


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 30, 2016

SUBJECT: Fiscal Impact Statement – “First-Time Homebuyer Tax Benefit Amendment Act of 2016”

REFERENCE: Bill 21-417, Draft Committee Print as shared with the Office of Revenue Analysis on November 28, 2016

Conclusion

Funds are not sufficient in the fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill. The bill will cost \$11.3 million in fiscal year 2017 and \$51 million over the course of the four-year financial plan in reduced recordation tax revenue.

Background

The bill lowers the recordation tax rate to 0.725 percent for first-time homebuyers in the District beginning September 30, 2016. The rate is currently 1.1 percent for real property value up to \$400,000 and 1.45 percent for value over \$400,000.¹ The seller will continue to pay the transfer tax at current rates.

The bill defines a first-time homebuyer as an individual who has never owned property or an economic interest in a cooperative unit in the District. An individual who has separated or divorced and has not been conveyed ownership interest in a jointly owned principal residence will also be eligible. The homebuyer must provide a statement signed under oath, and attested to by an agent, stating that he or she has never owned real property in the District, and that he or she will maintain the property as his or her principal residence for at least five years.

The bill allows two or more homebuyers to pay the lower rate, provided all are first time homebuyers. It also allows guarantors of mortgages to pay the lower rate, provided the guarantor will not occupy the residence as a principle residence.

¹ D.C. Official Code § 42-1103(A)(a).

The Honorable Phil Mendelson

FIS: Bill 21-417, "First-Time Homebuyer Tax Benefit Amendment Act of 2016," Draft Committee Print as shared with the Office of Revenue Analysis on November 28, 2016.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill. The bill will cost \$11.3 million in fiscal year 2017 and \$51 million over the course of the four-year financial plan in reduced recordation tax revenue.² The Recorder of Deeds can implement the bill within current resources. However, if additional enforcement is required beyond processing a signed affidavit as outlined in the bill, the Recorder of Deeds may require additional personnel to manage the program.

Fiscal Impact of Bill 21-417					
First Time Homebuyer Tax Benefit Amendment Act of 2016					
FY 2017 – FY 2020					
	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL
Deed Recordation Revenue Reduction	\$11,340,000	\$12,270,000	\$13,190,000	\$14,240,000	\$51,040,000

² This assumption is based on 2013 American Household Survey data which showed that 40 percent of all homes owned in the DC metropolitan area are owned by first time homebuyers.