

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 27 2007

SUBJECT: Fiscal Impact Statement: "Lower Income Homeownership
Cooperative Housing Association Re-Clarification Act of 2007"

REFERENCE: Bill Number 17-071

Conclusion

Funds are not sufficient in the Mayor's proposed FY 2008 through FY 2011 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would result in increased costs to the District of Columbia of \$5.6 million in FY 2008 and \$22.9 in the FY 2008 through FY 2011 period.

Background

Chapter 35 of Title 47 established a tax abatement program to encourage homeownership for lower income District residents. Title § 47-3503(c) established a five-year abatement from real property taxes for homeowners meeting certain income qualifications. At the end of the five-year abatement, homeowners are subject to the real property tax based on the fair market value of their property at the end of the abatement period. Participants in the abatement program are not deemed to be receiving the residential tax credit (Title § 47-864), thus excluding their property from the real property tax cap until they exit the program and apply for the homestead deduction.

The original legislation in Title § 47- 3503 (c) did not specify that the Office of Tax and Revenue (OTR) should establish a capped taxable assessment for property qualifying under this section from the beginning of the property's entry into this program, even though the homeowner was not paying property tax. Without the cap in place, the exemption program could cost low-income persons who entered the program and faced

market assessments as they exited the program, rather than capped assessments, upon exiting the program. Thus, Subtitle I(I) of the FY 2007 Budget Support Act (BSA) of 2006 amended Title § 47-3503(c) to include property receiving an abatement under provisions of the lower income homeownership program in the District's residential tax credit program. This amendment applied retroactively to Tax Year (TY) 2002. In practical terms, Subtitle I(I) reduced the real property tax liability for homeowners exiting the lower income program at any time from TY 2002 and forward by calculating property tax as if the property had been subject to the homestead deduction and tax cap during the five-year abatement program.

The proposed legislation would amend Chapter 35 of Title 47 of the District of Columbia Official Code by adding a new paragraph to Title § 47-3503(c). Specifically, the proposed legislation would limit the provisions of Subtitle I(I) of the FY 2007 BSA to TY 2007 and forward, would clarify that no credit would be allowed prior to TY 2007, and that any tax credit claimed for TY 2007 would be applied in TY 2008 and thereafter. Thus, the proposed new legislation would shift the applicability date of Subtitle I(I) of the FY 2007 BSA from TY 2002 to TY 2007 and delay the implementation from TY 2007 to TY 2008.

Financial Plan Impact

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 would result in reduced revenue to the District of Columbia of \$4.99 million in FY 2008 and \$22.12 million in the FY 2008 through FY 2011 period, as indicated in the table below. In addition to the revenue reductions associated with the proposed legislation, the Office of Tax and Revenue (OTR) would require an additional full-time equivalent (FTE) employee, with a cost of \$50,000 per year, and one-time programming changes at a cost of \$552,600.

Table 1. Impacts to the Financial Plan of the Lower Income Homeownership Cooperative Housing Association Re-Clarification Act of 2007 (\$ in millions)					
Item	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Reduced Revenue Collections	\$4.99	\$5.35	\$5.72	\$6.06	\$22.12
Unbudgeted Operational Costs	\$0.60	\$0.05	\$0.05	\$0.05	\$0.75
Net Annual Impact	\$5.59	\$5.40	\$5.77	\$6.11	\$22.87