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S. 928

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, to be offset by tax credits.

IN THE SENATE OF THE UNITED STATES

JUNE 17, 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, to be offset by tax credits.

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 AND OFFSETTING TAX CREDITS

- Sec. 201. Metropolitan Washington education and workforce training tax and
 offsetting tax credits.
 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;

1 (3) the need for a better skilled area workforce
2 makes it imperative that the region's businesses,
3 educational institutions, and governments work to-
4 gether to provide youth and adults with the edu-
5 cation and training necessary to meet the needs of
6 the 21st century;

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

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

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

1 (7) the Greater Washington Metropolitan Area
2 has an opportunity to set a national example of re-
3 gional cooperation in engaging in education reform
4 and workforce training.

5 (b) PURPOSE.—

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

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

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

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

23 (A) fund the repair and modernization of
24 District of Columbia public schools; and

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

4 **TITLE I—METROPOLITAN WASH-**
5 **INGTON EDUCATION AND**
6 **WORKFORCE TRAINING**
7 **GRANTS**

8 **SEC. 101. DEFINITIONS.**

9 In this title:

10 (1) ELEMENTARY SCHOOL; LOCAL EDU-
11 CATIONAL AGENCY; SECONDARY SCHOOL.—The
12 terms “elementary school”, “local educational agen-
13 cy”, and “secondary school” have the meanings
14 given the terms in section 14101 of the Elementary
15 and Secondary Education Act of 1965 (20 U.S.C.
16 8801).

17 (2) METROPOLITAN REGION.—The term “met-
18 ropolitan region” means the Washington, D.C. met-
19 ropolitan area, as defined by the Secretaries.

20 (3) POSTSECONDARY INSTITUTION.—The term
21 “postsecondary institution” has the meaning given
22 the term “institution of higher education” in section
23 481 of the Higher Education Act of 1965 (20
24 U.S.C. 1088).

1 (4) PRINCIPAL.—The term “principal” means
2 an elementary school or secondary school principal.

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

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

8 **SEC. 102. GRANTS.**

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

16 (b) ELIGIBILITY.—

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

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

1 (A) be a postsecondary institution, busi-
2 ness, or another provider of workforce training,
3 such as literacy services, in the metropolitan re-
4 gion; and

5 (B) have demonstrated ability and experi-
6 ence in providing workforce training.

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

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

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

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

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

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

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

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

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

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

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

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

1 (8) assisting in the development of individual
2 mentoring and parental involvement programs and
3 career path records for elementary and secondary
4 school students;

5 (9) establishing—

6 (A) voluntary skill standards for partici-
7 pants in workforce training; and

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

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

14 (A) elementary schools or secondary
15 schools;

16 (B) workforce training providers; and

17 (C) businesses;

18 (11) improving educational technology in ele-
19 mentary schools or secondary schools; or

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

23 (d) APPLICATION.—To be eligible to receive a grant
24 under this section, an agency or organization shall submit
25 an application to the Secretaries at such time, in such

1 manner, and containing such information as the Secretar-
2 ies may require.

3 (e) DISTRIBUTION OF FUNDS.—

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

9 (2) SPECIAL RULE FOR THE DISTRICT OF CO-
10 LUMBIA.—Any grants awarded to District of Colum-
11 bia public schools under this section shall be ex-
12 pended in a manner consistent with section
13 2101(b)(1) of Public Law 104–134.

14 (f) MAINTENANCE OF EFFORT.—

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

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

1 ceding the fiscal year for which the determination is
2 made, equaled or exceeded the effort or expenditures
3 for the activities for the second fiscal year preceding
4 the fiscal year for which the determination is made.

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

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

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

1 1994 (29 U.S.C. 5933) shall provide technical assistance
2 to the agency or organization.

3 **SEC. 103. METROPOLITAN PARTNERSHIP.**

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

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

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

24 **SEC. 104. METROPOLITAN BOARD.**

25 (a) METROPOLITAN BOARD.—

1 (1) COMPOSITION.—There is established, in the
2 Metropolitan Partnership, a Metropolitan Washing-
3 ton Education and Workforce Training Board (re-
4 ferred to in this title as the “Metropolitan Board”)
5 that shall be composed of 13 individuals, including—

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

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

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

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

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

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

7 (C) 4 of the members first appointed to
8 the Metropolitan Board shall serve for a term
9 of 4 years.

