

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 748

To amend the Internal Revenue Code of 1986 to provide that individuals who are residents of the District of Columbia shall be exempt from Federal income taxation, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 31, 1995

Ms. NORTON introduced the following bill; which was referred to the Committee on Ways and Means and, in addition, to the Committee on Government Reform and Oversight, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to provide that individuals who are residents of the District of Columbia shall be exempt from Federal income taxation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “District of Columbia  
5 Federal Tax Equity Act”.

1 **SEC. 2. EXEMPTION FROM TAX FOR INDIVIDUALS WHO ARE**  
2 **RESIDENTS OF THE DISTRICT OF COLUMBIA.**

3 (a) IN GENERAL.—Part III of subchapter B of chap-  
4 ter 1 of the Internal Revenue Code of 1986 (relating to  
5 items specifically excluded from gross income) is amended  
6 by redesignating section 137 as section 138 and by insert-  
7 ing after section 136 the following new section:

8 **“SEC. 137. RESIDENTS OF THE DISTRICT OF COLUMBIA.**

9 “(a) RESIDENTS FOR ENTIRE TAXABLE YEAR.—An  
10 individual who is a bona fide resident of the District of  
11 Columbia during the entire taxable year shall be exempt  
12 from taxation under this chapter for such taxable year.

13 “(b) TAXABLE YEAR OF CHANGE OF RESIDENCE  
14 FROM DISTRICT OF COLUMBIA.—

15 “(1) IN GENERAL.—In the case of an individual  
16 who has been a bona fide resident of the District of  
17 Columbia for a period of at least 2 years before the  
18 date on which such individual changes his residence  
19 from the District of Columbia, income which is at-  
20 tributable to that part of such period of District of  
21 Columbia residence before such date shall not be in-  
22 cluded in gross income and shall be exempt from  
23 taxation under this chapter.

24 “(2) DEDUCTIONS, ETC. ALLOCABLE TO EX-  
25 CLUDED AMOUNTS NOT ALLOWABLE.—An individual  
26 shall not be allowed—

1           “(A) as a deduction from gross income any  
2           deductions (other than the deduction under sec-  
3           tion 151, relating to personal exemptions), or

4           “(B) any credit,  
5           properly allocable or chargeable against amounts ex-  
6           cluded from gross income under this subsection.

7           “(c) DETERMINATION OF RESIDENCY.—For pur-  
8           poses of this section, the determination of whether an indi-  
9           vidual is a bona fide resident of the District of Columbia  
10          shall be made under regulations prescribed by the Sec-  
11          retary.”

12          (b) NO WAGE WITHHOLDING.—Paragraph (8) of  
13          section 3401(a) of such Code is amended by adding at  
14          the end the following new subparagraph:

15                 “(E) for services for an employer per-  
16                 formed by an employee if it is reasonable to be-  
17                 lieve that during the entire calendar year the  
18                 employee will be a bona fide resident of the Dis-  
19                 trict of Columbia; or”.

20          (c) CLERICAL AMENDMENT.—The table of sections  
21          for such part III is amended by striking the last item and  
22          inserting the following new item:

                  “Sec. 137. Residents of the District of Columbia.  
                  “Sec. 138. Cross references to other Acts.”

23          (d) EFFECTIVE DATE.—

1           (1) IN GENERAL.—The amendments made by  
2 this section shall apply to taxable years beginning  
3 after the date of the enactment of this Act.

4           (2) WITHHOLDING.—The amendment made by  
5 subsection (b) shall apply to remuneration paid after  
6 the date of the enactment of this Act.

7 **SEC. 3. LIMITATION ON ESTATE AND GIFT TAXES.**

8           (a) ESTATE TAX.—

9           (1) Subchapter C of chapter 11 of the Internal  
10 Revenue Code of 1986 (relating to estate tax) is  
11 amended by adding at the end the following new sec-  
12 tion:

13 **“SEC. 2210. RESIDENTS OF THE DISTRICT OF COLUMBIA.**

14           “For purposes of this chapter, in the case of the es-  
15 tate of a decedent who is a bona fide resident of the Dis-  
16 trict of Columbia at the time of his death—

17           “(1) the transfer of such an estate shall be sub-  
18 ject to tax under this subchapter (and not sub-  
19 chapter A) as if the decedent were an individual to  
20 whom this subchapter applies, and

21           “(2) the value of the gross estate shall not in-  
22 clude tangible property located inside the District of  
23 Columbia.”



1 “(1) the taxable income from—

2 “(A) the active conduct of a trade or busi-  
3 ness within the District of Columbia, or

4 “(B) the sale or exchange of substantially  
5 all of the assets used by the taxpayer in the ac-  
6 tive conduct of such trade or business, and

7 “(2) the qualified District of Columbia source  
8 investment income.

9 “(b) QUALIFIED DISTRICT OF COLUMBIA SOURCE  
10 INVESTMENT INCOME.—For purposes of this section, the  
11 term ‘qualified District of Columbia source investment in-  
12 come’ means gross income which—

13 “(1) is from sources within the District of Co-  
14 lumbia, and

15 “(2) the taxpayer establishes to the satisfaction  
16 of the Secretary is attributable to the investment in  
17 the District of Columbia (for use therein) of funds  
18 derived from the active conduct of a trade or busi-  
19 ness in the District of Columbia, or from such in-  
20 vestment, less the deductions properly apportioned  
21 or allocated thereto.”

22 (b) CREDIT TO BE PART OF GENERAL BUSINESS  
23 CREDIT.—Subsection (b) of section 38 of such Code is  
24 amended by striking “plus” at the end of paragraph (10),  
25 by striking the period at the end of paragraph (11) and

1 inserting “, plus”, and by adding at the end the following  
2 new paragraph:

3 “(12) the District of Columbia business credit  
4 determined under section 45C(a).”

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years beginning after  
7 the date of the enactment of this Act.

8 **SEC. 5. STUDY OF FEDERAL REVENUES IN DISTRICT OF CO-**  
9 **LUMBIA.**

10 (a) EFFECTS OF AMENDMENTS.—The Mayor of the  
11 District of Columbia shall conduct a study on the effects  
12 of the amendments made by this Act on revenues of the  
13 District of Columbia.

14 (b) GENERAL EFFECTS OF FEDERAL REVENUES.—  
15 The Mayor of the District of Columbia (in consultation  
16 with the Secretary of the Treasury) shall conduct a study  
17 of the extent to which the revenues of the District of Co-  
18 lumbia are affected by Federal revenues, including reve-  
19 nues attributable to direct Federal payments to the Dis-  
20 trict of Columbia, other Federal Government spending in  
21 the District of Columbia, and income of District of Colum-  
22 bia residents which is attributable to Federal sources, and  
23 shall include in the study—

1           (1) an estimate of the percentage of the reve-  
2           nues of the District of Columbia which is attrib-  
3           utable to such Federal revenues;

4           (2) recommendations for revisions in Federal  
5           law (including the Internal Revenue Code of 1986  
6           and the District of Columbia Self-Government and  
7           Governmental Reorganization Act) in addition to the  
8           amendments made by this Act which will increase  
9           District of Columbia revenues attributable to such  
10          Federal revenues and other District of Columbia rev-  
11          enues; and

12          (3) such other recommendations as the Mayor  
13          considers appropriate.

14          (c) REPORT.—Not later than 1 year after the date  
15          of the enactment of this Act, the Mayor of the District  
16          of Columbia shall submit a report to Congress on the stud-  
17          ies conducted under this section.

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