Law 1-124

Revenue Act for Fiscal Year 1978

In the Council of the District of Columbia, April 19, 1977:
To provide additional revenue for the District of Columbia, and for other purposes.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA THAT:

[Sec. 100.] This act may be cited as the "Revenue Act for Fiscal Year 1978."

TITLE I. FEES FOR REGISTRATION OF CLASS A AND CLASS B MOTOR VEHICLES AND OTHER PROVISIONS RELATING TO MOTOR VEHICLES.

Sec. 101. Section 3 of Title IV of the District of Columbia Revenue Act of 1937, approved August 17, 1937 (50 Stat. 681; D.C. Code, sec. 40-103) is amended as follows:

(a) The paragraph designated "Class A" of subsection (b) (relating to registration fees for passenger vehicles) is amended by:

(1) Deleting "$50," "$57," "$83" and "$96" and inserting in lieu thereof "$35," "$42," "$68" and "$76," respectively, and

(2) Striking the figures "2800" and "2801" and inserting in lieu thereof the figures "2799" and "2800," respectively.

(b) The paragraph designated "Class B" of subsection (b) (relating to registration fees for trucks, tractors and certain commercial motor vehicles) is amended by striking the figure "$300," and inserting in lieu thereof the figure "$340."

(c) The paragraph designated "Class G" in subsection (b) is repealed.

Sec. 102. The first sentence of section 6 of Title III of the District of Columbia Revenue Act of 1949, approved May 27, 1949 (63 Stat. 972; D.C. Code, sec. 40-603(j)) is amended by striking the figures "2800" and "2801" and inserting in lieu thereof the figures "2799" and "2800," respectively.

Sec. 103. The first paragraph in section 2 of Appendix A to Title 32 of the D.C. Rules and Regulations is amended by deleting the words "and $0.50 for reflectorized covering of metal tags" and by placing a period after the figure "$3.00."

Sec. 104. The paragraphs entitled "Class G" and "Vehicles equipped with solid tires" in section II of Appendix A to Title 32 of the D.C. Rules and Regulations are hereby repealed.

TITLE II. RENTAL OF PUBLIC SURFACE AND SUBSURFACE SPACE.

Sec. 201. Section 1 of D.C. Council Resolution No. 69-75, adopted September

16, 1960 (relating to the rental of public surface space) is hereby amended by inserting "times sixty-five percent" after the words "at an annual rate of 5 percent" and by inserting "times sixty-five percent" after the words "at an annual rate of 4 percent".

Sec. 202. Section 1 of D.C. Council Resolution No. 69-71, adopted September 16, 1969 (relating to the rental of public subsurface space) is hereby amended by deleting "on the basis of the assessed value" and inserting in lieu thereof "on the basis of sixty-five percent of the assessed value".

TITLE III. TIME FOR PAYMENT OF REAL AND PERSONAL TAXES.

Sec. 301. (a) The first paragraph of section 5 of the act entitled "An Act to amend sections 5 and 6 of the Act of Congress making appropriations to provide for the District of Columbia for the fiscal year ending June 30, 1903, approved July 1, 1902, and for other purposes," approved July 3, 1926 (44 Stat. 833, D.C. Code sec. 47-1209), as amended, is further amended to read as follows:

"Real estate taxes are due and payable in full on or before September 15 annually except that where the real estate tax is less than one hundred thousand dollars, such tax shall be due and payable semiannually in two equal installments, the first installment to be paid on or before September 15, and the second installment to be paid on or before March 31. Personal taxes of all kinds are due and payable in full at the time prescribed for the filing of the tax return. If any such tax, or any installment thereof, is not paid within the time prescribed, there shall be added to such tax or installment a penalty of ten percent of the unpaid amount plus interest on such unpaid amount at the rate of one percent per month or portion of a month until the tax or installment is paid. The amount of unpaid tax, or installment thereof, plus the penalty or interest due, shall constitute a delinquent tax to be collected in the manner prescribed by law."

(b) The Mayor of the District of Columbia is directed to report to the Council his recommendations with respect to a program of real property tax payment incentives and/or discounts which would allow for optional participation, and be operational for the payment for real and personal property taxes becoming due and payable after June 30, 1978. A report on this program shall be submitted to the Council on or before two hundred seventy days after the effective date of this act, and prior to implementation of such program.

TITLE IV. AMENDMENTS TO THE DISTRICT OF COLUMBIA INCOME AND FRANCHISE TAX ACT OF 1947.

Sec. 401. The District of Columbia Income and Franchise Tax Act of 1947, approved July 16, 1947 (61 Stat. 331; D.C. Code, sec. 47-1551) is amended as follows:

(a) Subsection (c) of section 2 of Title III (relating to adjusted gross income) (D.C. Code, sec. 47-1557a(c)) is amended to read as follows:

"(c) Adjusted gross income. The words 'adjusted gross income' as used in this article mean gross income less the deductions allowed under section 3(a) of Title III of this article, provided that the deductions were directly incurred in carrying on a trade or business, and less alimony payments; and provided

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further, that in determining adjusted gross income, no deductions shall be allowed for charitable contributions, medical and dental expenses, an optional standard deduction, losses of property not connected with a trade or business or for an allowance for salaries or compensation for personal services of the person or persons liable for the tax. Alimony payments mean periodic payments made by one spouse to his or her spouse or former spouse pursuant to a decree of divorce or a legally binding separate maintenance agreement. Alimony payments allowed as an adjustment to gross income shall be included in the gross income of the recipient, if the recipient is a resident of the District."