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

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

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

23 (B) prepare and submit to the appropriate
24 committees of Congress an annual report on the
25 activities of the Metropolitan Partnership.

1 (5) CHAIRPERSON.—The position of Chair-
2 person of the Metropolitan Board shall rotate annu-
3 ally among the appointed members described in
4 paragraph (1)(A).

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

13 (7) COMPENSATION AND TRAVEL EXPENSES.—

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

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

1 homes or regular places of business in the per-
2 formance of services for the Metropolitan
3 Board.

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

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

10 (b) DIRECTOR.—

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

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

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

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

25 (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 AND OFFSETTING TAX**
 15 **CREDITS**

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

17 (a) DEFINITION.—

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

23 “SEC. 4. GROSS INCOME AND EXCLUSION THERE-
 24 FROM IN THE CASE OF NONRESIDENTS.—(a) In the case
 25 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) FEDERAL TAX CREDIT.—

24 (A) IN GENERAL.—Subpart A of part IV
25 of subchapter A of chapter 1 of the Internal

1 Revenue Code of 1986 (relating to nonrefund-
2 able personal credits) is amended by inserting
3 after section 25 the following:

4 **“SEC. 25A. DISTRICT OF COLUMBIA NONRESIDENT INCOME**
5 **TAX CREDIT.**

6 “There shall be allowed as a credit against the tax
7 imposed by this chapter for—

8 “(1) the taxable year beginning after the date
9 of enactment of the Metropolitan Washington Edu-
10 cation and Workforce Training Improvement Act of
11 1997 an amount equal to 100 percent of the taxes
12 imposed under section 1 of title XVII of the District
13 of Columbia Income and Franchise Tax Act of 1947
14 (D.C. Code, sec. 47–1801.1); and

15 “(2) each taxable year after the year referred to
16 in paragraph (1) an amount equal to $\frac{1}{3}$ of the taxes
17 imposed under section 1 of title XVII of the District
18 of Columbia Income and Franchise Tax Act of 1947
19 (D.C. Code, sec. 47–1801.1).”.

20 (B) DENIAL OF DOUBLE BENEFIT.—Sec-
21 tion 164(c) of the Internal Revenue Code of
22 1986 (relating to deduction denied in case of
23 certain taxes) is amended by adding at the end
24 the following:

1 “(3) Taxes taken into account in determining
2 the credit allowed under section 25A.”.

3 (C) CONFORMING AMENDMENT.—The
4 table of sections for subpart A of part IV of
5 subchapter A of chapter 1 of the Internal Reve-
6 nue Code of 1986 is amended by inserting after
7 the item relating to section 25 the following:

“Sec. 25A. District of Columbia nonresident income tax credit.”.

8 (D) EFFECTIVE DATE.—The amendments
9 made by this paragraph apply to taxable years
10 beginning in the calendar year referred to in
11 paragraph (2)(A).

12 (4) EXISTING TAX ON NONRESIDENTS.—Title
13 VI of such Act is amended—

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

16 (B) in section 1 (D.C. Code, sec. 47–
17 1806.1)—

18 (i) by striking out “every resident”
19 and inserting in lieu thereof “an individ-
20 ual”, and

21 (ii) by inserting “in the case of resi-
22 dents and by section 1(e) of title XVII in
23 the case of nonresidents” immediately
24 after “this title”.

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

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

5 (1) in the title heading, by striking out “TAX
6 ON” and inserting in lieu thereof “NET INCOME
7 OF”; and

8 (2) by repealing sections 2 through 6 and in-
9 serting in lieu thereof the following:

10 “SEC. 2. NET INCOME OF UNINCORPORATED BUSI-
11 NESSES.—(a) An unincorporated business as such shall
12 not be subject to tax under this article. Individuals carry-
13 ing on a trade or business as an unincorporated business
14 shall be liable in their individual capacity, under title VI
15 of this article in the case of residents and under title XVII
16 of this article in the case of nonresidents, for tax with
17 respect to their distributive share, whether distributed or
18 not, of the net income of such unincorporated business de-
19 rived from sources within the District within the meaning
20 of title X of this article. If an individual entitled to a dis-
21 tributive share of such net income of an unincorporated
22 business computes his income tax under this article upon
23 the basis of a period different from that upon the basis
24 of which the net income of the unincorporated business
25 is computed, then his distributive share of the net income
26 of the unincorporated business for any accounting period

1 of the unincorporated business ending within the taxable
2 year upon the basis of which such individual's income tax
3 is computed shall be included in computing such tax.

