

D.C. Needs Fairer Taxes, Not More Safety Net Cuts

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Like state and local governments across the country, the District of Columbia is facing a budget shortfall.

We've got a [\\$175 million gap](#) that's got to be closed right now. And our [total local budget](#) (pdf) is only somewhat over \$6.1 billion.

There's nothing unique about the main cause of the shortfall. The recession has resulted in a sharp drop in tax revenues — even greater than the loss projected at the time the budget was passed.

Add to this the fact that the District, [like 30 states](#) (pdf), budgeted on the assumption that Congress would fully extend the higher match on state Medicaid costs. Congress instead enacted a penny-pinching, [phased-down extension](#), leaving the District with \$34 million less than it expected.

So we're once again plunged into controversy. How should the budget gap be closed?

The D.C. Council has addressed budget gaps before. It's leaned heavily toward spending cuts, sometimes combined with a modest admixture of revenue raisers. This approach has delivered a double whammy to low-income residents.

On the one hand, programs that serve their needs have been cut back — or in the case of some already under-funded programs, denied overdue increases.

Last year, for example, these programs took a [\\$49 million hit](#) (pdf), notwithstanding rising recession-driven needs. [TANF cash benefits](#) (pdf) were again level-funded, leaving a participating family of three at 28 percent of the federal poverty line.

At the same time, sales and excise taxes were increased. And the personal exemption and standard deduction in the income tax were frozen, as was a property tax deduction that can be claimed by residents who live in the houses they own. All these revenue raisers were disproportionately costly for low-income residents.

Here again, the District is far from unique. A recent [analysis](#) (pdf) by the Institute on Taxation and Economic Policy found that when all state and local taxes are added up, most state tax systems are regressive.

However, the District is unique in one respect. As I've [written](#) before, Congress has banned us from imposing a commuter tax. So [according to our Chief Financial Officer](#), \$34 out of every \$100 earned in the District goes home untaxed to nearby Maryland and Virginia suburbs.

That still leaves some major revenue-raising opportunities. One of the biggest is a revision in our not very progressive income tax structure. At this point, the top rate kicks in at \$40,000. So an individual who earns only somewhat more than twice the local minimum wage pays the same rate as the millionaire partners in those big downtown law/lobbying firms.

For two years now, proposals have been floated to establish a new top tax bracket — or maybe two brackets. The first bill introduced died a quiet death. But last spring, a new coalition formed to build grassroots support for new top tax brackets. Its name says all that's needed about the motivation: [Save Our Safety Net](#).

SOS-DC focused mainly on social media outreach and grassroots activism — a petition, a blog, a video series, lots of tweets and some attention-getting demonstrations. The analyses, arguments and many of the sit-downs with D.C. Councilmembers were handled by members of a larger, long-standing coalition, the [Fair Budget Coalition](#).

Meanwhile, the [DC Fiscal Policy Institute](#), a key member of Fair Budget Coalition, took the lead in developing a third coalition dedicated solely to presenting a broader front for a balanced approach to budget balancing, including new tax revenues.

In this coalition, we find not only FBC members, but local labor organizations, plus some small business, faith-based, education and other community groups. Nearly 70 organizations allied under the banner of Better Choices: Funding D.C. Forward.

Now SOS-DC, the Fair Budget Coalition and Better Choices have revived the campaign. And our recent elections have made the prospects more hopeful. The defeated incumbent mayor ran for his first term on a promise of no tax increases. Our incoming mayor, Vincent Gray, says he's willing to consider them.

Gray recognizes that services have already been cut to the bone. "Actually," he [says](#), "we've cut down to the bone marrow." He's [said](#) he believes that many residents will accept the need for tax increases if they understand how a cuts-only approach will gravely harm their most vulnerable neighbors. But, at this point, he's not ready to commit.

Councilmember Jack Evans, chairman of the influential Finance and Revenue Committee, is and always has been dead set against tax increases.

He recently [argued](#) for across-the-board budget cuts. If I understand correctly, this means a whack out of every program area regardless of opportunities for savings or needs served. He now [says](#) that cuts again need to be made in public education and human services simply because their budgets are biggest.

I doubt he's going to be a lone voice crying in the wilderness — or on the Council itself for that matter. But it's a rare elected official who defies the will of his/her constituents.

So District residents who want to protect investments in the safety net and other key programs, *e.g.*, public education, job training, libraries, have a crucial role to play in the campaign.

A first, easy step is to sign the [letter to Councilmembers](#) on the SOS-DC website. You can give it more impact by editing the subject line — even more by adding something personal to the text.

Another step you can take right now is letting SOS-DC know that you'd like to learn more about what you might do to support the campaign. They've got a [page](#) for this on their website, along with an e-mail address you can use to contact them if you've got some ideas of your own.

Last but not least, consider testifying. In the District, any resident can do that just by signing up in advance.

Gray says he'll be holding a public hearing on the budget cuts he and his colleagues come up with — or perhaps those outgoing Mayor Fenty proposes. What he clearly wants is public support for tax increases to cushion the prospective blows.

A brief statement is all that's needed. Tell the Councilmembers what the endangered programs mean to you. And if you'd be affected by a new top tax bracket, tell them you'd be willing to pay a bit more to save them.

Graphic credit: [Save Our Safety Net](#)



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