

105TH CONGRESS
1ST SESSION

S. 1070

To provide for a regional education and workforce training system in the metropolitan Washington area, to improve the school facilities of the District of Columbia, and to fund such activities in part by an income tax on nonresident workers in the District of Columbia.

IN THE SENATE OF THE UNITED STATES

JULY 25, 1997

Mr. JEFFORDS introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for a regional education and workforce training system in the metropolitan Washington area, to improve the school facilities of the District of Columbia, and to fund such activities in part by an income tax on nonresident workers in the District of Columbia.

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 AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Metropolitan Washington Education and Workforce
6 Training Improvement Act of 1997”.

1 (b) TABLE OF CONTENTS.—The table of contents of
 2 this Act is as follows:

Sec. 1. Short title and table of contents.
 Sec. 2. Findings and purpose.

TITLE I—METROPOLITAN WASHINGTON EDUCATION AND
 WORKFORCE TRAINING GRANTS

Sec. 101. Definitions.
 Sec. 102. Grants.
 Sec. 103. Metropolitan Partnership.
 Sec. 104. Metropolitan Board.

TITLE II—METROPOLITAN WASHINGTON EDUCATION AND
 WORKFORCE TRAINING TAX

Sec. 201. Tax on income of nonresidents.
 Sec. 202. Repeal of unincorporated business tax.
 Sec. 203. Withholding and returns.
 Sec. 204. Credit for State income tax payments.
 Sec. 205. Technical amendment.
 Sec. 206. Reciprocal tax collection.
 Sec. 207. Metropolitan Washington Education and Workforce Training Trust
 Fund.
 Sec. 208. Effective date.

3 **SEC. 2. FINDINGS AND PURPOSE.**

4 (a) FINDINGS.—The Congress finds that—

5 (1) the Greater Washington Metropolitan Area
 6 has an expanding regional economy but suffers from
 7 a serious regional labor market shortage that threat-
 8 ens economic growth;

9 (2) the region’s education and training systems,
 10 particularly in the District of Columbia, fail to pro-
 11 vide many youths and adults with the skills nec-
 12 essary to be competitive in the regional labor mar-
 13 ket;

14 (3) the need for a better skilled area workforce
 15 makes it imperative that the region’s businesses,

1 educational institutions, and governments work to-
2 gether to provide youth and adults with the edu-
3 cation and training necessary to meet the needs of
4 the 21st century;

5 (4) the condition of school facilities is a major
6 impediment to improving the quality of education in
7 the District of Columbia and their repair and mod-
8 ernization is a necessary step in making the Dis-
9 trict's public schools a full partner in preparing stu-
10 dents for the regional labor market;

11 (5) the University of the District of Columbia,
12 as well as other area institutions of post-secondary
13 education, have an important role to play in provid-
14 ing skills training to meet the needs of the regional
15 labor market;

16 (6) although the present revenues for the Dis-
17 trict of Columbia public school system provide suffi-
18 cient operating funds, as with other public school
19 systems in the metropolitan region, there are insuffi-
20 cient revenues for programs to prepare students to
21 compete in the global economy and or to provide stu-
22 dents with the skills demanded by the local market:
23 and

24 (7) the Greater Washington Metropolitan Area
25 has an opportunity to set a national example of re-

1 regional cooperation in engaging in education reform
2 and workforce training.

3 (b) PURPOSE.—

4 (1) IN GENERAL.—It is the purpose of this Act
5 to foster the development of a regional workforce in-
6 vestment system that will bring about improvements
7 in education and workforce preparation by—

8 (A) creating a metropolitan partnership
9 through which area businesses, school systems,
10 postsecondary institutions, and governments
11 can cooperate in charting a course for reforms
12 and investments in education and workforce
13 training; and

14 (B) providing the Greater Washington
15 Metropolitan Area with the resources necessary
16 to lead the Nation in improving its capacity to
17 provide for a highly educated and skilled
18 workforce.

19 (2) NONRESIDENT TAX.—The purpose of im-
20 posing the tax established by title II is to—

21 (A) fund the repair and modernization of
22 District of Columbia public schools; and

23 (B) provide resources to carry out the ac-
24 tivities of a Washington metropolitan partner-
25 ship as described in title I.

1 **TITLE I—METROPOLITAN WASH-**
2 **INGTON EDUCATION AND**
3 **WORKFORCE TRAINING**
4 **GRANTS**

5 **SEC. 101. DEFINITIONS.**

6 In this title:

7 (1) **ELEMENTARY SCHOOL; LOCAL EDU-**
8 **CATIONAL AGENCY; SECONDARY SCHOOL.**—The
9 terms “elementary school”, “local educational agen-
10 cy”, and “secondary school” have the meanings
11 given the terms in section 14101 of the Elementary
12 and Secondary Education Act of 1965 (20 U.S.C.
13 8801).

14 (2) **METROPOLITAN REGION.**—The term “met-
15 ropolitan region” means the Washington, D.C. met-
16 ropolitan area, as defined by the Secretaries.

17 (3) **POSTSECONDARY INSTITUTION.**—The term
18 “postsecondary institution” has the meaning given
19 the term “institution of higher education” in section
20 481 of the Higher Education Act of 1965 (20
21 U.S.C. 1088).

22 (4) **PRINCIPAL.**—The term “principal” means
23 an elementary school or secondary school principal.

1 (5) SECRETARIES.—The term “Secretaries”
2 means the Secretary of Education and the Secretary
3 of Labor, acting jointly.

4 (6) TEACHER.—The term “teacher” means an
5 elementary school or secondary school teacher.