4 “(b) If the deductions which are allowed or allowable
5 to an unincorporated business under section 3(a) of title
6 III of this article exceed the gross income of such unincor-
7 porated business derived from sources within the District
8 within the meaning of title X of this article, the distribu-
9 tive shares of such excess deductions shall be allowed as
10 deductions to the individuals entitled thereto in determin-
11 ing their individual tax liability under title VI of this arti-
12 cle in the case of residents and under title XVII of this
13 article in the case of nonresidents, except that in the case
14 of a nonresident such excess deductions shall be allowed
15 to the nonresident only to the extent provided in section
16 1(b) of such title XVII. If an individual entitled to a dis-
17 tributive share of the excess deductions of an unincor-
18 porated business computes his income tax under this arti-
19 cle upon the basis of a period different from that upon
20 the basis of which the net income of the unincorporated
21 business is computed, then his distributive share of the
22 excess deductions of the unincorporated business for any
23 accounting period of the unincorporated business ending
24 within the taxable year upon the basis of which such indi-

1 individual's income tax is computed shall be included in com-
2 puting such tax.

3 “(c) In computing the net income or the excess de-
4 ductions of an unincorporated business for purposes of
5 this title, the full amount of the deductions described in
6 section 3(a) of title III of this article shall be allowed to
7 such unincorporated business notwithstanding that a non-
8 resident may be entitled to a distributive share of such
9 net income or excess deductions.”.

10 (b) CONFORMING AMENDMENTS.—

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

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

18 “(11) REASONABLE ALLOWANCE FOR SALARY.—A
19 reasonable allowance for salaries or other compensation
20 for personal services actually rendered. Nothing in this
21 paragraph shall be construed to exempt any salary or
22 other compensation for personal services from taxation as
23 part of the taxable income of the person receiving such
24 salary or other compensation.”.

1 (C) Such section 3(a) (D.C. Code, sec. 47–
2 1803.3(a)) is further amended by adding at the end
3 thereof the following new paragraph:

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

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

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

13 (i) in the first sentence, by striking out
14 “having a gross income of more than \$12,000,
15 regardless of whether or not it has a net in-
16 come”; and

17 (ii) in the second sentence, by striking out
18 “the taxpayer or taxpayers liable for payment
19 of the tax” and inserting in lieu thereof “the in-
20 dividual or individuals who would be entitled to
21 share in the net income of the unincorporated
22 business, if distributed, and shall include the
23 name and address of each such individual and
24 the amount of the distributive share of each
25 such individual in the net income of the unin-

1 corporated business or, if the allowable deduc-
2 tions of the unincorporated business exceed its
3 gross income, the allocation among such indi-
4 viduals of such excess allowable deductions”.

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

12 (3) Section 1 of title VI of such Act (D.C.
13 Code, sec. 47–1806.1) is amended by striking out
14 “and that portion of the entire net income of every
15 nonresident which is subject to tax under title VIII
16 of this article”.

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

24 (5)(A) Section 8(a) of title XII of such Act
25 (D.C. Code, sec. 47–1812.8(a)) is amended by strik-

1 ing out “or unincorporated business” each place it
 2 appears.

3 (B) Section 14 of such title (D.C. Code, sec.
 4 47–1812.14–1) is amended—

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

7 (ii) in the first sentence of subsection (a),
 8 by striking out “and unincorporated business”;
 9 and

10 (iii) in subsection (b)—

11 (I) in the subsection caption, by strik-
 12 ing out “OR UNINCORPORATED BUSI-
 13 NESS”, and

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

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

22 **SEC. 203. WITHHOLDING AND RETURNS.**

23 (a) WITHHOLDING.—

24 (1) Section 8(b)(1) of title XII of the District
 25 of Columbia Income and Franchise Tax Act of 1947

1 (D.C. Code, sec. 47–1812.8(b)(1)) is amended by in-
2 serting before the first sentence the following:
3 “Every employer making payment of wages to a
4 nonresident shall deduct and withhold a tax upon
5 such wages in accordance with regulations which the
6 Council of the District of Columbia shall promul-
7 gate.”.

8 (2) Section 8(i)(1) of such title (D.C. Code, sec.
9 47–1812.8(i)(1)) is amended to read as follows:

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

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

20 “(ii) the gross income can reasonably be ex-
21 pected to include more than \$1,000 which is not
22 subject to the withholding provisions of this article,
23 and can reasonably be expected to exceed the per-
24 sonal exemptions to which he is entitled under this
25 article, plus \$500.