(b) Section 3(a) of the Title III (relating to deductions from gross income) (D.C. Code, sec. 47-1557b) is amended as follows:

(1) Subsection (2) (relating to the deduction for interest) (D.C. Code, sec. 47-1557b(a)(2)) is amended to read as follows:

"(2) Interest. (a) There shall be allowed as a deduction all interest paid or accrued within the taxable year on indebtedness.

(b) (i) If personal property or educational services are purchased under a contract:

A. Which provides that payment of part or all of the purchase price is to be made in installments, and

B. In which carrying charges are separately stated but the interest charge cannot be ascertained, then, the payments made during the taxable year under the contract shall be treated for the purposes of this section as if they included interest equal to six percent of the average unpaid balance under the contract during the taxable year. For the purposes of the preceding sentence, the average unpaid balance is the sum of the unpaid balance outstanding on the first day of each month beginning during the taxable year divided by twelve. For the purposes of this subsection (b), the term 'educational services' means any service (including lodging) (1) which is purchased from an educational institution which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on and (2) which is provided for a student of such institution.

(ii) In the case of any contract to which paragraph (i) applies, the amount treated as interest for any taxable year shall not exceed the aggregate carrying charge which is properly attributable to that taxable year.

(c) For the purposes of this title, any annual or periodic rental under a redeemable ground rent (excluding amounts in redemption thereof) shall be treated as interest on an indebtedness secured by a mortgage.

(d) (i) In the case of a taxpayer other than a corporation or an unincorporated business, the amount of investment interest (as defined in subparagraph (vi)D) otherwise allowable as a deduction under this subparagraph (2) shall be limited, in the following order, to:

A. Ten thousand dollars (five thousand dollars, in the case of a separate return by a married individual), plus

B. The amount of the net investment income (as defined in subparagraph (vi)A) plus the amount (if any) by which the deductions allowable under this subsection (a)(2) (determined without regard to this subsection (d)(i)) and subsections (a)(1) (as it relates to the deduction for ordinary and necessary trade or business expenses), (a)(3) (as it relates to the deduction for taxes on real and personal property) and (a)(12) (relating to the deduction for non-trade or non-business expenses) of section 3 of Title III of this act attributable to property of the taxpayer subject to a net lease exceeds the rental income produced by the property for the taxable year. In the case of a trust, the ten thousand dollars amount specified in subparagraph A, shall be zero.

(ii) The amount of disallowed investment interest for any taxable year shall be treated as investment interest paid or accrued in the succeeding taxable year, but in no event shall a carryover apply to a carryover determined in a taxable year beginning before January 1, 1977.

(iii)A. For the purposes of this subsection (d), property subject to a lease shall be treated as property held for investment and not as property used in a trade or business, for a taxable year, if:

i. For such taxable year the sum of the deductions of the lessor with respect to such property which are allowable solely by reason of subsection (a)(1) of section 3 of Title III of this act (other than rents and reimbursed amounts with respect to such property) is less than fifteen percent of the rental income produced by such property, or

ii. the lessor is either guaranteed a specified return or is guaranteed in whole or in part against loss of income.

B. In the case of a partnership (other than an unincorporated business as defined in section 1 of Title VIII of this Act) each partner shall take into account separately his distributive share of the partnership's investment interest and the other items of income and expense taken into account under this subsection (d).

C. For the purposes of this subsection (d), interest paid or accrued on indebtedness incurred or continued in the construction of property to be used in a trade or business shall not be treated as investment interest.

(iv) This subsection (d) shall not apply with respect to investment interest, investment income, and investment expenses attributed to a specific item of property, if the indebtedness with respect to such property:

A. Is for a specified term, and

B. Was incurred before October 28, 1976 or is incurred after October 27, 1976 pursuant to a written contract or commitment which, on such date and at all times thereafter prior to the incurring of such indebtedness, is binding on the taxpayer.

For taxable years beginning after December 31, 1976, this paragraph shall be applied on an allocation basis rather than a specific item basis.

(v) For the purposes of subparagraph (iii)A of this subsection (d):

A. If a parcel of real property of the taxpayer is leased under two or more leases, paragraph (iii)A. i. shall, at the election of the taxpayer, be applied to treating all leased portions of such property as subject to a single lease, and

B. At the election of the taxpayer, paragraph (iii)A.i. shall not apply with respect to real property of the taxpayer which has been in use for more than five years. An election under subsection A. or B. of subparagraph (iii) shall be made at such time and in such manner as the Mayor prescribes by regulations.

In the case of any fifty percent owned corporation, unincorporated business, or partnership, the ten thousand dollar figure specified in subsection (d)(i) shall be increased by the lesser of:

i. Fifteen thousand dollars, or

ii. The interest paid or accrued during the taxable year on investment indebtedness incurred or continued in connection with the acquisition of the interests in such corporation, unincorporated business, or partnership.

In the case of a separate return by a married individual, seven thousand five hundred dollars shall be substituted for the fifteen thousand dollar figure in clause i of this subsection B.

This paragraph shall apply with respect to indebtedness only if the taxpayer, his spouse, and his or her children own fifty percent or more of the total value of all classes of stock of the corporation or fifty percent or more of all capital interests in the unincorporated business or partnership, as the case may be.

(vi) For the purposes of this subparagraph (2):

A. The term 'net investment income' means the excess of investment income over investment expenses.

B. The term 'investment income' means:

i. The gross income from interest, dividends, rents and royalties,

ii. The net short-term capital gain attributable to the disposition of property held for investment and

iii. Any amount treated under sections 1245 (relating to gain from dispositions of certain depreciable property) and 1250 (relating to gain from dispositions of certain depreciable realty) of the Internal Revenue Code of 1954, as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231 of the Internal Revenue Code of 1954 (relating to property used in the trade or business and involuntary conversions), but only to the extent such income, gain, and amounts are not derived from the conduct of a trade or business.