6 **SEC. 102. GRANTS.**

7 (a) IN GENERAL.—Using funds made available from
8 the Metropolitan Washington Education and Workforce
9 Training Trust Fund, established in section 208, the Sec-
10 retaries shall make grants to agencies and organizations
11 to assist the agencies and organizations in carrying out
12 the education and workforce training activities described
13 in subsection (c) in the metropolitan region.

14 (b) ELIGIBILITY.—

15 (1) IN GENERAL.—To be eligible to receive a
16 grant under this section, an entity shall be a local
17 educational agency, or a public or private organiza-
18 tion with demonstrated ability and experience in car-
19 rying out the education and workforce training ac-
20 tivities.

21 (2) WORKFORCE TRAINING.—To be eligible to
22 receive a grant under this section to provide services
23 described in subsection (c)(5), an entity shall—

24 (A) be an postsecondary institution, busi-
25 ness, or another provider of workforce training,

1 such as literacy services, in the metropolitan re-
2 gion; and

3 (B) have demonstrated ability and experi-
4 ence in providing workforce training.

5 (c) USE OF FUNDS.—An agency or organization that
6 receives a grant under subsection (a) shall use funds made
7 available through the grant to carry out activities in the
8 metropolitan region that consist of—

9 (1) providing professional development activi-
10 ties, including access to model professional develop-
11 ment programs, for teachers and principals;

12 (2) developing apprenticeships and other pro-
13 grams that provide business experience to teachers
14 who are participating in vocational training or tech-
15 nology training;

16 (3) constructing, renovating, repairing, or im-
17 proving elementary schools, secondary schools, or
18 other educational facilities for workforce training
19 programs;

20 (4) developing partnerships between businesses,
21 and vocational education or vocational training pro-
22 viders, to carry out student internship programs;

23 (5) providing youth and adult workforce train-
24 ing with remedial help such as literacy services;

1 (6) establishing model benchmarks to be used
2 in the development of rigorous education and
3 workforce training curricula;

4 (7) providing for both annual and long-term
5 evaluation and assessment of other education and
6 workforce training activities described in this sub-
7 section, including evaluation and assessment of—

8 (A) the degree to which expenditures of
9 funds made available through the grant result
10 in improvements in the activities;

11 (B) the extent to which the activities suc-
12 ceed in preparing participants for entry into
13 postsecondary education, further learning, or
14 high-skill, high-wage careers;

15 (C) the effect of benchmarks, performance
16 measures, and other measures of accountability
17 on the delivery of the activities; and

18 (D) the extent to which vocational training
19 enhances the employment and earning potential
20 of participants, reduces income support costs,
21 and increases the level of employment in the
22 metropolitan region;

23 (8) assisting in the development of individual
24 mentoring and parental involvement programs and

1 career path records for elementary and secondary
2 school students;

3 (9) establishing—

4 (A) voluntary skill standards for partici-
5 pants in workforce training; and

6 (B) a methodology to assess the partici-
7 pants and certify attainment of the standards;

8 (10) assessing the need for, and utilization of,
9 educational technology in the metropolitan region,
10 including assessment of the potential for linkages
11 among—

12 (A) elementary schools or secondary
13 schools;

14 (B) workforce training providers; and

15 (C) businesses;

16 (11) improving educational technology in ele-
17 mentary schools or secondary schools; or

18 (12) providing resources to extend a school year
19 or school day for any elementary school or secondary
20 school that elects to make such an extension.

21 (d) APPLICATION.—To be eligible to receive a grant
22 under this section, an agency or organization shall submit
23 an application to the Secretaries at such time, in such
24 manner, and containing such information as the Secretar-
25 ies may require.

1 (e) DISTRIBUTION OF FUNDS.—

2 (1) IN GENERAL.—In making grants under sub-
3 section (a), the Secretaries shall, to the extent prac-
4 ticable, ensure that the funds made available
5 through the grants are equitably distributed among
6 the jurisdictions in the metropolitan region.

7 (2) SPECIAL RULE FOR THE DISTRICT OF CO-
8 LUMBIA.—Any grants awarded to District of Colum-
9 bia public schools under this section shall be ex-
10 pended in a manner consistent with section
11 2101(b)(1) of Public Law 104–134.

12 (f) MAINTENANCE OF EFFORT.—

13 (1) DEFINITION.—As used in this subsection,
14 the term “covered activities” means education and
15 workforce training activities described in subsection
16 (c) and carried out in the District of Columbia.

17 (2) IN GENERAL.—Except as provided in para-
18 graphs (3) and (4), no payments shall be made
19 under this title for any fiscal year to an agency or
20 organization for covered activities, unless the Sec-
21 retaries determine that the fiscal effort per partici-
22 pant or the aggregate expenditures of the agency or
23 organization for the activities for the fiscal year pre-
24 ceding the fiscal year for which the determination is
25 made, equaled or exceeded the effort or expenditures

1 for the activities for the second fiscal year preceding
2 the fiscal year for which the determination is made.

3 (3) COMPUTATION.—In computing the fiscal ef-
4 fort or aggregate expenditures pursuant to para-
5 graph (2), the Secretaries shall exclude capital ex-
6 penditures, special one-time project costs, similar
7 windfalls, and the cost of pilot programs.

8 (4) DECREASE IN FEDERAL SUPPORT.—If the
9 amount made available for covered activities under
10 this title for a fiscal year is less than the amount
11 made available for the activities under this title the
12 preceding fiscal year, then the fiscal effort per par-
13 ticipant or the aggregate expenditures of the agency
14 or organization required by paragraph (2) for the
15 preceding fiscal year shall be decreased by the same
16 percentage as the percentage decrease in the amount
17 so made available.

