

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



Jeff Dewitt
Chief Financial Officer

MEMORANDUM

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

FROM: Jeff Dewitt
Chief Financial Officer *Jeffrey S Dewitt*

DATE: May 1, 2014

SUBJECT: Fiscal Impact Statement – Meridian International Center Real Property Tax Relief Act of 2013

REFERENCE: Bill 20-485, As Introduced

Conclusion

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. The bill is estimated to reduce real property tax collections by approximately \$1.27 million in FY 2014 and \$2.97 million over the FY 2014 through FY 2017 budget and financial plan period.

Background

The bill exempts real property owned by the Meridian International Center (the “Meridian”) from all taxation. This exemption applies to 41 parking spaces¹ and three additional properties² owned by the Meridian. The Office of Tax and Revenue began assessing real property taxes on the parking spaces in 2006 and the other three properties in 2013. Prior to 2006, all property owned by the Meridian had been tax exempt since 1960 when it was first founded.

Financial Plan Impact

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. The bill is estimated to reduce real property tax collections by approximately \$1.27 million in FY 2014 and \$2.97 million over the FY 2014 through FY 2017 budget and financial plan. Its implementation is subject to appropriation in an approved budget and financial plan.

While the bill states the property is exempt from all taxation, this fiscal impact statement estimates the cost of providing a real property tax exemption, as this would be the applicable tax. The bill

¹ The bill exempts Lots 2369-2401, 2413-2417, 2423, 2441, and 2442 in Square 2567.

² The bill exempts Lots 806, 808, and 809 in Square 2568.

The Honorable Phil Mendelson

FIS: Bill 20-485, "Meridian International Center Real Property Tax Relief Act of 2013," As Introduced

forgives \$733,690 in real property taxes, including penalties and interest, assessed for the above-mentioned properties for tax years 2006 through 2013. It is assumed that this amount will be forgiven and any payments made will be refunded in FY 2014. Each year thereafter, the average annual tax due on all the properties is approximately \$560,000, and this is the amount the District will forgo in real property tax collections.³ The detailed cost estimate is provided in the table below.

Estimated Fiscal Impact for Bill 20-485, Meridian International Center Real Property Tax Relief Act of 2013					
	FY 2014	FY 2015	FY 2016	FY 2017	4-Year Total
Total real property taxes owed for tax years 2006 - 2013 ^{a, b}	\$733,690	-	-	-	\$733,690
Real property taxes owed in each fiscal year ^{c, d}	\$537,729	\$551,570	\$567,013	\$585,746	\$2,242,058
Total negative fiscal impact	\$1,271,418	\$551,570	\$567,013	\$585,746	\$2,975,748

Table Notes:

^a Total includes penalties and interest.

^b Lots in Square 2567 were assessed taxes starting in 2006, and Lots 806, 808, and 809 in Square 2568 were assessed taxes starting in 2013.

^c All lots in Square 2567 are taxed at the Class 2 rate of \$0.85 per \$100 of assessed value. All lots in Square 2568 are taxed at the Class 1 rate of \$1.65 per \$100 of assessed value for the first \$3 million and then \$1.85 per \$100 of assessed value over \$3 million.

^d Total taxes owed in FY 2014 was provided by OTR. It is assumed the amount owed in subsequent years increases at the same rate of all real property in the District. See footnote 3 for more details.

³ This is the average of the estimated property taxes due for FY 2014 through FY 2017. The amount due in FY 2014 was provided by OTR. It is assumed the amount due in the out years increases at the same estimated growth rate for all real property in the District. These growth rates are determined by the Office of Revenue Analysis and published as part of the quarterly revenue estimates. The December 2013 estimate is available here:

<http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/Revenue%20Estimate%20Letter%20122013.pdf>