



Testimony of Erika Wadlington, DC Chamber of Commerce

Before the Committee of the Whole

On the FY 2018 Proposed Budget Support Act and Budget Request Act of 2017

Friday, May 12, 2017

Good Morning Chairman Mendelson, members, and staff. I am Erika Wadlington, Director of Public Policy and Programs at the DC Chamber of Commerce and I am pleased to present testimony on behalf of the member-companies of the DC Chamber, the hundreds of thousands of employees they employ, and the millions of dollars in tax revenue they provide yearly to the District coffers regarding the Fiscal Year 2018 Proposed Budget Support Act and Request Act of 2017. The DC Chamber would like to take this opportunity to commend the Council for the action it took in June 2015 which resulted in expediting the Tax Revision Commission's recommended tax relief package based on increases in revenue. Today, I am here to ask that no additional fiscal burdens are placed on businesses in the FY18 budget and to encourage the members of this legislative body to fulfill a promise and ensure that the final recommendations of the tax commission are implemented completely next year without any changes or deferrals.

In 2018, approximately \$20 million out of the \$100 million in revenue will go to corporate tax reductions, this represents about 19 percent of the scheduled tax relief as recommended in the proposed budget and will bring our corporate tax rate to 8.25 percent aligning the District's corporate tax structure with that of its neighboring Maryland counties and at least closer to Virginia's corporate franchise rate. A majority of the other proposed reductions – about 74 percent – will go to support residents in the form of income tax breaks which we also support.

As the voice of businesses large and small, the DC Chamber works very hard to make living, working, and doing business in the District a better proposition for all. Because our small to medium size employers make up a significant part of the District's economy and firms with fewer than 100 employees have the largest share of small business employment, it is vital that elected officials such as yourselves identify ways in which the budget before you safeguards the city's job creators to allow them to operate within an environment that permits sustainable growth without a competitive disadvantage. They are stakeholders and pillars of the community, as

they generate tax revenues that help our individual neighborhood economies grow, expand job opportunities, and increase our viability in the regional marketplace.

To withdraw, change, or even delay the implementation of the tax revision commission's recommendations as some reports have indicated, in the business community's view, will not only send a message that there is a lack of interest for the pledged and long-awaited tax relief, but that on top of the increasing employer-focused policies it would further put the District and its job creators at an economic disadvantage. A strong small business base is essential to driving innovation and expanding the District's middle class. To remain economically competitive, the members of the Council should consider how it proceeds on items like a tax on hotel rooms or reversing scheduled tax relief when residents, visitors, and potential entrepreneurs have less costly jurisdictions to go to. Like many of the elected officials to the Council of the District of Columbia, the business community believes that if legislators were to delay scheduled tax relief, the Council will be backing down on a promise this body made years ago to support residents and small and local businesses.

The FY 2018 Proposed Budget and Financial Plan was the District's twenty-second balanced budget. Just like all financial decisions should be calculated and sensible, the DC Chamber and its members believe that the actions of this body should also be balanced and considerate of the cumulative effect. Maintaining the law as is, guarantees that we can provide tax relief to residents and business who are already facing increasing legislative, regulatory, and financial burdens in comparison to their counterparts in neighboring jurisdictions. In the past two Council periods, we have already seen a litany (over 30 measures) of employer-focused legislation that has impacted the business climate. The District's job creators now have mandates for paid sick days, increasing wage rates to \$15 dollars an hour, wage theft legislation, ban the box, fair credit amendment act, and now the Universal Paid Leave Act which establishes a \$250 million benefit program funded by a new payroll tax. Collectively, this is a large burden on a business in such a short time period and leads to the perception that we are not a business-friendly city which further hinders our economic growth opportunities.

While it may not seem like the proposed tax reductions are significant, over time they equate to significant savings to a small employer that already strives to be vibrant and strong. Once again please note that of the \$100 million tax relief, only \$20 million goes to reduce the corporate tax and the bulk goes to reduce taxes on low-income residents. The DC Chamber of Commerce would like to believe the DC Council's "word is its bond". Now is the moment to at least provide the business community what was promised and what the business community patiently waited for. It is our time for a little bit of relief.

Thank you and I am happy to answer questions at this time.