18 (g) TECHNICAL ASSISTANCE FOR SKILL STANDARDS
19 AND METHODOLOGY.—If the Secretaries make a grant to
20 an agency or organization under this section to establish
21 the standards and methodology described in subsection
22 (c)(7), the National Skill Standards Board established
23 under section 503 of the National Skill Standards Act of
24 1994 (29 U.S.C. 5933) shall provide technical assistance
25 to the agency or organization.

1 **SEC. 103. METROPOLITAN PARTNERSHIP.**

2 (a) ESTABLISHMENT.—There is established in the
3 Department of Labor and the Department of Education
4 a Metropolitan Washington Education and Workforce
5 Training Partnership (referred to in this title as the “Met-
6 ropolitan Partnership”), under the joint control of the
7 Secretary of Labor and the Secretary of Education.

8 (b) ADMINISTRATION.—Notwithstanding the Depart-
9 ment of Education Organization Act (20 U.S.C. 3401 et
10 seq.), the General Education Provisions Act (20 U.S.C.
11 1221 et seq.), the Act entitled “An Act To Create a De-
12 partment of Labor”, approved March 4, 1913 (29 U.S.C.
13 551 et seq.), and section 169 of the Job Training Partner-
14 ship Act (29 U.S.C. 1579), the Secretaries shall provide
15 for, and exercise final authority over, the effective and effi-
16 cient administration of this title and the officers and em-
17 ployees of the Metropolitan Partnership.

18 (c) RESPONSIBILITIES OF SECRETARIES.—The Sec-
19 retaries, working through the Metropolitan Partnership,
20 shall approve the applications, and make the grants, de-
21 scribed in section 102.

22 **SEC. 104. METROPOLITAN BOARD.**

23 (a) METROPOLITAN BOARD.—

24 (1) COMPOSITION.—There is established, in the
25 Metropolitan Partnership, a Metropolitan Washing-
26 ton Education and Workforce Training Board (re-

1 ferred to in this title as the “Metropolitan Board”)
2 that shall be composed of 13 individuals, including—

3 (A) 7 individuals who are representative of
4 business and industry in the metropolitan re-
5 gion, appointed by the President;

6 (B) 3 individuals who are representative of
7 providers of secondary education, postsecondary
8 education, and workforce training in the metro-
9 politan region, appointed by the President; and

10 (C) 3 individuals who are representative of
11 local government officers and employees in the
12 metropolitan region, including at least 1 rep-
13 resentative of a local government in Maryland,
14 1 representative of a local government in Vir-
15 ginia, and 1 representative of the local govern-
16 ment of the District of Columbia, appointed by
17 the President.

18 (2) TERMS.—Each member of the Metropolitan
19 Board shall serve for a term of 3 years, except that,
20 as designated by the President—

21 (A) 5 of the members first appointed to
22 the Metropolitan Board shall serve for a term
23 of 2 years;

1 (B) 4 of the members first appointed to
2 the Metropolitan Board shall serve for a term
3 of 3 years; and

4 (C) 4 of the members first appointed to
5 the Metropolitan Board shall serve for a term
6 of 4 years.

7 (3) VACANCIES.—Any vacancy in the Metropli-
8 tan Board shall not affect the powers of the Metro-
9 politan Board, but shall be filled in the same man-
10 ner as the original appointment. Any member ap-
11 pointed to fill such a vacancy shall serve for the re-
12 mainder of the term for which the predecessor of
13 such member was appointed.

14 (4) DUTIES AND POWERS OF THE METROPOLI-
15 TAN BOARD.—The Metropolitan Board shall—

16 (A) provide advice to the Secretary of
17 Labor and the Secretary of Education regard-
18 ing reviewing and approving applications, and
19 making grants, described in section 102; and

20 (B) prepare and submit to the appropriate
21 committees of Congress an annual report on the
22 activities of the Metropolitan Partnership.

23 (5) CHAIRPERSON.—The position of Chair-
24 person of the Metropolitan Board shall rotate annu-

1 ally among the appointed members described in
2 paragraph (1)(A).

3 (6) MEETINGS.—The Metropolitan Board shall
4 meet at the call of the Chairperson but not less
5 often than 4 times during each calendar year. Seven
6 members of the Metropolitan Board shall constitute
7 a quorum. All decisions of the Metropolitan Board
8 with respect to the exercise of the duties and powers
9 of the Metropolitan Board shall be made by a major-
10 ity vote of the members of the Metropolitan Board.

11 (7) COMPENSATION AND TRAVEL EXPENSES.—

12 (A) COMPENSATION.—Members of the
13 Metropolitan Board shall serve without com-
14 pensation. Notwithstanding section 1342 of title
15 31, United States Code, the Secretaries may ac-
16 cept the voluntary and uncompensated services
17 of members of the Metropolitan Board.

18 (B) EXPENSES.—The members of the Met-
19 ropolitan Board shall be allowed travel ex-
20 penses, including per diem in lieu of subsist-
21 ence, at rates authorized for employees of agen-
22 cies under subchapter I of chapter 57 of title 5,
23 United States Code, while away from their
24 homes or regular places of business in the per-

1 formance of services for the Metropolitan
2 Board.

3 (8) DATE OF APPOINTMENT.—The Metropoli-
4 tan Board shall be appointed not later than 120
5 days after the date of enactment of this Act.

6 (9) NONTERMINATION OF BOARD.—Section 14
7 of the Federal Advisory Committee Act shall not
8 apply to the Metropolitan Board.

9 (b) DIRECTOR.—

10 (1) IN GENERAL.—There shall be in the Metro-
11 politan Partnership a Director, who shall be ap-
12 pointed by the President, by and with the advice and
13 consent of the Senate.