C. The term 'investment expenses' means the deductions allowable under subsections (a)(1) (relating to ordinary and necessary business expenses), (a)(3)(a)(1) (as it relates to real and personal property

taxes), (a)(5) (relating to bad debts), (a)(7) (relating to depreciation), or (a)(12) (relating to nontrade or nonbusiness expenses) of section 3 of Title III of this Act directly connected with the production of investment income. For the purposes of this subparagraph (2), the deduction allowable with respect to any property under subsection (a)(7) of section 3 of Title III of this Act may be treated as the amount which would have been allowable had the taxpayer depreciated the property under the straight line method for each taxable year of its useful life for which the taxpayer has held the property.

D. The term 'investment interest' means interest paid or accrued on indebtedness incurred or continued to purchase or carry property held for investment.

E. The term 'disallowed investment interest' means, with respect to any taxable year, the amount not allowable as a deduction solely by reason of the limitation in subparagraph (d)(i) of this subparagraph (2)."

(2) Subsection (3) (relating to the deduction for taxes) (D.C. Code, sec. 47-1557b(a)(3)) is amended to read as follows:

"(3) Taxes. (a) Except as otherwise provided in this section, the following taxes shall be allowed as a deduction for the taxable year within which paid or accrued:

(i) State and local taxes paid on real property, personal property or intangibles, provided that the property or intangible is non-income producing;

(ii) State and local taxes on income producing real property, personal property or intangibles, but only to the extent that and in the ratio that the income from the property or intangible is subject to taxation under this article;

(iii) State and local sales taxes,

(iv) State and local taxes on the sale of gasoline and other motor fuels,

(v) The District tax imposed pursuant to subsection (a) of section 303 of the Act of March 2, 1962 (relating to the tax on deeds) (76 Stat. 12; D.C. Code, sec. 45-723(a)).

(vi) Effective for taxable years beginning before January 1, 1978, the District fee imposed pursuant to section 3 of Title IV of the District of Columbia Revenue Act of 1937 (relating to the motor vehicle registration fee) (60 Stat. 681, D.C. Code, sec. 40-103.)

(vii) State and local taxes not described in the preceding subsections which are paid or accrued within the taxable year in carrying on a trade or business or an activity described in subparagraph (12) of subsection (a) (relating to the deduction for nontrade or nonbusiness expense); provided that no deduction shall be allowed on account of (i) the tax imposed under Title VII (relating to the tax on corporations) or Title VIII (relating to the tax on unincorporated businesses) of this Act or (ii) state, local or foreign income taxes.

(b) No deduction shall be allowed for the following taxes:

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(i) Taxes assessed against local benefits of a kind tending to increase the value of the property assessed; but this paragraph shall not prevent the deduction of so much of such taxes as is properly allocable to maintenance or interest charges,

(ii) Taxes on real property, to the extent that subsection (c) requires such taxes to be treated as imposed on another taxpayer,

(iii) Taxes taken as a credit under paragraph 5(a) of Title VI of this Act,

(iv) Taxes imposed pursuant to section 1451 of the Internal Revenue Code of 1954 (relating to tax-free covenant bonds), and

(v) Federal income taxes, including:

A. The tax imposed by section 3101 of the Internal Revenue Code of 1954 (relating to the tax on employees under the Federal Insurance Contributions Act);

B. The taxes imposed by sections 3201 and 3211 of the Internal Revenue Code of 1954 (relating to the taxes on railroad employees and railroad employee representatives); and

C. The tax withheld at source on wages under section 3402 of the Internal Revenue Code of 1954 and corresponding provisions of prior revenue laws,

(vi) Federal war profits and excess profits taxes,

(vii) Estate, inheritance, legacy, succession and gift taxes.

(viii) Income, war profits and excess profits taxes imposed by the authority of any foreign country or possession of the United States, if the taxpayer chooses to take to any extent the benefits of section 901 of the Internal Revenue Code of 1954 (relating to the foreign tax credit).

(c) (i) For the purposes of subsection (a) of this subparagraph (3), if real property is sold during any real property tax year, then:

A. So much of the real property tax as is properly allocable to that part of such year which ends on the day before the date of the sale shall be treated as a tax imposed on the seller, and

B. So much of the real property tax as is properly allocable to that part of such year which begins on the date of the sale shall be treated as a tax imposed on the purchaser.

(ii) A. In the case of any sale of real property, if:

(1) A taxpayer may not, by reason of his method of accounting, deduct any amount for taxes unless paid and

(2) The other party to the sale is (under the law imposing the real property tax) liable for the real property tax for the real property tax year, then for the purposes of subsection (a) of this subparagraph (3) the taxpayer shall be treated as having paid, on the date of the sale, so much of the real property tax as, under subsection C(i) of this subsection is treated as imposed on the taxpayer. For the purposes of the preceding sentence, if neither party is liable for the tax, then the party holding the property at the time the tax becomes a lien on the property shall be considered liable for the real property tax for the real property tax year.

B. Subsection (b)(i) of this subparagraph (3) shall not apply to taxable years ending after December 31, 1976 but only in the case of sales after December 31, 1976.

