

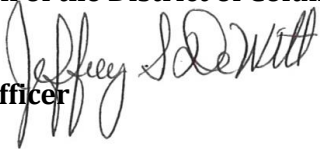
Government of the District of Columbia  
Office of the Chief Financial Officer



Jeffrey S. DeWitt  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeffrey S. DeWitt   
Chief Financial Officer

**DATE:** November 29, 2017

**SUBJECT:** Fiscal Impact Statement - East End Commercial Real Property Tax Rate  
Reduction Amendment Act of 2017

**REFERENCE:** Bill 22-43, Committee Print as shared with the Office of Revenue  
Analysis on November 29, 2017

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**Conclusion**

Funds are not sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bill. The bill is currently estimated to cost \$11.6 million in fiscal year 2018 and \$50 million over the four-year financial plan. The bill is subject to inclusion in an approved budget and financial plan.

**Background**

The bill lowers the commercial<sup>1</sup> real property tax rate on properties located east of the Anacostia River to the rate on residential<sup>2</sup> properties, unless the property is in a Tax Increment Finance area<sup>3</sup>. After ten years, the tax rate will annually increase by four cents per \$100 assessed value until it equals the overall commercial property tax rate. The properties affected include almost all commercial properties in wards 7 and 8.

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<sup>1</sup> Class 2 commercial and industrial real property tax rate is \$1.65 per \$100 of the first \$3 million of assessed value and \$1.85 per \$100 of the remaining assessed value.

<sup>2</sup> Class 1 residential real property tax rate is \$0.85 per \$100 assessed value.

<sup>3</sup> As defined in Section 2(31) of the Tax Increment Financing Authorization Act of 1998, effective September 11, 1998 (D.C. Law 12-143; D.C. Official Code § 2-1217.01(31)).

The Honorable Phil Mendelson

FIS: Bill 22-202, "East End Commercial Real Property Tax Rate Reduction Act of 2017," Committee Print as shared with the Office of Revenue Analysis on November 27, 2017.

### **Financial Plan Impact**

Funds are not sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bill. The bill is estimated to cost \$11.6 million in fiscal year 2018 and \$50 million over the four-year financial plan.

Currently, real property taxes collected on commercial properties in the affected area totals approximately \$23 million. The bill will reduce the annual collections to approximately \$11.4 million annually, leaving a revenue gap of approximately \$11.6 million in fiscal year 2018.

<b>Bill 22-43 – East End Commercial Real Property Tax Rate Reduction Act of 2017</b>					
<b>Fiscal Impact FY 2018 – FY 2021</b>					
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>Total</b>
Reduced real property tax revenues <sup>(a)</sup>	\$11,610	\$12,190	\$12,800	\$13,400	\$50,040

<sup>(a)</sup>1,159 properties will be affected by the new rate.