MEMORANDUM

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

FROM: Jeffrey S. DeWitt
       Chief Financial Officer

DATE: February 13, 2019

SUBJECT: Fiscal Impact Statement – Homestead Exemption Increase Amendment Act of 2019

REFERENCE: Bill 23-79, Draft Committee Print shared with the Office of Revenue Analysis on February 8, 2019

Conclusion

Funds are not sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill will reduce real property tax revenues by $37.2 million beginning in fiscal year 2020 and $115 million over the four-year financial plan.

Background

The homestead deduction\(^1\) provides real property tax relief on residential property by reducing the calculation of a property's taxable assessed value. To qualify for the deduction, the property must be the primary residence of the owner. Under current law, the fiscal year 2019 deduction is $74,850 and increases by cost of living adjustment\(^2\) annually.

The bill increases the deduction to $125,000 beginning October 1, 2019 with annual cost of living adjustments resuming October 1, 2020.

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\(^1\) D.C. Official Code § 47–850.
Financial Plan Impact

Funds are not sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill will reduce real property tax revenues by $37.2 million beginning in fiscal year 2020 and $115 million over the four-year financial plan.

<table>
<thead>
<tr>
<th>Homestead Exemption Increase Amendment Act of 2019</th>
<th>Fiscal Year 2019 – Fiscal Year 2022 (in $000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced real property tax revenue</td>
<td>FY 2019(a)</td>
</tr>
<tr>
<td></td>
<td>$0</td>
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</tbody>
</table>

(a) The homestead deduction change does not begin until fiscal year 2020.