



BILL 23-0316

RACIAL EQUITY IMPACT ASSESSMENT TAX REVISION COMMISSION REESTABLISHMENT AMENDMENT ACT OF 2020

TO: The Honorable Phil Mendelson, Chairman, Council of the District of Columbia
FROM: Brian McClure, Director of Racial Equity
DATE: January 18, 2021

COMMITTEE

Committee of the Whole

BILL SUMMARY

Bill 23-0316, the “Tax Revision Commission Reestablishment Act of 2020,” reestablishes the Tax Revision Commission (“Commission”) to consider revisions to the tax code and submit a report of tax recommendations once every ten years.¹

CONCLUSION

Bill 23-0316, has the potential to advance racial equity in the District of Columbia.²

BACKGROUND

- **The 2014 Commission was largely successful but racial inequities in the District continue to persist.**
- **Since 2014, most tax proposals made by the Council have been made on an *ad hoc* basis.**
- **A Commission is the best means to provide a holistic review of the District’s tax policy and administrative practices.**

The bill directs the Tax Revision Commission (“Commission”) to “establish or revise criteria and a conceptual framework for evaluating current and future taxes” and requires that any “Such criteria and framework shall consider racial equity impacts.”³

Prior to the 2021 iteration, The District had created three other tax revision commissions.⁴ The most recent Commission was formed in 2012 and issued its findings in 2014. The implemented recommendations of the 2014 Commission, helped make the District’s income tax among the most progressive in the United States and, in overall tax responsibility, the second most progressive of any

¹ Law 19-21, Fiscal Year 2012 Budget Support Act of 2011 § 7061 (effective September 14, 2011).

² See the enrolled version of Bill 23-0316, [the Tax Revision Commission Reestablishment Amendment Act of 2019](#).

³ See [DC Official Code § 47-462\(b\)](#).

⁴ Law 19-21, Fiscal Year 2012 Budget Support Act of 2011 DC Code 7061, effective September 14, 2011; In 1977, Resolution 1-149 established the first TRC in DC; one other TRC was formed in 1998.

state.⁵ The 2014 Commission, however, addressed a very specific set of questions in a very different social and economic climate.⁶

Purpose and Findings of the 2014 Commission

While the 2014 Commission likely helped place the District on better economic footing, it did not explicitly consider race in its deliberations. The focus, rather, was on conducting “A broad and deep review of the District’s tax laws, tax expenditures, revenues, tax base, economy, and to provide the Council and the Mayor with recommendations for reform.”^{7 8}

Although the District’s economy has grown in significant ways since 2014, disparities in the District continue to persist:

- White households in the Washington region have a net worth that is eighty-one times greater than Black households and a wealth and income gap between Blacks and whites that is among the highest in the nation.⁹
- According to the 2016 Survey of Consumer Finances, the median white household has a net worth of \$171,000, ten times the net worth of the median Black household, \$17,100.
- The 400 richest American billionaires have more total wealth than all ten million Black American households combined.
- Since 1980, the incomes of the top earners (those at the 95th percentile) (\$345,839) have grown more than the incomes of earners at the 20th percentile (\$23,993), and the 95/20 ratio of those incomes has also grown.¹⁰
- The average income for those in the 95th percentile of household incomes has increased by \$59,181 since 1980, while average income for the 20th percentile has fallen by \$196.
- Within the same tax jurisdiction, Black and Hispanic residents bear a ten-thirteen percent higher property tax burden than white residents.
- There exist large disparities in home values and number of homebuyers in the District.¹¹ Of the 89,000 mortgages approved between 2007 and 2017, seventy-three percent are white, twenty percent are Black, and six percent are Latino.¹²
- Since 1979, income for full-time workers at the 10th percentile changed seventeen percent while income for those at the 80th percentile changed 59%.

⁵ The Institute of Taxation and Economic Policy [ranked DC](#) as the second most equitable jurisdiction, only after California. Also see ITEP, “[Who Pays? A Distributional Analysis of the Tax Systems in All 50 States](#),” October 2018.