C. In the case of a sale of real property, if the taxpayer's taxable income for the taxable year during which the sale occurs is computed under an accrual method of accounting, and if no election under section 461(c) of the Internal Revenue Code of 1954 as of January 1, 1977 (relating to the accrual of real property taxes) applies, then, for the purposes of subsection (a) of this subparagraph (3), that portion of such tax which:

i. Is treated, under subsection (c)(i) of this subparagraph (3) as imposed on the taxpayer, and

ii. May not, by reason of the taxpayer's method of accounting, be deducted by the taxpayer for any taxable year, shall be treated as having accrued on the date of the sale.

(d) Where a corporation pays a tax imposed on a shareholder on his interest as a shareholder and where the shareholder does not reimburse the corporation, then:

(i) The deduction allowed by subsection (a) of this subparagraph (3) shall be allowed to the corporation; and

(ii) No deduction shall be allowed to the shareholder for such tax.

(e) For the purposes of this subparagraph (3):

(i) The term 'personal property tax' means an ad valorem tax which is imposed on an annual basis in respect of personal property.

(ii)A. The term 'general sales tax' means a tax imposed at one rate in respect of the sale at retail of a broad range of classes of items.

B. In the case of items of food, clothing, medical supplies and motor vehicles:

i. The fact that the tax does not apply in respect of some or all of such items shall not be taken into account in determining whether the tax applies in respect of a broad range of classes of items, and

ii. The fact that the rate of tax applicable in respect of some or all of such items is lower than the general rate of tax shall not be taken into account in determining whether the tax is imposed at one rate.

C. Except in the case of a lower rate of tax applicable in respect of an item described in subparagraph (ii)B of this subsection (e), no deduction shall be allowed under this subparagraph (3) for any general sales tax imposed in respect of an item at a rate other than the general rate of tax.

D. A compensating use tax in respect of an item shall be treated as a general sales tax. For the purposes of the preceding sentence, the term 'compensating use tax' means, in respect of any item, a tax which:

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ii. Is complementary to a general sales tax, but only if a deduction is allowable under subsection (a)(iii) in respect of items sold at retail in the taxing jurisdiction which are similar to such item.

E. A state or local tax includes only a tax imposed by a state, a possession of the United States, a political subdivision of either of the foregoing, or by the District.

F. A foreign tax includes only a tax imposed by the authority of a foreign country.

G. If the amount of any general sales tax or of any tax on the sale of gasoline or other motor fuel is separately stated, then, to the extent that the amount so stated is paid by the consumer (otherwise than in connection with the consumer's trade or business) to his seller, the amount shall be treated as a tax imposed on and paid by the consumer."

(3) Subsection (9) (relating to the deduction for medical, dental and other expenses) (D. C. Code, sec. 47-1557b(a)(9)) is amended to read as follows:

"(9) Medical, dental and other expenses.

(a) There shall be allowed as a deduction the following amounts, not compensated for by insurance or otherwise:

(i) The amount by which the amount of the expenses paid during the taxable year (reduced by any amount deductible under subparagraph (ii) for medical care of the taxpayer, his or her spouse, and dependents (as defined in subsection (u) of section 4 of Title I of this Act) exceeds three percent of the adjusted gross income, and

(ii) An amount (not in excess of one hundred fifty dollars) equal to one-half of the expenses paid during the taxable year for insurance which constitutes medical care for the taxpayer, his or her spouse, and dependents.

(b) Amounts paid during the taxable year for medicine and drugs which (but for this subsection (b)) would be taken into account in computing the deduction under subsection (a) shall be taken into account only to the extent that the aggregate of those amounts exceeds one percent of the adjusted gross income.

(c)(i) For the purposes of subsection (a), expenses for the medical care of the taxpayer which are paid out of his or her estate during the one-year period beginning with the day after the date of his or her death shall be treated as paid by the taxpayer at the time incurred.

(ii) Paragraph (i) shall not apply if the amount paid is claimed on any other District of Columbia tax return as a deduction in computing the taxable estate of the decedent, but this paragraph shall not apply if (within the time and in the manner and form prescribed by the Mayor) there is filed:

A. A statement that such amount has not been allowed as a deduction on any other District of Columbia tax return and

B. A waiver of the right to have such amount allowed at any time as a deduction on any other District of Columbia tax return.

(d) For the purposes of this subsection (9):

(i) The term 'medical care' means amounts paid:

A. For the diagnosis, cure, mitigation, treatment or prevention of disease, or for the purpose of affecting any structure or function of the body,

B. For transportation primarily for and essential to medical care referred to in subparagraph (a), or

C. For insurance (including amounts paid as premiums under part B of title XVIII of the Social Security Act) (relating to supplementary medical insurance for the aged) covering medical care referred to in subparagraphs A and B.

(ii) In the case of an insurance contract under which amounts are payable for other than medical care referred to in subparagraphs A and B of subparagraph (i) of this subsection (d):

A. No amount shall be treated as paid for insurance to which paragraph (i)C. applies unless the charge for the insurance is either separately stated in the contract, or furnished to the policyholder by the insurance company in a separate statement,

B. The amount taken into account as the amount paid for the insurance shall not exceed the charge, and

C. No amount shall be treated as paid for the insurance if the amount specified in the contract (or furnished to the policyholder by the insurance company in a separate statement) as the charge for the insurance is unreasonably large in relation to the total charges under the contract.

(iii) Subject to the limitations of subparagraph (ii), premiums paid during the taxable year by a taxpayer before he or she attains the age of sixty-five for insurance covering medical care (within the meaning of subparagraphs A. and B. of subparagraph (i)) for the taxpayer, his or her spouse, or a dependent after the taxpayer attains the age of sixty-five shall be treated as expenses paid during the taxable year for insurance which constitutes medical care if premiums for the insurance are payable (on a level payment basis) under the contract for a period of ten years or more or until the year in which the taxpayer attains the age of sixty-five (but in no case for a period of less than five years).