14 (2) COMPENSATION.—The Director shall be
15 compensated at the rate provided for level IV of the
16 Executive Schedule under section 5315 of title 5,
17 United States Code.

18 (3) DUTIES.—The Director shall carry out the
19 administrative duties of the Metropolitan Partner-
20 ship.

21 (4) DATE OF APPOINTMENT.—The Director
22 shall be appointed not later than 120 days after the
23 date of enactment of this Act.

24 (c) PERSONNEL.—

1 (1) APPOINTMENTS.—The Director may ap-
2 point and fix the compensation of 2 employees to
3 carry out the functions of the Metropolitan Partner-
4 ship. Except as otherwise provided by law, such em-
5 ployees shall be appointed in accordance with the
6 civil service laws and their compensation fixed in ac-
7 cordance with title 5, United States Code.

8 (2) EXPERTS AND CONSULTANTS.—The Direc-
9 tor may obtain the services of experts and consult-
10 ants in accordance with section 3109 of title 5,
11 United States Code, and compensate such experts
12 and consultants for each day (including travel time)
13 at rates not in excess of the rate of pay for level IV
14 of the Executive Schedule under section 5315 of
15 such title. The Director may pay experts and con-
16 sultants who are serving away from their homes or
17 regular places of business travel expenses and per
18 diem in lieu of subsistence at rates authorized by
19 sections 5702 and 5703 of such title for persons in
20 Government service employed intermittently.

21 (3) DETAIL OF GOVERNMENT EMPLOYEES.—
22 Any Federal Government employee may be detailed
23 to the Metropolitan Partnership without reimburse-
24 ment, and such detail shall be without interruption
25 or loss of civil service or privilege.

1 (4) USE OF VOLUNTARY AND UNCOMPENSATED
 2 SERVICES.—Notwithstanding section 1342 of title
 3 31, United States Code, the Secretary of Labor and
 4 the Secretary of Education are authorized to accept
 5 voluntary and uncompensated services in furtherance
 6 of the objectives of this title.

7 (5) MONETARY CONTRIBUTIONS.—Notwith-
 8 standing any other provision of law, the Metropoli-
 9 tan Partnership may accept monetary contributions
 10 to defray expenses.

11 **TITLE II—METROPOLITAN**
 12 **WASHINGTON EDUCATION**
 13 **AND WORKFORCE TRAINING**
 14 **TAX**

15 **SEC. 201. TAX ON INCOME OF NONRESIDENTS.**

16 (a) DEFINITION.—

17 (1) IN GENERAL.—Title III of the District of
 18 Columbia Income and Franchise Tax Act of 1947
 19 (D.C. Code, secs. 47–1803.1—47–1803.2) is amend-
 20 ed by adding at the end thereof the following new
 21 section:

22 “SEC. 4. GROSS INCOME AND EXCLUSION THERE-
 23 FROM IN THE CASE OF NONRESIDENTS.—(a) In the case
 24 of nonresidents, the words ‘gross income’ shall include—

1 “(1) gains, profits, and income derived from
2 salaries, wages, or compensation for personal serv-
3 ices performed within the District of whatever kind
4 and in whatever form paid, including salaries, wages,
5 and compensation paid by the United States to its
6 officers and employees, or income derived from any
7 trade or business carried on within the District with-
8 in the meaning of title X of this article or sales or
9 dealings in property located within the District,
10 whether real or personal, including capital assets as
11 defined in this article, growing out of the ownership,
12 or sale of, or interest in, such property; and

13 “(2) income derived from rent, on such prop-
14 erty located within the District, or transactions of
15 any trade or business carried on within the District
16 within the meaning of title X of this article for gain
17 or profit, or gains or profits.

18 “(b) In the case of nonresidents, the words ‘gross in-
19 come’ shall not include any of the income described in sub-
20 section (b) of section 2 of this title.”.

21 (2) CONFORMING AMENDMENT.—Section 2 of
22 such title III (D.C. Code, sec. 47–1803.2) is amend-
23 ed by striking out “.—(a) The” and inserting in lieu
24 thereof “IN THE CASE OF RESIDENTS.—(a) In the
25 case of residents, the”.

1 (b) INCOME TAX ON NONRESIDENTS.—

2 (1) IN GENERAL.—The District of Columbia In-
3 come and Franchise Tax Act of 1947 (D.C. Code,
4 secs. 47-1801.1—47-1816.3) is amended by adding
5 at the end thereof the following new title:

6 “TITLE XVII—INCOME TAX ON NONRESIDENTS

7 “SEC. 1. INCOME TAX ON NONRESIDENTS.—(a) For
8 each taxable year, there is imposed on the taxable income
9 of each nonresident an income tax determined at a rate
10 equal to one-third of the rate applicable in the case of a
11 resident under title VI of this article.

12 “(b) In computing the net income of a nonresident
13 for purposes of this title, such nonresident shall be allowed
14 a deduction equal to that portion of the deductions which
15 would be allowed under any paragraph of section 3(a) of
16 title III of this article to the nonresident if such non-
17 resident were a resident which bears the same ratio to the
18 sum of such deductions as the income of such nonresident
19 subject to tax under this title bears to the gross income
20 of such nonresident from all sources.

21 “(c) In computing taxable income for purposes of this
22 title, there shall be allowed to nonresidents as credits
23 against net income the personal exemptions allowed to
24 residents under section 2 of title VI.

