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Congress of the United States
House of Representatives
Washington, DC 20515-1501

Testimony of Congresswoman Eleanor Holmes Norton
Committee on Ways and Means, Subcommittee on Select Revenue Measures
Hearing on Certain Expiring Tax Provisions
April 26, 2012

I strongly support extending the tax incentives for business and individual investment in the District of Columbia (26 U.S.C. §§ 1400-1400(C)), which expired in 2011. The D.C. tax incentives barely register in their costs to the federal government, but they are so critical to businesses, jobs, homebuyers and the general economy in the nation's capital that not extending all of them would have a significant negative effect here.

The D.C. tax incentives have had bipartisan support since they were established in 1997 by a Republican House and Senate and signed into law by a Democratic president. The incentives, which were designed to stabilize the District's residential tax base and increase economic activity, have been successful, and if progress is to continue here, they must be extended. In the 2010 census, the District gained population (5.2%) for the first time since the 1950 census, and much of the increase is traceable to the homebuyer tax credit. The homebuyer tax credit staunched the taxpayer exodus for the first time in decades and, with the stability the credit initiated, others also decided to move to the city. In addition, the District has experienced significant economic development because of the business tax incentives that became available for the first time. One of them, a wage credit, has been particularly instrumental in leveling the playing field in a city where residents had been swamped by a huge number of regional residents, often preempting fair consideration of local residents.

Despite these successes, the tax incentives remain critical if the District is to become permanently self-sustaining. The District's revenue capacity is severely limited by the large federal presence on its most valuable land as well as by a federal prohibition on taxing non-resident income. Further, the city alone has no state revenue source, a disadvantage the Congress found to be so severe that it relieved the city of the costs of some state functions in 1997. Still, the District continues to be the only city in the United States that must pay for expensive state functions, including Medicaid. Attracting and retaining businesses, jobs and homeowners are necessary to maintain the District's progress toward the full and sustainable economically self-supporting status that is its goal. The cost of the D.C. tax incentives is minimal. If the tax incentives are not extended, however, their noteworthy achievements could easily be undone. I ask the committee to allow the District to continue on its encouraging path, which has been possible only because of the balanced individual and business tax incentives we seek to extend.