

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

Natwar M. Gandhi  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer

**DATE:** July 10, 2003

**SUBJECT:** Fiscal Impact Statement (Revised): "Homestead Exemption  
Amendment Act of 2003"

**REFERENCE:** Bill 15-188 as Introduced

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**Conclusion**

Funds are not sufficient in the proposed FY 2004 through FY 2007 budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia. **Provisions of the proposed legislation will result in a \$56.4 million reduction in real property tax revenue beginning in FY 2004 and \$225.6 million in FY 2004 through FY 2007.**

**Background**

The proposed legislation increases the existing \$30,000 homestead deduction. The amount will increase from the first \$30,000 of the appraised value to the first \$100,000 of the appraised value. The homestead deduction is limited to residential property. To qualify:

1. An application must be on file with the Office of Tax and Revenue (OTR);
2. The property must be occupied by the owner and contain no more than 5 dwelling units; and
3. The property must be the principal residence of the owner.

In the case of a cooperative housing association, the unit must be occupied by the shareholder or member as their principal residence, and the deduction is granted to the cooperative.

If a properly completed and approved application is filed from October 1 to March 31, the property receives the deduction for the entire tax year and then for all subsequent tax years. If a properly completed and approved application is filed from April 1 to September 30, the property will receive one-half of the deduction reflected on the second installment then full deductions for all subsequent tax years.

Properties will continue to receive homestead deduction tax relief as long as there is no change in the eligibility, such as property ownership or owner-occupancy status. OTR conducts periodic verification and compliance checks. Owners of properties receiving the tax benefits are responsible for notifying the agency when eligibility ceases. Written notice must be sent within 30 days of a change in ownership or owner-occupancy status.

### **Financial Plan Impact**

In the District there are currently 86,600 accounts representing property qualifying for the homestead deduction. Each account represents a \$288 deduction. As a result, the total cost of the program is \$24.2 million annually. The proposed legislation increases the exemption to \$960 per account which will result in a cost of \$80.6 million for the program.

Funds are not sufficient in the proposed FY 2004 through FY 2007 budget and financial plan to implement the provisions of the proposed legislation. The table in Figure 1 presents the estimated reductions to local General Fund revenue.

*Figure 1.*

<b>Revenue Impact to the Financial Plan</b>				
(\$ in millions)				
<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>TOTAL</b>
(\$56.4)	(\$56.4)	(\$56.4)	(\$56.4)	<b>(\$225.6)</b>

*The Chief Financial Officer's legislative fiscal analysis is prepared by the Special Projects and Fiscal Analysis Administration in the Office of Research and Analysis. Contact us at 441 4<sup>th</sup> Street, NW, Suite 400S, Washington D.C., 20001 or view our work on-line at <http://cfo.dc.gov>.*