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**Testimony of Jen Jenkins
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**Before the Committee of the Whole
Council of the District of Columbia**

Public Hearing Regarding:

Budget Oversight Hearing Regarding the Office of the Chief Financial Officer

May 4, 2026

Legal Aid DC¹ submits the following testimony regarding the Office of the Chief Financial Officer (OCFO).

The FY2027 budget includes funding cuts to vital agencies serving vulnerable residents, including Legal Aid’s clients. Legal Aid’s clients are represented in the approximately 120,000 people living in poverty in the District.² Our clients are low-income DC residents (200% of the federal poverty level and under) who are the first to feel harmful budget cuts made, and they are the least resourced to deal with even a slight reduction in their already stretched income. It is difficult to see how they are expected to meet their basic needs under a budget that deepens existing inequities. This proposed budget reflects long-standing structural racial and economic injustices shaped by policy choices like those before the Council today.

¹ Legal Aid DC is the oldest and largest general civil legal services program in the District of Columbia. The largest part of our work is comprised of individual representation in housing, domestic violence/family, public benefits, and consumer law. We also work on immigration law matters and help individuals with the collateral consequences of their involvement with the criminal legal system. From the experiences of our clients, we identify opportunities for court and law reform, public policy advocacy, and systemic litigation. For more information, visit www.LegalAidDC.org.

² U.S. Census Bureau, Persons In Poverty, <https://www.census.gov/quickfacts/fact/table/DC/IPE120224#IPE120224>.

Agencies that provide food assistance, housing stability, and healthcare have received millions of dollars in funding cuts, while DC's wealthiest residents and largest businesses continue to accumulate wealth without being asked to contribute proportionately to their income or revenues. In light of this imbalance, Legal Aid strongly urges the Council to direct the OCFO to implement equitable revenue measures and to commission a comprehensive review of the budget to assess spending and costs. This would help ensure that current and future budgets are fair and equitable for all DC residents, not just those with economic privilege.

The DC Council Should Adopt a Multi-part Strategy to Strengthen and Expand the District's Revenue Base

In the FY2027 budget, the Council should increase revenues by at least \$121 million through a simple tax on proceeds from wealth. The budget should also require and fund a comprehensive review of spending across all DC agencies to identify real efficiencies, rather than relying on cuts to essential public services. For the long-term, DC should begin implementing both a land value tax and a business activity tax. These proven approaches, used in other jurisdictions, would diversify the District's revenue sources and help stabilize its long-term fiscal outlook.

Simple Wealth Tax

DC should implement a local Net Investment Income Tax (NIIT) for the same reasons as the federal government implemented in 2013 to address income and wealth disparities and to fund healthcare.³ The NIIT is a 3.8% federal surtax on investment income for high-income individuals, estates, and trusts. Enacted in 2010, it applies to the lesser of net investment income or the amount by which Modified Adjusted Gross Income (MAGI) exceeds specific thresholds (\$200k-\$250k).⁴ The NIIT applies to types of income that

³ See Congress.gov, The 3.8% Net Investment Income Tax: Overview, Data, and Policy Options, <https://www.congress.gov/crs-product/IF11820>.

⁴ Internal Revenue Service, Find Out If Net Investment Income Tax Applies to You [https://www.irs.gov/individuals/net-investment-income-tax#:~:text=The%20Net%20Investment%20Income%20Tax%20\(NIIT\)%20is,Rental%20and%20royalty%20income%20*%20Non%2Dqualified%20annuities](https://www.irs.gov/individuals/net-investment-income-tax#:~:text=The%20Net%20Investment%20Income%20Tax%20(NIIT)%20is,Rental%20and%20royalty%20income%20*%20Non%2Dqualified%20annuities).

can only be generated from wealth, such as interest, dividends, and capital gains, and it applies exclusively to high-income households.⁵

DC's wealthiest residents are receiving massive tax breaks under One Big Beautiful Bill Act: 70 percent of the nearly \$1.4 billion in federal tax cuts to the District went to families within the top 20 percent of incomes, and 42 percent went to the top 5 percent alone, all of which are predominantly white families.⁶ Low-income DC families simply cannot afford to bear the burden of DC's economic contraction, but the wealthiest can.

Implementing an NIIT in DC would be straightforward. In Minnesota (the first state to adopt this type of tax) the law is only 223 words long, and the taxpayer filing form fits on a single page.⁷ A NIIT offers a simple, predictable way for the District to raise the revenue it needs to balance the budget fairly, without cutting essential services. Including a local version of the federal NIIT in DC's FY2027 budget could generate between \$121 million and \$289.5 million, depending on the rate adopted, as recommended by the DC Fiscal Policy Institute.⁸

Land Value Tax

A land value tax (LVT) is intended to encourage development and discourage speculative land investment.⁹ An LVT taxes only the assessed value of land and disregards the value

⁵ Sarah Austin & Carl Davis, The Wealth Proceeds Tax: A Simple Way for States to Tax the Wealthy, Institute on Taxation and Economic Policy, <https://itep.org/wealth-proceeds-tax-net-investment-income-tax/>.