1 “SEC. 2. LIMITATION ON AUTHORITY OF THE COUN-
2 CIL TO REVISE TAX ON NONRESIDENTS.—The Council of
3 the District of Columbia may not—

4 “(1) amend or otherwise revise this title so as
5 to impose any additional or greater tax on the whole
6 or any portion of the personal income of any non-
7 resident unless at the same time it also amends or
8 revises title VI of this article so as to impose the
9 same proportion of additional or greater tax on the
10 whole or portion of the personal income of any resi-
11 dent as was imposed on the whole or portion of the
12 personal income of a nonresident; or

13 “(2) provide any deductions or personal exemp-
14 tions to residents which are not also available, in ac-
15 cordance with section 1 of this title, in the case of
16 nonresidents.

17 “SEC. 3. DISPOSITION OF REVENUES.—The District
18 of Columbia shall allocate the revenues received under this
19 title as follows:

20 “(1) One-third of the revenues shall be trans-
21 ferred to the District of Columbia Financial Respon-
22 sibility and Management Assistance Authority for
23 the purpose of funding the repair and modernization
24 of public schools in the District of Columbia.

1 “(2) Two-thirds of the revenues shall be trans-
2 ferred to the Metropolitan Washington Education
3 and Workforce Training Trust Fund established by
4 section 208 of the Metropolitan Washington Edu-
5 cation and Workforce Training Improvement Act of
6 1997.”.

7 (2) PHASE-IN OF TAX.—The income tax im-
8 posed by title XVII of the District of Columbia In-
9 come and Franchise Tax Act of 1947 (as added by
10 paragraph (1) of this subsection) shall be phased in
11 as follows:

12 (A) In the calendar year beginning after
13 the date of enactment of this Act, the rate shall
14 be $\frac{1}{2}$ of the rate imposed and revenues received
15 shall be expended as provided in section 3(1) of
16 title XVII.

17 (B) In the calendar year beginning after
18 the calendar year referred to in subparagraph
19 (A), the rate shall be the full rate imposed and
20 revenues received shall be expended $\frac{1}{3}$ as pro-
21 vided in section 3(1) and $\frac{2}{3}$ as provided in sec-
22 tion 3(2) of title XVII.

23 (3) EXISTING TAX ON NONRESIDENTS.—Title
24 VI of such Act is amended—

1 (A) in the title heading, by striking out
2 “AND NONRESIDENTS”; and

3 (B) in section 1 (D.C. Code, sec. 47–
4 1806.1)—

5 (i) by striking out “every resident”
6 and inserting in lieu thereof “an individ-
7 ual”, and

8 (ii) by inserting “in the case of resi-
9 dents and by section 1(c) of title XVII in
10 the case of nonresidents” immediately
11 after “this title”.

12 **SEC. 202. REPEAL OF UNINCORPORATED BUSINESS TAX.**

13 (a) IN GENERAL.—Title VIII of the District of Co-
14 lumbia Income and Franchise Tax Act of 1947 (D.C.
15 Code, secs. 47–1808.1—47–1808.7) is amended—

16 (1) in the title heading, by striking out “TAX
17 ON” and inserting in lieu thereof “NET INCOME
18 OF”; and

19 (2) by repealing sections 2 through 6 and in-
20 sserting in lieu thereof the following:

21 “SEC. 2. NET INCOME OF UNINCORPORATED BUSI-
22 NESSES.—(a) An unincorporated business as such shall
23 not be subject to tax under this article. Individuals carry-
24 ing on a trade or business as an unincorporated business
25 shall be liable in their individual capacity, under title VI

1 of this article in the case of residents and under title XVII
2 of this article in the case of nonresidents, for tax with
3 respect to their distributive share, whether distributed or
4 not, of the net income of such unincorporated business de-
5 rived from sources within the District within the meaning
6 of title X of this article. If an individual entitled to a dis-
7 tributive share of such net income of an unincorporated
8 business computes his income tax under this article upon
9 the basis of a period different from that upon the basis
10 of which the net income of the unincorporated business
11 is computed, then his distributive share of the net income
12 of the unincorporated business for any accounting period
13 of the unincorporated business ending within the taxable
14 year upon the basis of which such individual's income tax
15 is computed shall be included in computing such tax.

16 “(b) If the deductions which are allowed or allowable
17 to an unincorporated business under section 3(a) of title
18 III of this article exceed the gross income of such unincor-
19 porated business derived from sources within the District
20 within the meaning of title X of this article, the distribu-
21 tive shares of such excess deductions shall be allowed as
22 deductions to the individuals entitled thereto in determin-
23 ing their individual tax liability under title VI of this arti-
24 cle in the case of residents and under title XVII of this
25 article in the case of nonresidents, except that in the case

1 of a nonresident such excess deductions shall be allowed
2 to the nonresident only to the extent provided in section
3 1(b) of such title XVII. If an individual entitled to a dis-
4 tributive share of the excess deductions of an unincor-
5 porated business computes his income tax under this arti-
6 cle upon the basis of a period different from that upon
7 the basis of which the net income of the unincorporated
8 business is computed, then his distributive share of the
9 excess deductions of the unincorporated business for any
10 accounting period of the unincorporated business ending
11 within the taxable year upon the basis of which such indi-
12 vidual's income tax is computed shall be included in com-
13 puting such tax.

14 “(c) In computing the net income or the excess de-
15 ductions of an unincorporated business for purposes of
16 this title, the full amount of the deductions described in
17 section 3(a) of title III of this article shall be allowed to
18 such unincorporated business notwithstanding that a non-
19 resident may be entitled to a distributive share of such
20 net income or excess deductions.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1)(A) Section 1 of title III of such Act (D.C.
23 Code, sec. 47–1803.1) is amended by inserting “or
24 unincorporated business, as the case may be,” imme-
25 diately after “taxpayer”.

