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**Testimony of  
Legal Aid of the District of Columbia  
and Tzedek DC**

**Before the Tax Revision Commission  
of the District of Columbia**

**Town Hall Regarding Tax Revision Commission Proposals**

**November 6, 2023**

Legal Aid DC<sup>1</sup> and Tzedek DC<sup>2</sup> support the DC Tax Revision Commission's proposed recommendation (FF-5, Reform Delinquent Debt) for the DC Council to eliminate the Central Collection Unit's ("CCU") 20% surcharge on debt more than 90 days old and the requirement that 25% of the debt be paid upfront in order for residents to enter into a repayment plan. These recommendations would better address the economic circumstances of D.C.'s lower-income residents and stop punishing them for being poor.

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<sup>1</sup> Legal Aid of the District of Columbia was formed in 1932 to "provide legal aid and counsel to indigent persons in civil law matters and to encourage measures by which the law may better protect and serve their needs." Legal Aid is the oldest and largest general civil legal services program in the District of Columbia. Over the last 90 years, Legal Aid staff and volunteers have been making justice real – in individual and systemic ways – for tens of thousands of persons living in poverty in the District. The largest part of our work is comprised of individual representation in housing, domestic violence/family, public benefits, and consumer law. We also work on immigration law matters and help individuals with the collateral consequences of their involvement with the criminal justice system. From the experiences of our clients, we identify opportunities for court and law reform, public policy advocacy, and systemic litigation. More information about Legal Aid can be obtained from our website, [www.LegalAidDC.org](http://www.LegalAidDC.org).

<sup>2</sup> Headquartered at UDC David A. Clarke School of Law, and with offices as well as in Ward 8, Tzedek DC's mission is to safeguard the legal rights and financial health of DC residents with low incomes dealing with the often-devastating consequences of abusive debt collection practices and other consumer-related issues. Tzedek offers direct legal and financial counseling services at no cost to DC residents with low and moderate incomes.

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## **The CCU Surcharge and Down Payment Requirement Create Barriers to Resolving Debt for Low-income Residents**

Legal Aid regularly encounters clients dealing with compounded government fees because of CCU's practice of imposing an additional 20% fee once an individual's debt account is transferred from one DC government agency to the CCU for collection. Once a debt is transferred to CCU, it increases exponentially, making it difficult, if not impossible, for lower-income individuals to resolve what they owe. Under D.C. Code § 1-350.03(b), the CCU can impose an additional fee above and beyond the debt and the actual costs of collection once the debt is sent to the Central Collection Unit for action collection. The Code states that the "amount of the fee shall be set by regulations established by the Central Collections Unit." Upon transfer, CCU imposes a 20% fee on top of the amount owed to the original governmental entity.<sup>3</sup>

In addition to the 20% surcharge, a minimum 25% downpayment is required in order for a resident to enter into a repayment plan with CCU.<sup>4</sup> Legal Aid's clients – primarily people of color living at or below 200% of the federal poverty line – routinely seek our help resolving these debts, but the 20% surcharge and the 25% down payment requirement often make it impossible for them to do so.

## **The District Should Eliminate the Central Collection Unit Surcharge and Down Payment Requirement for Delinquent Debt**

The CCU's inflexible fines and fees for delinquent debt compound the racial wealth gap in the District. In DC, white households have 81 times the wealth of Black households and 22 times the wealth of Latinx households.<sup>5</sup> Unless the CCU eliminates the 20% surcharge and down payment requirement that it imposes on District residents, Black and poor

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<sup>3</sup> Government of the District of Columbia, Central Collection Unit, [https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/CCU%20Fee\\_Assignment.pdf](https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/CCU%20Fee_Assignment.pdf)

<sup>4</sup> District of Columbia, CCU Policies for Installment Payment Plans, [https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/page\\_content/attachments/Central%20Collection%20Unit%20Policies%20For%20Installment%20Payment%20Plans.pdf](https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/page_content/attachments/Central%20Collection%20Unit%20Policies%20For%20Installment%20Payment%20Plans.pdf)

<sup>5</sup> Erica Williams, DC Fiscal Policy Institute, DC's Extreme Wealth Concentration Exacerbates Racial Inequality, Limits Economic Opportunity, <https://www.dcfpi.org/all/dcs-extreme-wealth-concentration-exacerbates-racial-inequality-limits-economic-opportunity/>

residents, in particular, will continue to face an insurmountable cost that they will likely never be able to pay.

### **Conclusion**

Without a change in law or policy, Legal Aid and Tzedek DC remain concerned that the CCU will continue to issue surcharges that our clients and poor District residents cannot pay. Therefore, we ask that the Tax Revision Commission fully support and recommend the elimination of the CCU surcharge and the down payment requirement for delinquent debt to the DC Council.