

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
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: October 21, 2010

SUBJECT: Fiscal Impact Statement – “Real Property Tax Appeals Commission Establishment Act of 2010”

REFERENCE: Bill Number 18-530, Final Committee Print

Conclusion

Funds are not sufficient in the FY 2011 through FY 2014 proposed budget and financial plan to implement the provisions of the proposed legislation. Implementing the proposed legislation is estimated to cost approximately \$1.9 million in FY 2011 and \$7.6 million over the budget and financial plan period.

Background

The proposed legislation would amend current law by repealing D.C. Official Code § 47-825.01, which established the Board of Real Property Assessments and Appeals for the District of Columbia (“Board”), and replacing it with a new section that establishes a Real Property Tax Appeals Commission for the District of Columbia (“Commission”) to review real property assessment, classification and other appeals. The rest of the bill provides details on the composition and procedures of the Commission. The major changes from current law are summarized below.

- The Commission would be composed of 12 Commissioners that hold MAI or CAE certifications from the Appraisal Institute or the International Association of Assessing Officers. Currently the Board is to consist of 18 members.¹
- There would be no requirement that the Commissioners be D.C. residents.
- Commissioners would serve as District government employees and the Mayor would be required to create a separate salary schedule for Commissioners that would “provide for sufficient salaries.” Currently, Board members earn \$50 per hour.

¹ However, there are only 12 members and 1 chairperson currently serving on it.

- The bill specifies that other support to be provided by the Mayor includes a general counsel to provide legal advice.
- The Office of Tax and Revenue (OTR), and not just the petitioner, would be able to object to a 2-member panel.
- For appeal cases regarding a single-family home or condominium unit, or other real property assessed at \$3 million or less, a 1- Commissioner panel would be convened.
- The bill specifies that decisions on appeals would be published on the internet.
- The bill would provide that an appeal to the Commission would be considered consent of the real property owner to disclose tax information to the Commission.
- The bill would replace "the Mayor" with the "Office on Tax and Revenue" in a number of provisions, including requiring petitions for an administrative review to be filed on a form and in the manner prescribed by *OTR*, authorizing *OTR* to change a proposed assessed value or classification in accordance with a final determination made on a petition for administrative review and requiring the Commission to provide *OTR* a copy of the appeal and the date of the hearing at least 30 days prior to the hearing.
- If a hearing were re-scheduled, due dates imposed on *OTR* would be extended accordingly.
- The bill would allow the Commission to compel the attendance of witnesses, administer oaths and examine appellants under oath.
- In appealing to the Commission, the petitioner would attach *OTR*'s first level of appeal response to its petition. *OTR* responses to appeals would only be required to be filed by *OTR* with the Commission and made available to the petitioner if such responses were actually updated after the first level of appeal or if such responses were never sent as required.
- The bill would provide that the estimated market value determined by the Commission would be presumed to be correct and the owner would have to demonstrate by a preponderance of evidence otherwise.
- Lastly, the bill would allow *OTR* to appeal an assessed value or classification of a real property proposed by the Commission to the Superior Court of the District of Columbia.

Financial Plan Impact

Funds are not sufficient in the FY 2011 through FY 2014 proposed budget and financial plan to implement the provisions of the proposed legislation. Implementing the proposed legislation is estimated to cost approximately \$1.9 million in FY 2011 and \$7.6 million over the budget and financial plan period. While the majority of the provisions would only minimally change the real property assessment appeals hearing process and thus would not have any cost, the provisions requiring that the Commissioners hold MAI or CAE certifications and that they be provided sufficient salaries would be a substantial change with an equally substantial cost.

There are very few individuals that have MAI or CAE certifications. According to the Appraisal Institute's database, there are only 130 individuals with MAI certifications in the DC area.² Holders of CAE are assumed to be equally rare. Given the limited number of these individuals, they often enjoy lucrative careers in the private sector and according to industry experts, earn an annual salary of at least \$200,000. Assuming that the Commissioners would not be allowed to work as assessors in the District while on the Commission, the District would need to pay them their market

² Specifically, in D.C. and the area within 30 miles. In D.C. there are only 30.

annual salary, even though they may only work a total of three to five months per year.³ In addition, because they would be full-time employees of the District, they would also be given benefits. As a result, the total cost for Commissioners would be \$2.8 million.

However, there are some funds available to pay these costs: the FY 2011 budget contains \$344,306 for Board member compensation and an additional \$575,000 for implementation of reforms to the agency's real property assessment appeals hearing process.

Estimated Negative Fiscal Impact*					
FY 2011 - FY 201					
	FY 2011	FY 2012	FY 2013	FY 2014	Four-Year Total
Salary and Benefits for 12 Commissioners	\$2,808,000	\$2,808,000	\$2,808,000	\$2,808,000	\$11,232,000
Amount Budgeted	\$919,306	\$919,306	\$919,306	\$919,306	\$3,677,224
Net Negative Fiscal Impact	\$1,888,694	\$1,888,694	\$1,888,694	\$1,888,694	\$7,554,776

*Assumes salary, benefits and budgeted amounts remain constant.

Both the proposed new eligibility requirements for the Commissioners and the provision allowing OTR to appeal decisions made by the Commission could affect the outcomes of the appeals process, but the resulting net fiscal impact of these changes are unknown at this time.

³ In FY 2010, board members worked an average of 330 hours. In addition to reviewing assessments, members are required to meet at least four times annually for administrative meetings.