(iv) The determination of whether an individual is married at any time during the taxable year shall be made as follows:

A. The status as husband and wife of two individuals having taxable years beginning on the same day shall be determined:

i. If both have the same taxable year, as of the close of such year; and

ii. If one dies before the close of the taxable year of the other, as of the time of such death.

B. An individual who is legally separated from his or her spouse under a decree of divorce or of separate maintenance shall not be considered as married.

(e) Any expense for household and dependent care shall not be treated as an expense paid for medical care."

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(4) Subsection (10) (relating to the deduction for alimony and separate maintenance payments) is hereby repealed.

(5) Effective for taxable years beginning after December 31, 1974 but before January 1, 1977 subsection (18) (relating to the deduction for household and dependent care services) is amended to read as follows:

"(18) Household and Dependent Care Services. To the same extent that such amount was deductible under section 214 of the Internal Revenue Code of 1954 on January 1, 1975, any amount expended by an individual for household and dependent care services necessary for gainful employment; provided, that the requirement that married couples file a single return jointly shall not be applicable."

(c) Section 2 of Title V (relating to returns) (D.C. Code, sec. 47-1564a(f)) is amended to read as follows:

"(f) Every unincorporated business engaging in or carrying on any trade or business within the District or receiving income from sources within the District within the meaning of Title X and having a gross income of more than $12,000, regardless of whether it has a net income. The return shall be made by the taxpayer or taxpayers liable for the payment of the tax."

(d) Title VI (relating to the tax on residents and nonresidents) (D.C. Code, sec. 47-1567) is amended as follows:

(1) Section 5 (relating to credits against the tax) (D.C. Code, sec. 47-1567d) is amended by adding a new subsection (c) to read as follows:

"(c) (i) In the case of an individual who maintains a household which includes as a member one or more qualifying individuals, there shall be allowed as a credit against the tax imposed by this title for the taxable year an amount equal to six percent of the employment-related expenses paid by an individual during the taxable year, but in no event shall the credit allowed exceed the amount of tax otherwise due without preference to this subsection.

(ii) The amount of the employment related expenses incurred during any taxable year which may be taken into account under subparagraph (i) shall not exceed:

A. Two thousand dollars if there is one qualifying individual with respect to the taxpayer for such taxable year, or

B. Four thousand dollars if there are two or more qualifying individuals with respect to the taxpayer for such taxable year.

(iii) Except as otherwise provided in this subsection (c), the amount of the employment-related expenses incurred during any taxable year which may be taken into account under subparagraph (i) shall not exceed:

A. In the case of an individual who is not married at the close of the taxable year, the individual's earned income for the year, or

B. In the case of an individual who is married at the close of the taxable year, the lesser of the individual's earned income or the earned income of his or her spouse for the taxable year.

(iv) In the case of a spouse who is a student or a qualified individual, for the purposes of subparagraph (iii) the spouse shall be deemed for each

month during which he or she is a full-time student at an educational institution or is a qualifying individual to be gainfully employed and to have earned income of not less than:

A. One hundred sixty-six dollars if subsection (ii) A. applies for the taxable year, or

B. Three hundred thirty-three dollars if subsection (ii) B. applies for the taxable year. In the case of any husband and wife, this paragraph shall apply with respect to only the spouse for any one month.

(v) For the purposes of this subsection (c):

A. An individual shall be treated as maintaining a household for any period only if over half the cost of maintaining the household for the period is furnished by the individual (or, if the individual is married during such period, is furnished by his or her spouse).

B. If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subparagraph (i) only if the taxpayer and his or her spouse file a joint return or separate returns on a combined form for the taxable year.

C. An individual legally separated from his or her spouse under a decree of divorce or of separate maintenance shall not be considered as married.

(vi) If:

A. An individual who is married and who files a separate return:

(i) Maintains as his or her home a household which constitutes for more than one-half of the taxable year the principal place of abode of a qualifying individual, and

(ii) Furnishes over half of the cost of maintaining the household during the taxable year, and

B. During the last six months of the taxable year the individual's spouse is not a member of the household, the individual shall not be considered as married.

(vii) If:

A. A child (i.e., a son, stepson, daughter or stepdaughter) who is under the age of fifteen or who is physically or mentally incapable of caring for himself or herself receives over half of his or her support during the calendar year from his or her parents who are divorced under a decree of divorce or legally separated under a written separation agreement, and

B. Such child is in the custody of one or both of his or her parents for more than one-half of the calendar year, in the case of any taxable year beginning in the calendar year the child shall be treated as being a qualifying individual with respect to that parent who has custody for a longer period during the calendar year than the other parent, and shall not be treated as being a qualifying individual with respect to the other parent.

(viii) A. Except as provided in subsection B. no credit shall be allowed under subsection C. (i) for any amount paid by the taxpayer to an individual bearing a relationship to the taxpayer described in paragraphs

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(1) through (8) of section 152(a) of the Internal Revenue Code of 1954 (relating to the definition of dependent) or to a dependent described in paragraph (9) of such section 152(a).

B. Subsection A. shall not apply to any amount paid by the taxpayer to an individual with respect to whom, for the taxable year of the taxpayer in which the service is performed, neither the taxpayer nor his or her spouse is entitled to a deduction under the provisions of subsection (e) of section 151 of the Internal Revenue Code of 1954 (relating to the personal exemption for dependents), but only if the service with respect to which the amount is paid constitutes employment within the meaning of section 3121(b) of the Internal Revenue Code of 1954.