⁶ "[Trump Tax Law: Research and Resources](#)," Institute on Taxation and Economic Policy, May 2, 2025. See the both the downloadable spreadsheet and graphic for the District of Columbia.

⁷ Sarah Austin & Carl Davis, The Wealth Proceeds Tax: A Simple Way for States to Tax the Wealthy, Institute on Taxation and Economic Policy, <https://itep.org/wealth-proceeds-tax-net-investment-income-tax/>.

⁸ See DC Fiscal Policy Institute, DC Can Raise \$121 Million or More with a Simple Tax on Proceeds from Wealth https://dcfpi.org/all/dc-can-raise-121-million-or-more-with-a-simple-tax-on-proceeds-from-wealth/#_edn1, Table 1.

⁹ U.S. Dep't of Transportation, Center for Innovative Finance Support, https://www.fhwa.dot.gov/ipd/fact_sheets/value_cap_land_value_taxes.aspx.

of buildings and other improvements on the land, which encourages growth. This approach is particularly well-suited for DC, where there is a strong need to develop vacant or underused properties, but also where high taxes on improvements discourage new development.¹⁰ By shifting taxes away from improvements, an LVT, as proposed by the Fair Budget Coalition, reduces barriers to new construction and encourages more productive use of land.

DC would not be alone in adopting an LVT. Sixteen cities in Pennsylvania have already used this approach.¹¹ Since implementing an LVT in the 1980s, Harrisburg has experienced significant economic growth, including billions of dollars in new investment, a surge in construction, greater tax stability, and a sharp decline in vacant properties.¹² At the time, Harrisburg was considered one of the most distressed cities in the country.¹³ Since then, it has seen more than \$1.2 billion in new investment, an 85 percent reduction in vacant properties, and by 2003 had 3.5 times as many businesses on its tax rolls as in the early 1980s.¹⁴

¹⁰ See Open Data DC, Vacant and Blighted Building Addresses, City of Washington DC, (Mar. 30, 2026) <https://datahub-dc-dcgis.hub.arcgis.com/maps/da48e51ca21e450f9bcd1a39f098f2ca>.

¹¹ Land Value Tax Policy in Harrisburg, PA, U.S., *Densification Policy* (April 8, 2013) <https://blogs.ubc.ca/rosenluo/2013/04/08/land-value-tax-policy-in-harrisburg-pa-u-s-densification-policy/#ref>.

¹² Joshua Vincent, *Non-Glamorous Gains: The Pennsylvania Land Tax Experiment*, (Mar. 6, 2019) <https://archive.strongtowns.org/journal/2019/3/6/non-glamorous-gains-the-pennsylvania-land-tax-experiment>; National Association of Home Builders, *Research State and Local Means of Increasing Affordable Housing* (2008), <https://www.nahb.org/-/media/NAHB/advocacy/docs/top-priorities/housing-affordability/case-study-pennsylvania.pdf>.

¹³ Joshua Vincent, *Non-Glamorous Gains: The Pennsylvania Land Tax Experiment*, (Mar. 6, 2019) <https://archive.strongtowns.org/journal/2019/3/6/non-glamorous-gains-the-pennsylvania-land-tax-experiment>.

¹⁴ National Association of Home Builders, *Research State and Local Means of Increasing Affordable Housing* (2008), <https://www.nahb.org/-/media/NAHB/advocacy/docs/top-priorities/housing-affordability/case-study-pennsylvania.pdf>.

As proposed by the Fair Budget Coalition, an LVT in DC could raise about \$505.1 million annually.¹⁵ We agree with the Coalition that at least \$350 million of this revenue should be dedicated to WMATA to support mass transit operations.¹⁶ Without stable funding for WMATA, the District risks putting other essential programs for residents under renewed financial strain.

Business Activity Tax

A business activity tax (BAT) would provide greater stability and predictability for DC's long-term finances. It would address structural flaws in the current tax system by closing loopholes that allow some wealthy, often white-owned partnerships and multinational corporations to pay little or no business tax in the District. Other states and major cities avoid this problem by taxing businesses based on where they operate, not where their partners live. For example, Maryland and Virginia tax law firms with partners across the country – including those living in DC – while allowing those partners to claim a credit to avoid double taxation.¹⁷ By ensuring that profitable businesses pay taxes on the income they generate in DC, a BAT would more equitably capture revenue that can be reinvested in the local economy.

New Hampshire has used a tax similar to a BAT called a Business Enterprise Tax (BET) since 1993.¹⁸ In interviews with experts on New Hampshire's BET, DC's Tax Revision Commission found that the BET does not significantly affect business location decisions, is relatively easy to comply with, and provides a stable, reliable source of revenue.¹⁹ The

¹⁵ Fair Budget Coalition, DC Take Care of Our Own, https://fairbudget.org/wp-content/uploads/2026/03/Spreads_Submission_FBC_FY27-Budget-Platform.pdf at 30.

