

Tax Parity Act of 1999 Becomes Law

The Tax Parity Act of 1999 is a five-year tax reduction and simplification plan, which will affect most individuals and businesses in the District of Columbia. The Act was enacted by the District of Columbia Council and has been approved by the Congress of the United States. Some of the changes will take effect quickly, and others will be phased-in over the five-year period. The changes, which will affect businesses in the District of Columbia, include the following:

Corporate Franchise Tax

Effective for net operating losses (corporate only) incurred after Dec. 31, 1999, the following will apply:

- No carry-back will be allowed. The carry-forward provisions will remain the same as current law.
- Net operating losses will be computed based on District of Columbia losses, rather than the current consolidated method of calculation.

Effective for fiscal years beginning on or after Jan. 1, 2003, the franchise tax rate for corporate and unincorporated businesses will be reduced to 9%.

Effective for fiscal years beginning on or after Jan. 1, 2004, the franchise tax rate for corporate and unincorporated businesses will be reduced to 8.5%.

Personal Property Tax

Effective for personal property taxes payable July 31, 2000, there will be an exclusion of \$50,000 taxable value. Effective for personal property taxes payable July 1, 2000, accelerated depreciation schedules will be in effect for certain computer and related equipment. The personal property tax instructions will provide specific details.

Real Property Tax

Class 2 (multifamily residential) tax rates will be reduced from the current \$1.54 per \$100 of assessed value to \$1.34 in FY 2000, to \$1.15 in FY 2001, and to \$0.96 in FY 2002.

Class 4 (commercial) and Class 5 (vacant) will be reduced from current rates (\$2.15 and \$5.00 per \$100 of assessed value, respectively) to \$2.05 in FY 2000, to \$1.95 in FY 2001, and to \$1.85 in FY 2002.

Sales and Use Tax

Effective Oct. 1, 1999, sales taxes on Internet access, which are currently under a federal moratorium, were permanently eliminated in the District of Columbia.

Arena Fee

The arena fee will be eliminated for taxpayers with District of Columbia gross receipts less than \$2 million, effective for the June 15, 2000 payment. The remaining rates will be adjusted as shown:

D.C. Gross Receipts	Pre-2000 Arena Fee	June 15, 2000 Arena Fee
\$0 – \$200,000	\$25	\$0
\$200,000 – \$500,000	\$50	\$0
\$500,000 – \$1 million	\$100	\$0
\$1 million – \$2 million	\$825	\$0
\$2 million – \$3 million	\$825	\$1,000
\$3 million – \$10 million	\$2,500	\$3,300
\$10 million – \$15 million	\$5,000	\$6,500
\$15 million and above	\$8,400	\$11,000

Individual Income Tax

Rates and brackets will be reduced according to the following schedule:

- \$0 – \$10,000 lowest bracket will remain the same, but rates will be reduced from current 6% to 5% in calendar year 2000 to 4.5% in calendar year 2003 and to 4% in calendar year 2004.
- \$10,000 – \$20,000 middle bracket will be adjusted. The \$10,000 – \$20,000 bracket rate will fall from 8% to 7.5% in calendar year 2000. Middle bracket will change to \$10,000 – \$30,000 in calendar year 2001 with a 7.5% rate. \$10,000 – \$30,000 bracket rate will fall from 7.5% to 7% in calendar year 2002. Middle bracket will expand to \$10,000 – \$40,000 in calendar year 2003, while rate remains at 7%. For calendar year 2004, middle bracket expands to \$10,000 – \$40,000 and rate falls from 7% to 6%.
- Top bracket changes to \$30,000 and greater with rate reduction from 9.5% to 9.3% rate in calendar year 2001. Top bracket rate drops from 9.3% to 9% in calendar year 2002. Top bracket rate increases to \$40,000 and greater with rate reduction from 9% to 8.7% in calendar year 2003. The rate for top bracket drops to 8.5% in calendar year 2004.