(ix) For the purposes of this subparagraph (c):

A. The term 'qualifying individual' means:

(i) A dependent of the taxpayer who is under the age of fifteen and with respect to whom the taxpayer is entitled to a deduction under section 151(c) of the Internal Revenue Code of 1954,

(ii) A dependent of the taxpayer who is physically or mentally incapable of caring for himself or herself, or

(iii) The spouse of the taxpayer, if he or she is physically or mentally incapable of caring for himself or herself.

B. (i) The term 'employment-related expenses' means amounts paid for the following expenses, but only if the expenses are incurred to enable the taxpayer to be gainfully employed for any period for which there are 1 or more qualifying individuals with respect to the taxpayer:

(A) Expenses for household services, and

(B) Expenses for the care of a qualifying individual:

(ii) Employment-related expenses as described in subparagraph B. (i) which are incurred for services outside the taxpayer's household shall be taken into account only if incurred for the care of a qualifying individual described in subparagraph (viii) A.

C. The term 'student' means an individual who during each of five calendar months during the taxable year is a full-time student at an educational organization.

D. The term 'educational organization' means an educational institution which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on."

(2) Section 8 (relating to the credit for property taxes) (D.C. Code, sec. 47-1567g) is amended as follows:

A. Effective for taxable years beginning after December 31, 1977, subsection (a)(2) of section 8 (D.C. Code, sec. 47-1567g(a)(2)) is amended to read as follows:

"(2) The percentage required by paragraph (1) to be determined under this subsection for taxpayers shall be the percentage specified in the following table, provided however, that the credit shall not exceed four hundred dollars.

If household gross income is:	The percentage of the real property tax paid or rent constituting the real property tax, which shall constitute the credit is:
Under $3,000	95 per centum of tax in excess of 2 per centum of income.
$3,000 to $4,999	90 per centum of tax in excess of 3 per centum of income.
$5,000 to $6,999	85 per centum of tax in excess of 4 per centum of income.
$7,000 to $10,000	80 per centum of tax in excess of 4 per centum of income."

B. Subsection (b)(5)(A) (D.C. Code, sec. 47-1567(b)(5)(A)) is amended to read as follows:

"(5)(A) The term 'rent paid' is that amount paid by or on behalf of a claimant to a landlord solely for the right of occupancy of a home in the District, including the right to use the personal property located therein. Utility charges may be included in the amount of rent paid if they are included in the amount paid to a landlord in connection with the right to occupancy. 'Rent paid' does not include: advance rental payments for another period; rental deposits, whether or not expressly set out in the rental agreement; any charges for medical services or food provided by the landlord; or payments made to a landlord for the right of occupancy of property which is exempt from District real property taxes.

(B) The term 'rent constituting property taxes accrued' means 15 per centum of the rent paid in any calendar year by a claimant solely for the right of occupancy of his home in the calendar year, and which constitutes the basis of a claim in the succeeding calendar year for a credit for property taxes paid."

C. Subsection (e) (D.C. Code, sec. 47-1567g(e)) is amended to read as follows:

"(e)(1) Beginning with calendar year 1977 and for each succeeding calendar year, if a claimant owns and occupies his home in the District on December 31 of any such year, 'property taxes accrued' means real property taxes (exclusive of special assessments, interest on a delinquency in payment of tax, and any penalties and service charges) as reflected on the District real estate tax bill ordinarily sent out in September of such year. If a home is an integral part of a larger unit such as a multipurpose building or a multi-dwelling building, property taxes accrued shall be that percentage of the total property taxes accrued as the value of the home bears to the total value of the property.

(2) When a claimant owns or rents two or more different homes in the District in the same calendar year, property taxes accrued or 'rent constituting property taxes accrued' shall be based on the claimant's status as an owner or renter on December 31 of such calendar year.

(3) When a claimant rents two or more different homes in the District in the same calendar year, rent paid by the claimant during that year

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shall be determined by dividing the rent paid pursuant to the last rental agreement in force during that calendar year by the number of months during that calendar year for which this rent was paid and by multiplying the result by twelve."

D. Subsection (h) (D.C. Code, sec. 47-1567g(h)) is amended by striking the last two sentences and inserting in lieu thereof the following:

"Any claim for credit shall be filed with the District on or before the expiration of the three year statute of limitations. The statute of limitations shall commence to run on April 15 of the year following the year for which the claim is made."

E. Subsection (j) (D.C. Code, sec. 47-1567g(j)) is amended by striking the phrase "except there shall be excluded from the computation of gross household income the first one thousand dollars earned by a dependent" and by inserting a period after the word "household" which immediately precedes the word "except."

F. Subsection (*l*) (D.C. Code, sec. 47-1567g(*l*) is repealed.

G. Subsection (m) (D.C. Code, sec. 47-1567g(m)) is amended to read as follows:

"(m) A claimant whose claim is based on the amount of rent paid shall substantiate the rent paid upon a request by the Mayor."

H. Subsection (p) (D.C. Code, sec. 47-1567g(p)) is repealed.

(e) Section 6 of Title XIII (D.C. Code, sec. 47-1589c) is amended by redesignating subsection (b) as subsection (c) and by adding a new subsection (b) to read as follows:

"(b) Failure to file return or pay tax due thereunder. Any person required under this article to pay or collect any tax, or required by law or regulations made under authority thereof to make a return, keep any records or supply any information for the purposes of this article who shall fail or neglect to pay or collect such tax, to make such return, or keep such records or to supply such information, shall, in addition to other penalties provided by law, be guilty of a misdemeanor and shall be fined not more than three thousand dollars or imprisoned for not more than six months, or both. All prosecutions under this section shall be brought in the Superior Court of the District of Columbia on an information by the Corporation Counsel for the District of Columbia or one of his or her assistants in the name of the District."