¹⁶ See Fair Budget Coalition, DC Take Care of Our Own, https://fairbudget.org/wp-content/uploads/2026/03/Spreads_Submission_FBC_FY27-Budget-Platform.pdf at 30.

¹⁷ A Business Activity Tax Would Make DC's Tax System More Equitable While Raising Revenue, <https://dcfpi.org/all/a-business-activity-tax-would-make-dcs-tax-system-more-equitable-while-raising-revenue/#post-31681-Toc189133376>.

¹⁸ New Hampshire Dep't of Revenue Administration, Business Taxes, <https://www.revenue.nh.gov/taxes-glance/business-taxes>.

¹⁹ See New Hampshire Business Tax Briefings #1, #2, #3, (April 2024) <https://www.dctaxrevisioncommission.org/meetings>; see also Tazra Mitchell, Erica Williams and Nick Johnson, DC Fiscal Policy Institute, A Business Activity Tax Would

BET applies to a broader economic base than the state's corporate income tax, and while its growth has been slower, it is less prone to year-to-year volatility.²⁰

A business activity tax could generate substantial long-term revenue for DC by broadening the tax base to include businesses that currently avoid taxation in ways that would not be possible in other states.²¹ As proposed by the Fair Budget Coalition and the All In For DC Campaign,²² a 2 percent BAT could raise an estimated \$505.8 million in the upcoming fiscal year.²³ It could also help rebalance DC's business tax system, potentially allowing for lower taxes on smaller, local businesses.

We also recommend a feasibility analysis of a BAT. The CFO has detailed data on business gross receipts and profits that could inform implementation and provide a more precise estimate of potential revenue.

The District's Budget Requires In-Depth Assessment and Increased Transparency

Make DC's Tax System More Equitable While Raising Revenue, (Jan. 30, 2026) <https://dcfpi.org/all/a-business-activity-tax-would-make-dcs-tax-system-more-equitable-while-raising-revenue/#post-31681- Toc189133376>.

²⁰ See Tazra Mitchell, Erica Williams and Nick Johnson, DC Fiscal Policy Institute, A Business Activity Tax Would Make DC's Tax System More Equitable While Raising Revenue, (Jan. 30, 2026) <https://dcfpi.org/all/a-business-activity-tax-would-make-dcs-tax-system-more-equitable-while-raising-revenue/#post-31681- Toc189133376>; DC Tax Revision Commission, "[New Hampshire Briefings: Understanding the New Hampshire Business Enterprise Tax](#)," May 2024.

²¹ Fair Budget Coalition, DC Takes Care of Our Own: A Budget for Care and Sustainability, https://fairbudget.org/wp-content/uploads/2026/03/Spreads_Submission_FBC_FY27-Budget-Platform.pdf at 29.

²² Fair Budget Coalition, DC Takes Care of Our Own: A Budget for Care and Sustainability, https://fairbudget.org/wp-content/uploads/2026/03/Spreads_Submission_FBC_FY27-Budget-Platform.pdf; All in For DC, <https://justrecoverydc.org/>.

²³ Fair Budget Coalition, DC Takes Care of Our Own: A Budget for Care and Sustainability, https://fairbudget.org/wp-content/uploads/2026/03/Spreads_Submission_FBC_FY27-Budget-Platform.pdf at 29.

The Council should work with the CFO's office to commission an independent review of DC's budget to identify potential savings across agencies. This review should highlight specific opportunities to reduce costs without cutting services for vulnerable residents.

To our knowledge, the last comprehensive, cross-agency study of this kind was conducted in 2012 during the Gray Administration. Given the significant economic changes DC has experienced since COVID, an updated assessment would help the Council and the next mayor identify cost-saving opportunities outside the time pressures of the annual budget process. Further, the DC Auditor's Office recently highlighted several concerning matters where it appears the CFO exceeded his spending authority.²⁴

While the OCFO conducts regular audits, a broader review would provide more detailed, system-wide insight into where spending can be improved. This type of analysis would give both policymakers and residents a clearer picture of how funds are used, while strengthening transparency and accountability.

Conclusion

The choices before the Council are clear. Balancing the budget on the backs of low-income residents will only deepen existing inequities and make it harder for thousands of Washingtonians to meet their basic needs. At the same time, viable, proven alternatives exist. By adopting equitable revenue measures such as a local NIIT (a simple wealth tax), a land value tax, and a business activity tax, and by committing to a transparent, comprehensive review of government spending, the Council can chart a different path: one that protects essential services, promotes fairness, and ensures that DC's economy works for all residents – not just those at the top. Legal Aid DC urges the Council to reject a budget that exacerbates hardship and instead advance a fiscal approach grounded in equity and shared responsibility.

²⁴ See Office of the DC Auditor, Reserve Fund Allocations Violated District Law, (April 23, 2026), <https://dcauditor.org/report/reserve-fund-allocations-violated-district-law/>.