⁶ Tax Revision Report, 2014, page 5, and 28.

⁷ [FY 2016 Proposed Budget and Financial Plan](#)

⁸ The goals of that Commission included improving fairness of the District’s tax system, broadening the base of the District’s tax system, increasing the District’s competitiveness of the District’s tax system, encouraging business and employment growth, and promoting simplification of the District’s tax system. See Tax Revision Report.

⁹ Courtland Milloy, “[Anthony Williams is credited with helping to revitalize D.C. Now he’s working to make sure everyone benefits.](#)” *The Washington Post*. December 17, 2017.

¹⁰ National Equity Atlas, [Racial equity in income](#). Accessed December 22, 2020.

¹¹ Yesim Taylor and Emilia Calma, “[Racial Equity Evaluation of Residential Property Assessments in the District of Columbia.](#)” DC Policy Center, August 11, 2020.

¹² Ibid.

- According to Census estimates, only thirty-six percent of households headed by a Black DC resident own the home they live in, compared to forty-seven percent of households headed by a white resident.¹³

CONSIDERATION OF RACIAL EQUITY IMPACTS

- **Racial inequities in the District are deep and pervasive. Wealth and income disparities are among the starkest.**
- **Certain tax policies and administrative practices, even when “race-neutral,” can exacerbate racial inequity.**

These inequities did not occur overnight. As scholarship has shown, once racist policies make their mark on how wealth is distributed, it is very difficult to eradicate the resulting inequities, which compound over generations.¹⁴

By centering outcomes by race, Bill 23-0316’s explicit call for racial equity as a consideration could help create a tax regime that directly aims to reduce racial inequities (such as those noted above) in the District.

However, the bill does not define “racial equity,” and does not specify how the Commission would incorporate racial equity into its recommendations that would reduce racial inequities.¹⁵

Importantly, existing law does not explicitly charge the Commission with making *recommendations* that would reduce racial inequities nor does Bill 23-0316.

RECOMMENDATIONS

- **Clearly define “racial equity impacts” and other key terms.**
- **Be explicit in how the racial equity impacts criteria will inform recommendations made by the Commission.**
- **Set forth clear procedures to ensure racial equity is operationalized throughout deliberations and decision-making processes.**

Bill 23-0316’s impact on advancing racial equity in DC could be strengthened by making the following changes:

- Defining “racial equity impacts;”
- Defining the term “equity.” Other parts of the DC Code refers only to equity as opposed to “racial equity”.¹⁶ It is good practice to be clear in the definitions of terms such as “equity” or

¹³ Ibid.

¹⁴ Yesim Sayin Taylor, “[Tax practices that amplify racial inequities: Property tax treatment of owner-occupied housing](#),” DC Policy Center, October 24, 2018: Accessed January 5, 2021.

¹⁵ See [DC Official Code § 47-462\(a\)](#).

¹⁶ See [DC Official Code § 47-461\(3\)](#) and [DC Official Code § 47-462\(b\)\(1\)](#).

“racial equity”; such clarity could help guide the Commission as it weighs different recommendations.¹⁷

- The bill does not explicitly call for the inclusion of members from communities of color. Requiring that appointees to the Commission include representatives from communities of color can help enhance equity in the government decision-making process by empowering communities to make decisions for themselves as well as by fostering greater ownership, awareness, and accountability. Ensuring community voices are centered in the deliberations of the Commission could be vital to ensuring racially equitable outcomes.^{18 19}
- Since the Commission does have the authority to create and operate under its own rules of procedure, the Commission could set forth clear procedures to ensure racial equity is operationalized throughout deliberations and decision-making processes.²⁰

Further, the fiscal impact statement issued by the Chief Financial Officer (CFO) reported that funds are not sufficient and would cost \$600,000 in fiscal year 2021 and \$800,000 over the four-year financial plan.²¹ As the city approaches recovery from the COVID-19 public health emergency, without sufficient funds, the Commission and Council must be cognizant of how funds are prioritized, especially if funds are (or there is a possibility that funds could be) diverted away from other priorities to pay for the Commission.

