

**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: December 8, 2008

SUBJECT: Fiscal Impact Statement: "Real Property Tax Benefits Revision Act of 2008"

REFERENCE: Bill Number 17-070, Committee Print¹

Conclusion

Funds are sufficient in the FY 2009 through FY 2012 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 this loss cannot be estimated reliably.

Background

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

Under current District law, a homeowner receiving the homestead or senior citizen deduction is required to inform the District government within 30 days after the property no longer qualifies for the benefit. 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 such 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, which is applied to the first installment of the tax payment.

¹ Committee Print dated November 17, 2008. Received in ORA November 20, 2008.

The proposed legislation would apply an apportioned deduction to the real property applicable to the remaining half year in which the ownership interest was transferred to an ineligible owner (e.g., an investor instead of an owner-occupant claiming the property as the 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.

In addition, the proposed legislation would clarify that an eligible owner who is erroneously receiving a low-income or senior low-income tax deferral is responsible for the payment any deferred taxes (including interest and penalties).

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 2009 through FY 2012 budget and financial plan period.