(f) Section 1 of Title XIV (relating to licenses) (D.C. Code, sec. 47-1591) is amended by deleting "$5,000" wherever it appears and inserting in lieu thereof "$12,000."

TITLE V. USER CHARGES.

Sec. 501. Section 8-3:606 of Regulation 71-21 (Solid Waste Regulations), approved June 29, 1971, is amended by amending subsection (e) to read as follows:

"(e) (i) The Mayor shall fix the license fees for solid waste collectors and for solid waste collection vehicles. Each collector and collection vehicle shall be licensed separately.

(ii) The prescribed license fees for solid waste collectors and their collection vehicles shall be submitted with the license applications to the Mayor. Licenses shall date from the first day of November of each year and expire on the 31st day of the following October, but the fees therefor may be prorated in accordance with paragraph 5 of section 7 of the Act of July 1, 1902 (D.C. Code, sec. 47-2305).

(iii) Each licensed collector, other than agents or employees of the District Government, who disposes of solid waste at a disposal area owned or operated by or under contract with the District shall pay a disposal fee of eight dollars for each ton of solid waste disposed, except that a minimum fee of two dollars shall be imposed on loads of five hundred pounds of solid waste or less. If a solid waste collector does not pay the solid waste disposal fee within one month of the billing date, the collector shall pay to the Mayor, in addition to the fee, a late payment charge of one percent for each full month of the delinquency.

(iv) No less frequently than once every two years, the Mayor shall recommend to the Council of the District of Columbia a disposal fee and late payment charge to be set by the Council of the District of Columbia."

Sec. 502. The Mayor of the District of Columbia is authorized, after a public hearing, to establish from time to time a fee to be charged for transportation services provided by the Emergency Ambulance Service of the Fire Department in such amount as may be reasonable in consideration of the interests of the public and the persons required to pay the fee, and in consideration of the approximate cost of furnishing such services; provided, that no one shall be denied the services because of his or her inability to pay and further provided that no one shall be questioned about his or her ability to pay at the time the services are requested.

TITLE VI. AMENDMENT TO THE SALES AND USE TAX ACT.

Sec. 601. Section 148(a) of the District of Columbia Sales Tax Act, approved May 27, 1949 (63 Stat. 123; D.C. Code, sec. 47-2625(a)) is amended by deleting "$300", and inserting in lieu thereof "one thousand dollars or imprisoned for not more than six months, or both."

TITLE VII. AMENDMENT TO ACT RELATING TO THE LEVYING AND COLLECTING OF TAXES AND ASSESSMENTS.

Sec. 701. Section 5 of the Act entitled "An Act Relating to the levying and collecting of taxes and assessments, and for other purposes," approved June 25, 1938, (52 Stat. 1200; D.C. Code, sec. 47-1105) is amended by striking the first sentence thereof and inserting in lieu thereof the following new sentence:

"All assessments authorized to be levied by the District of Columbia to reimburse it for money expended in the removal of nuisances shall bear interest at the rate of one and one-half percent per month or part thereof from the date such assessment was levied."

TITLE VIII. AME

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TITLE VIII. AMENDMENT TO CIGARETTE TAX REGULATIONS.

Sec. 801. The regulations pertaining to District of Columbia cigarette taxes, promulgated under authority of the District of Columbia Cigarette Tax Act, approved May 27, 1949, (63 Stat. 139; D.C. Code, sec. 47-2808) are hereby amended as follows:

(a) Sec. 5(c) (Sec. 6.3(d), Chapter 1, Title 16 of the D.C. Rules and Regulations) is amended by striking the word "June" wherever it appears and inserting in lieu thereof the word "September."

(b) Sec. 8(a)(2) (Sec. 9.2(b), Chapter 1, Title 16 of the D.C. Rules and Regulations) is amended by striking the figure "$1.00" and inserting in lieu thereof the figure "$3.00."

(c) Sec. 8(b)(5) (Sec. 9.3(e), Chapter 1, Title 16 of the D.C. Rules and Regulations) is amended by striking the figure "$1.00" and inserting in lieu thereof the figure "$3.00."

(d) Sec. 8(c)(4)(b) (Sec. 9.4(d)(2), Chapter 1, Title 16 of the D.C. Rules and Regulations) is amended by striking the figure "$2.00" and inserting in lieu thereof the figure "$6.00."

TITLE IX. MISCELLANEOUS PROVISIONS.

Sec. 901. If before September 2, 1977 the Congress and the President of the United States have failed to enact legislation which will provide for the advance payment by the federal government to the District of Columbia for water, water service, and sanitary sewer service, then the Mayor shall submit to the Committee on Finance and Revenue of the Council of the District of Columbia or its successor committee a revised financial plan for the approval, by resolution, by the Council of the District of Columbia.

Sec. 902. The Mayor shall submit to the Council of the District of Columbia, simultaneously with any proposed revenue measure or proposed act, a detailed statement with supporting data concerning the direct and indirect impact of the measure or bill upon those taxpayers who will be directly or indirectly affected by the measure or act.