Even without these changes, the Commissioners can be deliberative in how they make their final recommendations in the following ways:

- The Commission explicitly adopts “racial equity” as a criterion in assessing alternative recommendations. The Commission applies a racial equity lens to assess both *tax policy* and *tax administration*. For example, the Commission could examine the racial implications of current tax policy (tax policy). The Commission could also consider how the District collects (or does not collect) tax data by race (both tax policy and tax administration).²²
- Or the Commission could examine how local property tax assessments are applied and whether there are systemic biases, or analysis of whether low-income people of color in the District are disproportionately targeted for audits, fees, and fines (tax administration).

¹⁷ For glossary of definitions, see CORE website; and Nelson, Julie and Lauren Spokane, Lauren Ross, Nan Deng, “[Advancing Racial Equity and Transforming Government: A Resource Guide to Put Ideas into Action](#),” Local and Regional Government Alliance on Race & Equity. Accessed December 2020.

¹⁸ For exhaustive list of the 2014 commission members and staff, [see the final report](#). May 2014. [DC Official Code 47-463](#), does specify there should be community representatives, “such as a leader of a public-interest group, labor union, civic association, or a tenant or housing association”. Existing law also requires representation from the business, technology sector, retail, banking, or real estate but does not specify either geographic location or by race.

¹⁹ See for example, [the Civic Engagement Commission](#) established in New York City to assist with review of the city’s budgeting and tax policies; and Richard Auxier, “[State Tax Commissions](#),” Urban Institute, State and Local Finance Initiative.

²⁰ See [DC Official Code § 47-464\(b\)](#).

²¹ See the Office of the Chief Financial Officer, [Fiscal Impact Statement for Bill 23-316](#) – Tax Revision Commission Reestablishment Amendment Act of 2020: accessed on December 22, 2020.

²² Misha Hill, Jenice Robinson, Alan Essig, Meg Wiehe, Steve Wamhoff and Carl Davis, [The Illusion of Race-Neutral Tax Policy](#). ITEP, February 14, 2019; Jeremy Bearer-Friend, “[Should the IRS Know Your Race? The Challenge of Colorblind Tax Data](#),” SSRN. August 24, 2018. Accessed December 29, 2020.

- The Commission identifies gaps in data and current knowledge that prevents an exhaustive analysis of the racial impacts of current tax policy.²³
- The Commission explicitly considers the legacies of historical, structural, and institutional racism in the District and its effects on communities of color.²⁴

