

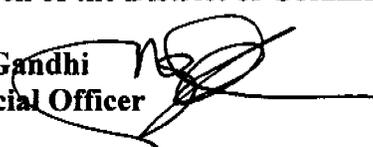
GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Chief Financial Officer



Natwar M. Gandhi  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chair, Council of the District of Columbia

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

**DATE:** APR 25 2007

**SUBJECT:** Fiscal Impact Statement: "Real Property Tax Benefits  
Revision Act of 2007"

**REFERENCE:** Bill Number 17-070

---

**Conclusion**

Funds are not sufficient in the Mayor's proposed FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. The proposed legislation is likely to result in a negligible revenue loss to the local General Fund but will have implementation costs of \$111,000 in FY 2008 and \$141,000 in FY 2008 through FY 2011.

**Background**

The proposed legislation would amend D.C. Official Code § 47-850.02 and § 47-863 to clarify and alter the procedures for applying the homestead deduction when ownership of a homestead property changes.

Under current District law, a homeowner receiving the homestead deduction is required to inform the District government within 30 days after the property no longer qualifies as a homestead. If the change in eligibility occurs in the first half of the tax year (October 1 through March 31), the real property is not entitled to any homestead deduction for the entire tax year; if the change in eligibility occurs in the second half of the tax year (April 1 through September 30), the real property is entitled to half of the annual deduction and is applied to the first installment of the tax payment.

The proposed legislation would provide an apportioned deduction to the real property applicable to the remaining half year in which the ownership interest was transferred to

an ineligible owner (i.e. an investor, for example, instead of an owner-occupant claiming the property as its principal place of residence and domiciled in the District of Columbia) instead of removing the homestead benefit (and tax cap) retroactively to the previous half year date. In addition, the proposal would clarify that if an owner purchases another property during the same half year when the transfer of the older property occurred and the owner applies for a homestead deduction on the new property, the deduction will apply only to the newly purchased property.

**Financial Plan Impact**

Given the uncertainty about the timing of property transfers and the nature of these transactions (i.e. homeowner to investor, homeowner to homeowner, investor to investor), the cost of the proposed legislation cannot be specifically determined. However, it is likely to have a negligible fiscal impact in the FY 2008 through FY 2011 budget. From an operational perspective, the Office of Tax and Revenue (OTR) would require one-time programming changes at a cost of \$101,000 in the initial year and \$10,000 annually for community outreach costs to educate affected parties. Operational costs are estimated to be \$111,000 in FY 2008, and \$141,000 for the FY 2008 through FY 2011 period.

*Figure 1.*

<b>Summary Table</b>					
<b>Estimated Impacts to the Financial Plan</b>					
<i>(\$ in thousands)</i>					
<b>Item</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>4 - Year Total</b>
Reduced Revenue Collections	Negligible	Negligible	Negligible	Negligible	Negligible
Unbudgeted Operational Burden	\$111	\$10	\$10	\$10	\$141
<b>Net Annual Impact</b>	\$111	\$10	\$10	\$10	\$141