1 “(B) Every person not residing or domiciled in the
2 District at the times prescribed in paragraph (4) of this
3 subsection shall, at such times, make a declaration of his
4 estimated tax for the taxable year if such person can rea-
5 sonably be expected to have more than \$4,500 in taxable
6 income, as determined under section 1 of title XVII of
7 this article, for the taxable year which is not subject to
8 withholding under the regulations promulgated by the
9 Council of the District of Columbia pursuant to the first
10 sentence of subsection (b).

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

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

15 “(a)(1) The Secretary of the Treasury, under regula-
16 tions prescribed by the President, shall enter into an
17 agreement with the District of Columbia Financial Re-
18 sponsibility and Management Assistance Authority, which
19 agreement shall provide that the head of each agency of
20 the United States shall comply with the requirements of
21 the District of Columbia Income and Franchise Tax Act
22 of 1947 in the case of employees of the agency who are
23 subject to income taxes imposed by such Act and whose
24 regular place of employment is within the District of Co-

1 lumbia. The agreement may not apply to pay for service
2 as a member of the Armed Forces.

3 “(2) For purposes of this section—

4 “(A) the term ‘agency’ means—

5 “(i) any executive agency, including any
6 independent establishment or wholly owned in-
7 strumentality of the Federal Government;

8 “(ii) the Administrative Office of the Unit-
9 ed States Courts;

10 “(iii) the General Accounting Office;

11 “(iv) the Library of Congress;

12 “(v) the Botanic Garden;

13 “(vi) the Government Printing Office; and

14 “(vii) the Office of the Architect of the
15 Capitol; and

16 “(B) the term ‘employee’ means any employee
17 and any officer of the United States and includes
18 the President and Vice President and any justice or
19 judge of the United States.”.

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

21 Section 5(a) of title VI of the District of Columbia
22 Income and Franchise Tax Act of 1947 (D.C. Code, sec.
23 47–1806.4(a)), as amended by section 3(b)(3)(B) of this
24 Act, is further amended—

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

3 (2) by adding at the end thereof the following
4 new paragraph:

5 “(2) If any income of a resident which is subject to
6 taxation under this title is also subject to an income tax
7 under the laws of another State, the income tax payable
8 on such income to such other State shall be allowed as
9 a credit to the resident against the tax imposed by this
10 title, except that (A) the credit allowed under this para-
11 graph may not exceed the amount of tax which would be
12 payable under this title on such income, and (B) no credit
13 shall be allowed under this paragraph if the other State
14 allows a credit against the income tax imposed by such
15 State for the tax paid under this title. Proof of payment
16 of income tax to another State shall be required before
17 credit for such tax is allowed under this paragraph.”.

18 **SEC. 205. TECHNICAL AMENDMENT.**

19 The table of contents for the District of Columbia
20 Revenue Act of 1947 (article I of which constitutes the
21 District of Columbia Income and Franchise Tax Act of
22 1947) is amended as follows:

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

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

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

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

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

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

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

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

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

18 (5) Immediately after the item relating to title
19 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.”.

1 **SEC. 206. RECIPROCAL TAX COLLECTION.**

2 (a) IN GENERAL.—Any State, territory, or posses-
3 sion, by and through its lawfully authorized officials, shall
4 have the right to sue in the Superior Court of the District
5 of Columbia to recover any tax lawfully due and owing
6 to it when the reciprocal right is accorded to the District
7 by such State, territory, or possession, whether such right
8 is granted by statutory authority or as a matter of comity.

9 (b) PROOF.—The certificate of the Secretary of State
10 or other authorized official of any State, territory, or pos-
11 session, or subdivision thereof, to the effect that the offi-
12 cial instituting the suit for collection of taxes in the Supe-
13 rior Court of the District of Columbia has the authority
14 to institute such suit and collect such taxes shall be con-
15 clusive proof of that authority.

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

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

22 (2) any and all penalties lawfully imposed pur-
23 suant to a taxing statute, ordinance, or regulation;
24 and

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

1 (d) AUTHORIZATION OF SUIT.—The Corporation
 2 Council or any of his assistants is authorized to bring suit
 3 in the name of the District of Columbia in the courts of
 4 States, territories, and possessions, and subdivisions
 5 thereof, to collect taxes lawfully due the District. The Dis-
 6 trict of Columbia Financial Responsibility and Manage-
 7 ment Assistance Authority is authorized to procure profes-
 8 sional and other services, at such rates as may be usual
 9 and customary for such services in the jurisdiction con-
 10 cerned, when he deems it necessary for the prosecution
 11 of any suit authorized by this section.