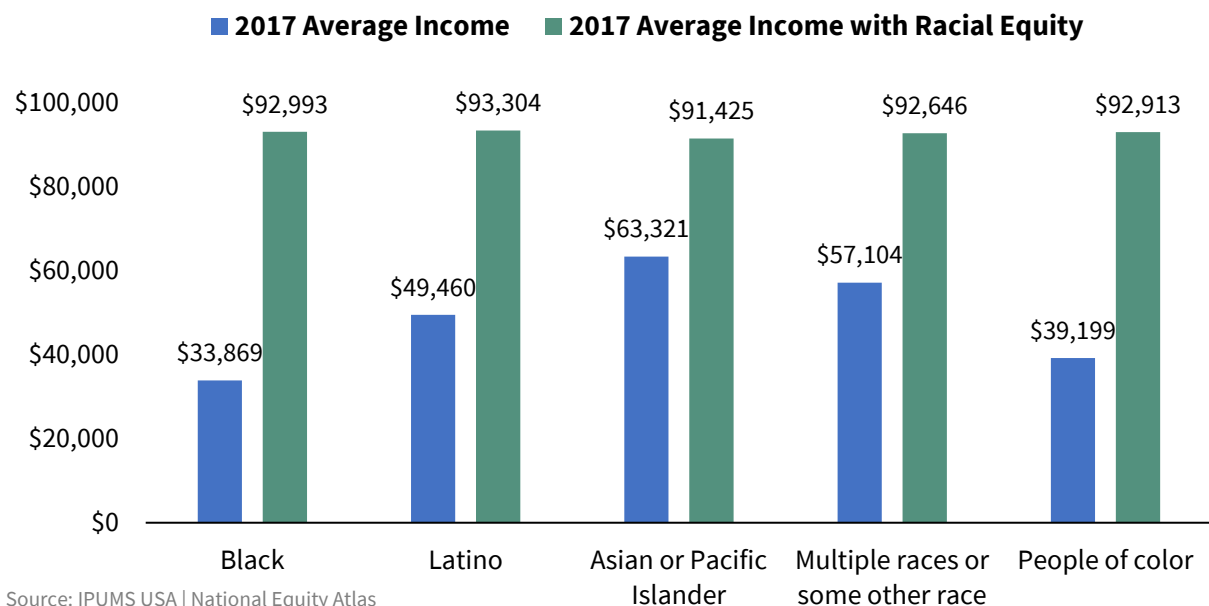
FORECASTED RACIAL EQUITY IMPACTS

- **If racial gaps in income were eliminated, the income for Black residents would have increased from \$33,869 to an average of \$92,993.**
- **The majority of income gains created by eliminating racial gaps in income would have the most impact on people of color.**

Racially equitable tax policies have the potential to help eliminate racial inequities in income and close the racial wealth gap. While tax policies do not directly create jobs or create new businesses, they do help create the social and economic environments that do so.²⁵ For example, in 2017, the National Equity Atlas (NEA) found that in DC, if racial gaps in income were eliminated, the income for Black residents would have increased the most among all racial/ethnic groups. NEA offers some insights as to exactly what “racial equity impacts” might be if wealth and income gaps ceased to exist in the District:

FIGURE 1

With racial equity, the average annual income for all people of color would increase by 53%.



²³ Ibid.

²⁴ See Tinsae Gebriel, “[Economic Inequality in DC Reflects Disparities in Income, Wages, Wealth, and Economic Mobility. Policy Solutions Should Too](#),” DC Policy Center. August 6, 2018. accessed December 20, 2020.

²⁵ Leachman, “Advancing Racial Equity with State Tax Policy,” 2018.

- The majority of income gains created by eliminating racial gaps in income for all people of color would come from growth in wages but for people that are multiple races or some other race, the majority of income gains would come from growth in employment.
- According to Brookings, if Black households held a share of the national wealth in proportion to their share of the US population, it would amount to \$12.68 trillion in household wealth, rather than the actual sum of \$2.54 trillion.²⁶
- GDP in 2017 would have increased by \$2.8 trillion if racial gaps in income were eliminated.
- The percent gain in GDP with racial equity in income is highest in the District of Columbia at 55 percent, the next highest is California at 35 percent.^{27 28}

Ultimately, Bill 23-0316 provides an opportunity for the 2021 Commission to decenter fiscal policies that have extended or cemented racial disparities in wealth and power and center policies that will lead to more equitable outcomes.

²⁶ Williamson, “Closing the racial wealth gap requires heavy, progressive taxation of wealth,” 2020.

²⁷ National Equity Atlas, [Racial equity in income](#).

²⁸ National Equity Atlas, [Racial equity in income](#).

APPENDIX

ROOT CAUSES OF RACIAL WEALTH INEQUITIES IN THE DISTRICT

- **In the District, a history of racist tax policies at both the Federal and local government-levels, have created systemic and institutionalized barriers responsible for many of the inequities in income and wealth seen today.**
- **Historically, Black residents in the District have always paid taxes, but they have not always been allowed to access or benefit from those public services funded by those taxes.**

Demographic Data in the District

Historically, racial discrimination in state and local tax policies has occurred not only through the policies themselves but also through how tax authorities administered those policies.²⁹ For decades, localities across the US, have over-assessed property owned by African Americans and under-assessed property owned by white residents. In one Mississippi town for example, Black activists protesting Jim Crow experienced the weaponization of tax assessments when the white-majority political establishment, selectively raised property tax assessments for those Black protestors -- over fifty percent in one year.^{30 31 32} “State by state, neighborhood by neighborhood, Black families pay thirteen percent more in property taxes each year than a white family would in the same situation.” This assessment gap places a disproportionate fiscal burden on Black residents and communities of color.