1 (B) Paragraph (11) of section 3(a) of such title
2 (D.C. Code, sec. 47–1803.3(a)(11)) is amended to
3 read as follows:

4 “(11) REASONABLE ALLOWANCE FOR SALARY.—A
5 reasonable allowance for salaries or other compensation
6 for personal services actually rendered. Nothing in this
7 paragraph shall be construed to exempt any salary or
8 other compensation for personal services from taxation as
9 part of the taxable income of the person receiving such
10 salary or other compensation.”.

11 (C) Such section 3(a) (D.C. Code, sec. 47–
12 1803.3(a)) is further amended by adding at the end
13 thereof the following new paragraph:

14 “(15) EXCESS DEDUCTIONS OF AN UNINCORPORATED
15 BUSINESS.—In the case of an individual, the distributive
16 share of any excess deductions for an unincorporated busi-
17 ness to which the individual is entitled under section 2(b)
18 of title VIII of this article.”.

19 (D) Paragraph (5) of section 3(b) of such title
20 (D.C. Code, sec. 47–1803.3(b)(5)) is repealed.

21 (2)(A) Paragraph (f) of such section (D.C.
22 Code, sec. 47–1805.2(6)) is amended—

23 (i) in the first sentence, by striking out
24 “having a gross income of more than \$12,000,

1 regardless of whether or not it has a net in-
2 come”; and

3 (ii) in the second sentence, by striking out
4 “the taxpayer or taxpayers liable for payment
5 of the tax” and inserting in lieu thereof “the in-
6 dividual or individuals who would be entitled to
7 share in the net income of the unincorporated
8 business, if distributed, and shall include the
9 name and address of each such individual and
10 the amount of the distributive share of each
11 such individual in the net income of the unin-
12 corporated business or, if the allowable deduc-
13 tions of the unincorporated business exceed its
14 gross income, the allocation among such indi-
15 viduals of such excess allowable deductions”.

16 (B) Paragraph (g) of such section (D.C. Code,
17 sec. 47-1805.2(7)) is amended by striking out
18 “other than partnerships subject to the taxes im-
19 posed by title VIII of this article on unincorporated
20 businesses, engaged in any trade or business, or”
21 and inserting in lieu thereof “not required to file a
22 return under paragraph (f), which is”.

23 (3) Section 1 of title VI of such Act (D.C.
24 Code, sec. 47-1806.1) is amended by striking out
25 “and that portion of the entire net income of every

1 nonresident which is subject to tax under title VIII
2 of this article”.

3 (4) Section 1 of title X of such Act (D.C. Code,
4 sec. 47–1810.1) is amended by striking “and (2) a
5 franchise tax upon every corporation and unincor-
6 porated business” and inserting “(2) an income tax
7 on certain income of nonresidents which is derived
8 from sources within the District, and (3) a franchise
9 tax upon every corporation”.

10 (5)(A) Section 8(a) of title XII of such Act
11 (D.C. Code, sec. 47–1812.8(a)) is amended by strik-
12 ing out “or unincorporated business” each place it
13 appears.

14 (B) Section 14 of such title (D.C. Code, sec.
15 47–1812.14–1) is amended—

16 (i) in the section caption, by striking out
17 “AND UNINCORPORATED BUSINESSES”;

18 (ii) in the first sentence of subsection (a),
19 by striking out “and unincorporated business”;
20 and

21 (iii) in subsection (b)—

22 (I) in the subsection caption, by strik-
23 ing out “OR UNINCORPORATED BUSI-
24 NESS”, and

1 (II) in paragraph (1), by striking out
2 “or an unincorporated business”.

3 (6) The first sentence of section 1(a) of title
4 XIV of such Act (D.C. Code, sec. 47–1814.1(a)) is
5 amended by striking out “which is excluded from the
6 imposition of the District of Columbia tax on unin-
7 corporated businesses under the definition set forth
8 in section 1 of title VIII of this article”.

9 **SEC. 203. WITHHOLDING AND RETURNS.**

10 (a) WITHHOLDING.—

11 (1) Section 8(b)(1) of title XII of the District
12 of Columbia Income and Franchise Tax Act of 1947
13 (D.C. Code, sec. 47–1812.8(b)(1)) is amended by in-
14 serting before the first sentence the following:
15 “Every employer making payment of wages to a
16 nonresident shall deduct and withhold a tax upon
17 such wages in accordance with regulations which the
18 Council of the District of Columbia shall promul-
19 gate.”.

20 (2) Section 8(i)(1) of such title (D.C. Code, sec.
21 47–1812.8(i)(1)) is amended to read as follows:

22 “(1)(A) Every person residing or domiciled in the
23 District at the times prescribed in paragraph (4) of this
24 subsection shall, at such times, make a declaration of his
25 estimated tax for the taxable year if—

1 “(i) the gross income for the taxable year can
2 reasonably be expected to consist of wages and of
3 not more than \$1,000 from sources other than such
4 wages, and can reasonably be expected to exceed the
5 total amount of the personal exemptions to which he
6 is entitled under this article plus \$5,000; or

7 “(ii) the gross income can reasonably be ex-
8 pected to include more than \$1,000 which is not
9 subject to the withholding provisions of this article,
10 and can reasonably be expected to exceed the per-
11 sonal exemptions to which he is entitled under this
12 article, plus \$500.

13 “(B) Every person not residing or domiciled in the
14 District at the times prescribed in paragraph (4) of this
15 subsection shall, at such times, make a declaration of his
16 estimated tax for the taxable year if such person can rea-
17 sonably be expected to have more than \$4,500 in taxable
18 income, as determined under section 1 of title XVII of
19 this article, for the taxable year which is not subject to
20 withholding under the regulations promulgated by the
21 Council of the District of Columbia pursuant to the first
22 sentence of subsection (b).

