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BUSINESSES

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The D.C. Tax Revision Commission, led by former Mayor Anthony A. Williams, has met regularly for more than a year with the goal of assessing the fairness of the city's tax structure, while broadening its base and keeping it competitive with surrounding jurisdictions. The set of recommendations released Tuesday highlighted revisions intended to provide relief to the majority of taxpayers while diversifying the city's economic base.

Some recommendations are likely to be well-received in a city frequently criticized for aggressively taxing its residents. They include a reduction of the tax rate from 8.5 percent to 6.5 percent for single earners making \$40,000 to \$60,000 and married couples making \$40,000 to \$80,000.

If adopted, the changes would amount to an average \$404 savings per family. The bulk of the savings would be concentrated in the roughly 70,000 city households making \$10,000 to \$75,000 per year. Individual filers would save an average of \$353 annually.

Other recommendations, such as a “local services fee” charging businesses \$25 per

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development boom that is continuing. He described the recommended revisions as “a fairness issue” and said they will improve the quality of life for residents and businesses.

“Getting everyone to chip in makes for a healthier community,” Mr. Widdicombe said.

Recommended changes to the income tax structure — including the creation of the middle-class tax bracket and raising the standard tax deduction for single filers from \$4,100 to \$6,100 — would cost the city an estimated \$125 million in the first fiscal year.

The revenue impact could be at least partially offset by several other recommendations — including generating \$45 million through the local services fee, raising \$20.5 million through an increase of the city's sales tax back to 6 percent from 5.75 percent, and collecting \$28 million through expansion of the sales tax to eight new services.

Overall, the proposal — which the D.C. Council previously agreed to offset with \$18 million per year — would remove about \$38 million from the city's budget in the first fiscal year. Of the city's \$12.1 billion fiscal 2014 budget, \$6.3 billion comes from funds raised locally.

“Although the final package of recommendations exceeds the DC Council's allocation, the Commission considers its recommendations affordable given the District's recent economic and tax revenue growth,” the commission report states.

The changes will help offset an uneven tax structure that has overburdened lower- and middle-class taxpayers, said Janelle Treibitz, a campaign organizer with the Fair Budget Coalition, which provided input on the recommendations.

“You constantly have to balance what is fair to ask of people to pay in taxes. What

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agencies and nonprofits don't pay local taxes.

“We have holes in our tax base,” Mr. Widdecombe said. “One is the federal government, and there is nothing we can do about that. They don't pay taxes. We can't tax the commuters, and there's 550,000 of them a day.”

D.C. leaders for decades have sought ways to tax workers who live outside the city, but have, for the most part, been thwarted by Congress. The local services fee — imposed in Denver and Pittsburgh — also will face opposition from businesses.

“The decision is not in the best interest of our community, and places another unnecessary burden on thousands of businesses in our city,” said Brian E. Boyer, a spokesman for the D.C. Chamber of Commerce.

The commission will have to work to get D.C. Council members to sign on to its proposed reforms — a pitch reformers hope will be easy as candidates running for mayor this year look to distinguish themselves.

“There are almost 294,000 out of 338,000 taxpayers who would have lower taxes. That's a pretty good platform,” Mr. Widdecombe said.

A similar commission helped the District's fiscal house transition from its darkest days under the thumb of a federal control board imposed by Congress after widespread fiscal mismanagement. The first commission formed in 1996 and finished its work in 1998. D.C. Council member Jack Evans, Ward 2 Democrat, previously said the commission's results helped him push the Tax Parity Act of 1999 that slashed income and business taxes in the city.

Tax commissions are often established to address fiscal crises or to lay foundations for new tax revenues, but because the D.C. body's recommendations come at a time of

fiscal prosperity, the city has the opportunity to send a message with any reforms it

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