have a minimum of ten (rather than two) employees
- Reduces the QHTC income tax credits for retraining qualified disadvantaged employees from $20,000 to $10,000
- Repeals a carry-forward of such credits for disadvantaged employee retraining
- Repeals beneficial income tax rates and exemptions for QHTCs
- Eliminates a rollover of capital gains from qualified stock
- Repeals tax credits for Qualified Social E-commerce Companies

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¹ By amending Chapters 15 and 18 of Title 47 of the District of Columbia Code.
Financial Plan Impact

Funds are sufficient in the proposed amendment to the Fiscal Year 2021 Budget Support Act of 2020 to make the proposed amendment to the Fiscal Year 2021 Local Budget Act of 2020.

The changes to the QHTC tax incentives add a total of $21.159 million in fiscal year 2021 revenues and $88.301 million over the fiscal year 2021 through fiscal year 2024 financial plan, in relation to the April 2020 revenue estimates. However, the revenues incremental to the Fiscal Year 2021 Budget Support Act of 2020 circulated for First Reading are lower due to the QHTC changes proposed in Subtitle VII-M, the “QHTC Tax Incentives Amendment Act of 2020.” The incremental effect of the amendment’s revenues are as follows:

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<th>Revenue from Proposed BSA Amendment</th>
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<tr>
<td>Effect of new certification requirements on wage credit</td>
<td>FY2021 265 FY2022 265 FY2023 265 FY2024 265 Total 1,060</td>
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<tr>
<td>Repeal relocation credit</td>
<td>FY2021 950 FY2022 950 FY2023 950 FY2024 950 Total 3,800</td>
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<td>Repeal depreciation benefit</td>
<td>FY2021 337 FY2022 355 FY2023 374 FY2024 394 Total 1,460</td>
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<tr>
<td>Repeal beneficial tax rate and exemption</td>
<td>FY2021 18,945 FY2022 19,504 FY2023 20,090 FY2024 20,692 Total 79,231</td>
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<td>Repeal personal property tax exemption</td>
<td>FY2021 662 FY2022 679 FY2023 696 FY2024 713 Total 2,750</td>
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<tr>
<td>Revenue over April 2020 Revenue Estimates</td>
<td>FY2021 21,159 FY2022 21,753 FY2023 22,375 FY2024 23,014 Total 88,301</td>
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<td>Less: Revenue from Changes in Circulated BSA*</td>
<td>FY2021 (4,132) FY2022 (5,031) FY2023 (5,935) FY2024 (6,862) Total (21,960)</td>
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<tr>
<td>Net New Revenue</td>
<td>FY2021 17,027 FY2022 16,722 FY2023 16,440 FY2024 16,152 Total 66,341</td>
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*Changes to 47-1817.06(a)

The proposed amendment to the Fiscal Year 2021 Local Budget Act includes $17,027,000 of additional spending in fiscal year 2021, $1,158,711 of which is designated as one-time. The fiscal year 2021 spending and the recurring of spending of $15,868,289 can be funded from the net new revenues included in the proposed amendment to the budget support act.
Council of the District of Columbia  
Committee of the Whole  

Bill 23-760, Fiscal Year 2021 Budget Support Act of 2020  
Nadeau Amdt #1 - QHTC Tax Incentive Repeal  

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Majority Present/Voting Pass:  
- Postpone Date Certain  
- Table/ Take from Table  
- Recommit  

Two-Thirds Present/Voting Pass:  
- Postpone Indefinitely  
- Close Debate  
- Discharge from Committee  
- Veto Override  
- Previous Question  
- 403(b)/231(c) Waiver  

Majority Council Pass:  
- Rules Change  

Two-Thirds Council Pass:  
- Emergency Declaration