23 “(C) Under this article, a declaration of estimated
24 tax shall be considered a return of income.”.

1 (b) FEDERAL WITHHOLDING.—Section 5516(a) of
2 title 5, United States Code, is amended to read as follows:

3 “(a)(1) The Secretary of the Treasury, under regula-
4 tions prescribed by the President, shall enter into an
5 agreement with the District of Columbia Financial Re-
6 sponsibility and Management Assistance Authority, which
7 agreement shall provide that the head of each agency of
8 the United States shall comply with the requirements of
9 the District of Columbia Income and Franchise Tax Act
10 of 1947 in the case of employees of the agency who are
11 subject to income taxes imposed by such Act and whose
12 regular place of employment is within the District of Co-
13 lumbia. The agreement may not apply to pay for service
14 as a member of the Armed Forces.

15 “(2) For purposes of this section—

16 “(A) the term ‘agency’ means—

17 “(i) any executive agency, including any
18 independent establishment or wholly owned in-
19 strumentality of the Federal Government;

20 “(ii) the Administrative Office of the Unit-
21 ed States Courts;

22 “(iii) the General Accounting Office;

23 “(iv) the Library of Congress;

24 “(v) the Botanic Garden;

25 “(vi) the Government Printing Office; and

1 “(vii) the Office of the Architect of the
2 Capitol; and

3 “(B) the term ‘employee’ means any employee
4 and any officer of the United States and includes
5 the President and Vice President and any justice or
6 judge of the United States.”.

7 **SEC. 204. CREDIT FOR STATE INCOME TAX PAYMENTS.**

8 Section 5(a) of title VI of the District of Columbia
9 Income and Franchise Tax Act of 1947 (D.C. Code, sec.
10 47–1806.4(a)), as amended by section 3(b)(3)(B) of this
11 Act, is further amended—

12 (1) by inserting “(1)” immediately before
13 “The” in the first sentence; and

14 (2) by adding at the end thereof the following
15 new paragraph:

16 “(2) If any income of a resident which is subject to
17 taxation under this title is also subject to an income tax
18 under the laws of another State, the income tax payable
19 on such income to such other State shall be allowed as
20 a credit to the resident against the tax imposed by this
21 title, except that (A) the credit allowed under this para-
22 graph may not exceed the amount of tax which would be
23 payable under this title on such income, and (B) no credit
24 shall be allowed under this paragraph if the other State
25 allows a credit against the income tax imposed by such

1 State for the tax paid under this title. Proof of payment
 2 of income tax to another State shall be required before
 3 credit for such tax is allowed under this paragraph.”.

4 **SEC. 205. TECHNICAL AMENDMENT.**

5 The table of contents for the District of Columbia
 6 Revenue Act of 1947 (article I of which constitutes the
 7 District of Columbia Income and Franchise Tax Act of
 8 1947) is amended as follows:

9 (1)(A) In the item relating to section 2 of title
 10 III of article I, insert “in the case of residents” im-
 11 mediately before the period.

12 (B) Immediately after the item relating to sec-
 13 tion 3(b) of such title, insert the following:

“Sec. 4. Gross income and exclusion therefrom in the case of nonresidents.”.

14 (2) In the item relating to the title heading for
 15 title VI of article I, striking out “AND NON-
 16 RESIDENTS”.

17 (3)(A) In the item relating to the title heading
 18 for title VIII of article I, strike out “TAX ON” and
 19 insert in lieu thereof “NET INCOME OF”.

20 (B) Strike out the items relating to sections 2
 21 through 6 of such title VIII and insert in lieu there-
 22 of the following:

“Sec. 2. Net income of unincorporated businesses.”.

1 (4)(A) In the item relating to subsection 14 of
2 title XII of article I, strike out “and unincorporated
3 businesses”.

4 (B) In the item relating to subsection (b) of
5 such section, strike out “or unincorporated busi-
6 ness”.

7 (5) Immediately after the item relating to title
8 XVI of article I, insert the following new item:

“TITLE XVII—INCOME TAX ON NONRESIDENTS

“Sec. 1. Income tax on nonresidents.

“Sec. 2. Limitation on authority of the Council to revise tax on nonresidents.”.

9 **SEC. 206. RECIPROCAL TAX COLLECTION.**

10 (a) IN GENERAL.—Any State, territory, or posses-
11 sion, by and through its lawfully authorized officials, shall
12 have the right to sue in the Superior Court of the District
13 of Columbia to recover any tax lawfully due and owing
14 to it when the reciprocal right is accorded to the District
15 by such State, territory, or possession, whether such right
16 is granted by statutory authority or as a matter of comity.

17 (b) PROOF.—The certificate of the Secretary of State
18 or other authorized official of any State, territory, or pos-
19 session, or subdivision thereof, to the effect that the offi-
20 cial instituting the suit for collection of taxes in the Supe-
21 rior Court of the District of Columbia has the authority
22 to institute such suit and collect such taxes shall be con-
23 clusive proof of that authority.

1 (c) DEFINITION.—For the purposes of this section,
2 the term “taxes” includes—

3 (1) any and all tax assessments lawfully made,
4 whether they be based upon a return or other disclo-
5 sure of the taxpayer, or upon the information and
6 belief of the taxing authority, or otherwise;

7 (2) any and all penalties lawfully imposed pur-
8 suant to a taxing statute, ordinance, or regulation;
9 and

10 (3) interest charges lawfully added to the tax li-
11 ability which constitutes the subject of the suit.

