

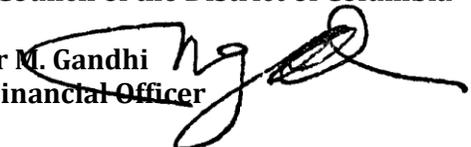
Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Philip H. Mendelson
Chair, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: July 10, 2012

SUBJECT: Fiscal Impact Statement – “Cogeneration Equipment Personal Property Tax Exemption Emergency Act of 2012”

REFERENCE: Draft Bill Shared with the Office of Revenue Analysis on July 9, 2012

Conclusion

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the proposed bill. Implementation of the bill will begin as of October 1, 2016; therefore the costs to implement the bill will occur outside the District’s four-year financial plan starting in FY 2017.

Background

The bill amends current law¹, on an emergency basis, to exempt cogeneration systems that produce both electric energy and steam or heat from the personal property tax starting in FY 2017. Cogeneration systems are subject to both the personal property tax and the real property tax based on a valuation of the equipment and the real property it sits upon. Generally 20 percent of the value is deemed real property, and the remaining amount is subject to personal property tax. The amendment would limit the cogeneration system personal property tax exemption to only systems that supply energy for development projects more than one million square feet in the District.

Financial Plan Impact

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the proposed legislation. The personal property tax exemption for cogeneration energy systems will not become effective until FY 2017. Therefore, there is no negative fiscal impact over the four-year financial plan.

¹ D.C. Official Code § 47-1508(a).

The Honorable Philip H. Mendelson

FIS: "Cogeneration Equipment Personal Property Tax Exemption Emergency Act of 2012" Draft bill shared with OCFO on July 9, 2012

However, there will be costs in the out years. For example, between FY 2017 and FY 2026, the bill is expected to reduce personal property tax collections by approximately \$5.6 million.

The foregone revenue estimate is based on the projection that one large development in the District will take advantage of the exemption during the financial plan period, based on plans for one large cogeneration system to be located at the Southwest Waterfront project. This project is expected to be completed by FY 2016.²

² The estimate is based on the assumption that the plant cost would be \$30 million, excluding the value of the property it sits on.