12 **SEC. 207. METROPOLITAN WASHINGTON EDUCATION AND**
 13 **WORKFORCE TRAINING TRUST FUND.**

14 (a) ESTABLISHMENT.—There is established in the
 15 Treasury of the United States a trust fund, to be known
 16 as the Metropolitan Washington Education and Workforce
 17 Training Trust Fund (hereafter in this section referred
 18 to as the “Trust Fund”), consisting of such amounts as
 19 are transferred to the Trust Fund under subsection (b)(1)
 20 of this section and any interest earned on investment of
 21 amounts in the Trust Fund under subsection (c)(2) of this
 22 section.

23 (b) TRANSFER OF AMOUNTS EQUIVALENT TO CER-
 24 TAIN TARIFFS.—

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

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

13 (3) TRANSFERS BASED ON ESTIMATES.—The
14 amounts required to be transferred to the Trust
15 Fund under paragraph (1) shall be transferred at
16 least quarterly from the District of Columbia to the
17 Trust Fund on the basis of estimates made by the
18 District of Columbia Financial Responsibility and
19 Management Assistance Authority. Proper adjust-
20 ment shall be made in amounts subsequently trans-
21 ferred to the extent prior estimates were in excess
22 of or less than the amounts required to be trans-
23 ferred.

24 (c) INVESTMENT OF TRUST FUND.—

1 (1) IN GENERAL.—It shall be the duty of the
2 Secretary of the Treasury to invest such portion of
3 the Trust Fund as is not, in the Secretary’s judg-
4 ment, required to meet current withdrawals. Such
5 investments may be made only in interest-bearing
6 obligations of the United States or in obligations
7 guaranteed as to both principal and interest by the
8 United States. For such purpose, such obligations
9 may be acquired—

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

11 (B) by purchase of outstanding obligations

12 at the market price.

13 The purposes for which obligations of the United
14 States may be issued under chapter 31 of title 31,
15 of the United States Code, are hereby extended to
16 authorize the issuance at par of special obligations
17 exclusively to the Trust Fund. Such special obliga-
18 tions shall bear interest at a rate equal to the aver-
19 age rate of interest, computed as to the end of the
20 calendar month next preceding the date of such
21 issue, borne by all marketable interest-bearing obli-
22 gations of the United States then forming a part of
23 the Public Debt; except that where such average rate
24 is not a multiple of one-eighth of 1 percent, the rate
25 of interest of such special obligations shall be the

1 multiple of one-eighth of 1 percent next lower than
2 such average rate. Such special obligations shall be
3 issued only if the Secretary of the Treasury deter-
4 mines that the purchase of other interest-bearing ob-
5 ligations of the United States, or of obligations
6 guaranteed as to both principal and interest by the
7 United States on original issue or at the market
8 price, is not in the public interest.

9 (2) SALE OF OBLIGATION.—Any obligation ac-
10 quired by the Trust Fund (except special obligations
11 issued exclusively to the Trust Fund) may be sold by
12 the Secretary of the Treasury at the market price,
13 and such special obligations may be redeemed at par
14 plus accrued interest.

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

19 (d) OBLIGATIONS FROM TRUST FUND.—The Sec-
20 retary of Labor and the Secretary of Education are au-
21 thorized to obligate such sums as are available in the
22 Trust Fund (including any amounts not obligated in pre-
23 vious fiscal years) for grants as provided in section 101
24 of this Act.

1 (e) REPORT TO CONGRESS.—It shall be the duty of
2 the Secretary of the Treasury to hold the Trust Fund,
3 and (after consultation with the Secretary of Labor or the
4 regional authority, as appropriate) to report to the Con-
5 gress each year on the financial condition and the results
6 of the operations of the Trust Fund during the preceding
7 fiscal year and on its expected condition and operations
8 during the next fiscal year. Such report shall be printed
9 as both a House and Senate document of the session of
10 the Congress to which the report is made.

11 **SEC. 208. EFFECTIVE DATE.**

12 The amendments made by this title and this title
13 shall take effect at the beginning of the calendar year be-
14 ginning after the date of enactment of this Act, and shall
15 apply with respect to taxable years beginning on or after
16 such date.

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