Sec. 903. Before May 15, 1977, the Mayor shall submit to the Committee on Finance and Revenue a certification that all billings for water, water service and sanitary sewer service for water consumed prior to November 1, 1976 have been mailed to consumers. The certification shall include the following information as of the first day of the month from September 1, 1976 to May 1, 1977, inclusive: (1) for each billing category (i.e., privates and charitables, Southeast and Southwest, Northeast, Northwest City and Northwest County), number of customers, total number of bills mailed, total number of bills audited, billable water consumed (if meters were read for the category during the preceding thirty days) and, (2) an estimate of the total nonbillable water consumed. The certification shall also include the total revenue collected for water, water service and sewer service between September 1, 1976 and May 1, 1977, inclusive; total federal consumption and total District consumption between July 1, 1976 and January 1, 1977, inclusive.

Sec. 904. (a) The provisions of this act are severable, and if any provision, sentence, clause, section or part is held illegal, invalid, unconstitutional or inapplicable to any person or circumstances, such illegality, invalidity, unconstitutionality or inapplicability shall not affect or impair any of the remaining provisions, sentences, clauses, sections or parts of the act or their application to other persons or circumstances. It is hereby declared to be the legislative intent that this act would have been adopted if such illegal, invalid, inapplicable or unconstitutional provision, sentence, clause, section or part had not been included herein and if the person or circumstances to which the act or any part is inapplicable had been specifically exempted.

(b) The repeal or amendment by this act of any provision of law shall not affect any act done or any right accrued or accruing under such provision of law before the effective date of this act, or any suit or proceeding had or commenced, but all rights and liabilities under such law shall continue and may be enforced in the same manner and to the same extent as if the repeal or amendment had not been made. Any act, statute or law inconsistent with the provisions of this act are hereby repealed to the extent of such inconsistency.

Sec. 905. The Mayor is hereby delegated the authority to and directed to promulgate regulations implementing this act, but not inconsistent with this act. Such regulations shall be issued in accordance with the District of Columbia Administrative Procedure Act (D.C. Code, sec. 1-1501).

TITLE X. AMENDMENT RELATING TO TAXES ON INSURANCE COMPANIES.

Sec. 1000. Section 6 of Title II of the Act of August 17, 1937, 50 Stat. 676 (D.C. Code sec. 47-1806) (relating to taxes on insurance companies) is amended to read as follows:

"Sec. 6. (a) All such companies, including companies which issue annuity contracts, shall also pay to the District of Columbia, for each calendar year, a sum of money as taxes equal to two per centum of their policy and membership fees and net premium receipts or consideration received in such calendar year on all insurance and annuity contracts on risks in the District of Columbia. Such tax shall be in lieu of all other taxes except (1) taxes upon real estate and (2) fees and charges provided for by the insurance laws of the District including amendments made to such laws by this title."

Net premium receipts or consideration received means gross premiums or consideration received less the sum of the following:

1. Premiums received for reinsurance assumed and premiums or consideration returned on policies or contracts canceled or not taken.

2. Dividends paid in cash or used by the policyholders in payment of renewal premiums.

Nothing contained in this section or in sections 1 or 7 of this title shall apply with respect to marine insurance written within the said District and reported, taxed and licensed under the provisions of the Act entitled "An Act to regulate marine insurance in the District of Columbia, and for other purposes," approved March 4, 1922, as amended.

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(b)(1) The tax imposed by subsection (a) of this section shall, for each calendar year prior to calendar year 1977, be paid before the first day of March of the next succeeding calendar year.

(2) Except as provided in subsection (b)(3) of this section, the tax imposed for calendar year 1977 and for each calendar year thereafter shall be paid in three installments on or before the first day of each of the months of May, July and September of the calendar year in which the income to be taxed is received. Each installment shall be an amount equal to at least 25% of the total tax liability determined for the preceding calendar year. In accordance with rules prescribed by the Mayor, each company shall determine its total tax liability for each calendar year and pay the remainder, if any, on or before the first day of March following the close of each calendar year. Overpayments of tax may be refunded to the company or credited to the company's next installment payment, at the election of the company.

(3) The installment payment provision of subsection (b)(2) shall not apply in the case of any company having a tax liability for the preceding calendar year less than two thousand dollars. In such cases the tax shall be paid on or before the first day of March following the close of the calendar year.

(c) The certificate of authority of any company may be revoked for failure to pay the tax required by this title.

TITLE XI. EFFECTIVE DATES.

Sec. 1101. This act shall become effective in accordance with the provisions of section 602(c) of the District of Columbia Self-Government and Governmental Reorganization Act, provided that:

a. Sections 101(a)(1) (relating to the motor vehicle registration fee) shall apply after September 30, 1977.

b. Section 301 (relating to the time for payment of real property and personal taxes) shall apply with respect to taxes, or installments thereof, becoming due and payable after June 30, 1978.

c. Title IV (except sections 401(b)(5)) (relating to the deduction for child care) and 401(d)(2)A. (relating to eligibility for the property tax credit) shall apply with respect to taxable years beginning after December 31, 1976.

d. Section 401(d)(2)A (relating to eligibility for the property tax credit) shall apply with respect to taxable years beginning after December 31, 1977.

Source. Pursuant to section 412 of the District of Columbia Self-Government and Governmental Reorganization Act, (PL 93-198), the Act, the Council of the District of Columbia adopted Bill No. 1-375 on first and second readings December 3, 1976 and December 17, 1976, respectively. Following the signature of the Mayor on January 25, 1977, this legislation was assigned Act No. 1-226, published in the February 18, 1977, edition of the D.C. Register, and transmitted to both Houses of Congress for a thirty-day review, in accordance with section 602(c)(1) of the Act.

The Council of the District of Columbia hereby gives notice that the thirty-day Congressional review period has expired and, therefore, cites the following legislation as D.C. Law 1-124, effective April 19, 1977.