Understanding the impact of Bill 23-0316 on racial equity in the District requires understanding the history of tax, race, social, and economic policies in the District.

It is true that “Centuries of discrimination and exploitation have left Black Americans much poorer than white Americans.”³³ Historically, state and local tax policies often deepened the profound challenges faced by Black residents and people of color. This is especially true in the District. The District has a long and racist tax policy history - one that has disenfranchised Black residents and created and maintained a system that to this day, perpetuates harm to the most vulnerable residents.

²⁹ Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, “[Advancing Racial Equity with State Tax Policy](#),” Center on Budget and Policy Priorities. November 15, 2018.

³⁰ Andrew Kahr, “Capitalizing on the Urban Fiscal Crisis: Predatory Tax Buyers in 1970s Chicago,” *Journal of Urban History*, Vol. 44, Issue 3, May 2018, pp. 382-401.

³¹ Carolos Avenancio-Leon and Troup Howard, “[The Assessment Gap: Racial Inequalities in Property Taxation](#),” the Washington Center for Equitable Growth. June 10, 2020.

³² Ibid.

³³ Vanessa Williamson, “[Closing the racial wealth gap requires heavy, progressive taxation of wealth](#),” Brookings. Wednesday, December 9, 2020; and Andre Smith, *Tax Law and Racial Economic Justice*, Lexington Books, June 2015.

Since the city’s inception, the enslavement of Black people was used to build assets for the District, those who governed, and those who owned plantations in the nation’s capital, while stripping Black people of not only their dignity but also of the wealth produced from their labor.³⁴

Kilolo Kijakazi of the Urban Institute found that, “Black people in DC have faced more than two centuries of deliberately constructed barriers to wealth building, and some of the highest barriers were embedded by design in law.”³⁵ For example, during the 1840s, Black Codes legally prohibited “Free” Black people from owning and operating eating establishments and taverns and denied them licenses for any trade other than driving carts or carriages.

In 1808, the congressionally appointed Mayor and city council of the District, enacted the first Black Codes in the District of Columbia.³⁶ These Codes invoked a 10:00 pm curfew for Black people and other people of color. By 1820, free Blacks were required, by law, to register with the Mayor, obtain testimony on their behalf from a White person, and pay a bond of \$20. By 1836, a modification to the Black Codes required Black people to register with five White character witnesses and to pay a \$1,000 bond. These “Black taxes” fundamentally stripped assets away from free Black people.

Meanwhile, the 1862 emancipation of enslaved Black people in the District provided White residents with \$300 remuneration for every Black person they had enslaved, while Black people who had been held in bondage received no compensation.

Historically, free Black residents in the District have always paid taxes, but they have not always been allowed to access or benefit from those public services funded by those taxes. Rather than being able to invest and build wealth, Black residents were forced to pay a double tax for separate and unequal services.

In conclusion, the District must continue to grapple with this history. The Commission has an opportunity to take a crucial step in initiating this process.

Black people in DC have faced more than two centuries of deliberately constructed barriers to wealth building, and some of the highest barriers were embedded by design in law.

Kililo Kijazi
The Urban Institute

³⁴ Kilolo Kijakazi, Rachel Marie Brooks Atkins, Mark Paul, Anne Price, Darrick Hamilton, and William A. Darity Jr., “[The Color of Wealth in the Nation’s Capital](#),” Urban Institute. November 1, 2016.

³⁵ Ibid.

³⁶ Howard Gillette Jr., *Between Justice and Beauty: Race, Planning, and the Failure of Urban Policy in Washington, DC*. Philadelphia: University of Pennsylvania Press, 20106; Tom Lewis, *Washington: A History of Our National City*. New York: Basic Books, 2015; and Jefferson Morley, *Snow-Storm in August: Washington City, Francis Scott Key, and the Forgotten Race Riot of 1835*. New York: Doubleday, 2012.