12 (d) AUTHORIZATION OF SUIT.—The Corporation
13 Council or any of his assistants is authorized to bring suit
14 in the name of the District of Columbia in the courts of
15 States, territories, and possessions, and subdivisions
16 thereof, to collect taxes lawfully due the District. The Dis-
17 trict of Columbia Financial Responsibility and Manage-
18 ment Assistance Authority is authorized to procure profes-
19 sional and other services, at such rates as may be usual
20 and customary for such services in the jurisdiction con-
21 cerned, when he deems it necessary for the prosecution
22 of any suit authorized by this section.

1 **SEC. 207. METROPOLITAN WASHINGTON EDUCATION AND**
2 **WORKFORCE TRAINING TRUST FUND.**

3 (a) ESTABLISHMENT.—There is established in the
4 Treasury of the United States a trust fund, to be known
5 as the Metropolitan Washington Education and Workforce
6 Training Trust Fund (hereafter in this section referred
7 to as the “Trust Fund”), consisting of such amounts as
8 are transferred to the Trust Fund under subsection (b)(1)
9 of this section and any interest earned on investment of
10 amounts in the Trust Fund under subsection (c)(2) of this
11 section.

12 (b) TRANSFER OF AMOUNTS EQUIVALENT TO CER-
13 TAIN TARIFFS.—

14 (1) IN GENERAL.—The District of Columbia Fi-
15 nancial Responsibility and Management Assistance
16 Authority shall transfer to the Trust Fund an
17 amount equal to $\frac{2}{3}$ of the revenues received by the
18 District of Columbia from the tax imposed by title
19 XVII of the District of Columbia Income and Fran-
20 chise Tax Act of 1947 (as added by section 201 of
21 this Act).

22 (2) EFFECTIVE DATE.—The transfers required
23 by paragraph (1) shall begin at the end of the first
24 quarter of the calendar year beginning after the cal-
25 endar year referred to in section 201(b)(2)(A).

1 (3) TRANSFERS BASED ON ESTIMATES.—The
2 amounts required to be transferred to the Trust
3 Fund under paragraph (1) shall be transferred at
4 least quarterly from the District of Columbia to the
5 Trust Fund on the basis of estimates made by the
6 District of Columbia Financial Responsibility and
7 Management Assistance Authority. Proper adjust-
8 ment shall be made in amounts subsequently trans-
9 ferred to the extent prior estimates were in excess
10 of or less than the amounts required to be trans-
11 ferred.

12 (c) INVESTMENT OF TRUST FUND.—

13 (1) IN GENERAL.—It shall be the duty of the
14 Secretary of the Treasury to invest such portion of
15 the Trust Fund as is not, in the Secretary's judg-
16 ment, required to meet current withdrawals. Such
17 investments may be made only in interest-bearing
18 obligations of the United States or in obligations
19 guaranteed as to both principal and interest by the
20 United States. For such purpose, such obligations
21 may be acquired—

22 (A) on original issue at the issue price, or

23 (B) by purchase of outstanding obligations
24 at the market price.

1 The purposes for which obligations of the United
2 States may be issued under chapter 31 of title 31,
3 of the United States Code, are hereby extended to
4 authorize the issuance at par of special obligations
5 exclusively to the Trust Fund. Such special obliga-
6 tions shall bear interest at a rate equal to the aver-
7 age rate of interest, computed as to the end of the
8 calendar month next preceding the date of such
9 issue, borne by all marketable interest-bearing obli-
10 gations of the United States then forming a part of
11 the Public Debt; except that where such average rate
12 is not a multiple of one-eighth of 1 percent, the rate
13 of interest of such special obligations shall be the
14 multiple of one-eighth of 1 percent next lower than
15 such average rate. Such special obligations shall be
16 issued only if the Secretary of the Treasury deter-
17 mines that the purchase of other interest-bearing ob-
18 ligations of the United States, or of obligations
19 guaranteed as to both principal and interest by the
20 United States on original issue or at the market
21 price, is not in the public interest.

22 (2) SALE OF OBLIGATION.—Any obligation ac-
23 quired by the Trust Fund (except special obligations
24 issued exclusively to the Trust Fund) may be sold by
25 the Secretary of the Treasury at the market price,

1 and such special obligations may be redeemed at par
2 plus accrued interest.

3 (3) CREDITS TO TRUST FUND.—The interest
4 on, and the proceeds from the sale or redemption of,
5 any obligations held in the Trust Fund shall be
6 credited to and form a part of the Trust Fund.

7 (d) OBLIGATIONS FROM TRUST FUND.—The Sec-
8 retary of Labor and the Secretary of Education are au-
9 thorized to obligate such sums as are available in the
10 Trust Fund (including any amounts not obligated in pre-
11 vious fiscal years) for grants as provided in section 101
12 of this Act.

13 (e) REPORT TO CONGRESS.—It shall be the duty of
14 the Secretary of the Treasury to hold the Trust Fund,
15 and (after consultation with the Secretary of Labor or the
16 regional authority, as appropriate) to report to the Con-
17 gress each year on the financial condition and the results
18 of the operations of the Trust Fund during the preceding
19 fiscal year and on its expected condition and operations
20 during the next fiscal year. Such report shall be printed
21 as both a House and Senate document of the session of
22 the Congress to which the report is made.

23 **SEC. 208. EFFECTIVE DATE.**

24 The amendments made by this title and this title
25 shall take effect at the beginning of the calendar year be-

- 1 ginning after the date of enactment of this Act, and shall
- 2 apply with respect to taxable years beginning on or after
- 3 such date.

○