

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



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Kwame R. Brown
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: June 20, 2011

SUBJECT: Fiscal Impact Statement – “United House of Prayer Real Property Tax Exemption Act of 2011”

REFERENCE: B19-295, As Introduced

Conclusion

Funds are not sufficient in the proposed FY 2012 through FY 2015 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce real property tax collections by approximately \$33,821 in FY 2012 and approximately \$106,482 over the FY 2012 through FY 2015 financial plan period.

Background

The proposed legislation would amend the District of Columbia Official Code to exempt a portion of the real property owned by the United House of Prayer for All People (“UHOP”) and used for kitchen and feeding facilities, so long as the property were owned by UHOP and the remainder of the property were used for tax exempt purposes. The legislation would exempt a portion of the following five properties from real property taxation: 1) Lot 116, Square 448, located at 601 M Street, N.W.; 2) Lot 987, Square 5861, located at 1123 Howard Road, S.E.; 3) Lot 168, Square 1026, located at 1314 H Street, N.E.; 4) Lot 34, Square 5325, located at 215 51st Street, S.E.; and 5) Lot 109, Square 442, located at 1717 7th Street, N.W. The remaining portions of these properties are currently used for religious purposes and are tax exempt.

The tax exemption would apply as of March 1, 2011.

Financial Plan Impact

Funds are not sufficient in the proposed FY 2012 through FY 2015 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce real property tax collections by approximately \$33,821 in FY 2012 and approximately \$106,482 over the FY 2012 through FY 2015 financial plan period.

The Office of Tax and Revenue verified the operation of public cafeterias on two of the properties.¹ Under current law, properties used as kitchens and feeding facilities are considered taxable commercial property. The estimated taxes are based on the portion of the real property that is currently used as public feeding facilities. As such, the estimated fiscal impact only takes into consideration these two properties.

Estimated Fiscal Impact of United House of Prayer Act of 2011, FY 2012 - FY 2015					
	FY 2012	FY 2013⁴	FY 2014⁴	FY 2015⁴	Four Year Total
Estimated Tax Liability - Retroactive ^{1,2}	\$11,875	\$0	\$0	\$0	\$11,875
Estimated Tax Liability ¹	\$21,946	\$23,438	\$24,212	\$25,011	\$94,607
Total Negative Fiscal Impact³	\$33,821	\$23,438	\$24,212	\$25,011	\$106,482

Table Notes:

¹Includes estimated tax liability for a portion of Lot 987 in Square 5861 and Lot 116 in Square 448.

²The legislation is effective as of March 1, 2011, thus the FY 2012 estimate includes the taxes owed between March 1 through October 1, 2011.³The taxable portion of the properties is taxed at the commercial rate of \$1.65 per \$100 for the first \$3 million of assessed value and \$1.85 per \$100 of assessed value above \$3 million.

⁴Growth in FY 2013 through FY 2015 assessed values are based on projections for property tax values.

Finally, because the tax exemption authorized by the legislation does not expire, it would continue to have a fiscal impact beyond the four-year financial plan period. For example, in the ten years following FY 2015, the proposed legislation is expected to reduce the property tax collections by an additional \$300,308, bringing the total negative impact to approximately \$406,970. See table below.

Estimated Annual Reductions in Property Tax Collections, FY 2016 through FY 2025	
	Value of Tax Exemption
FY 2016	\$25,836
FY 2017	\$26,689
FY 2018	\$27,569
FY 2019	\$28,479
FY 2020	\$29,419
FY 2021	\$30,390

¹ Lot 116, Square 448, located at 601 M Street, N.W.; and Lot 987, Square 5861, located at 1123 Howard Road, S.E.

The Honorable Kwame R. Brown

FIS: B19-295 "United House of Prayer Real Property Tax Exemption Act of 2011," as Introduced

Estimated Annual Reductions in Property Tax Collections, FY 2016 through FY 2025	
	Value of Tax Exemption
FY 2022	\$31,393
FY 2023	\$32,429
FY 2024	\$33,499
FY 2025	\$34,604
Total	\$300,308