

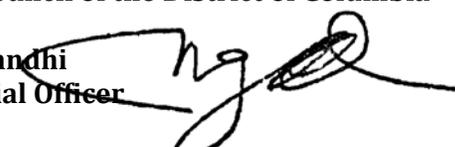
Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

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

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: October 7, 2013

SUBJECT: Fiscal Impact Statement – “Industrial Revenue Bond Security Interest Instrument Recordation Tax Exemption Act of 2013”

REFERENCE: Draft Bill shared with the Office of Revenue Analysis on September 4, 2013

Conclusion

Funds are sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill.

Background

The bill will exempt from taxation the recordation of a security instrument executed by a borrower in connection with a loan under the District’s Industrial Revenue Bond program. The majority of entities that take advantage of IRB’s are tax-exempt, and therefore not subject to recordation tax under current law. There are a few commercial and nonprofit entities that are not exempt from real property taxes and therefore would be subject to recordation tax; however, they are not taxed because the District’s practice has been to exempt these instruments, regardless of the underlying tax status of the entity, from recordation.¹

Financial Plan Impact

Funds are sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. Because the District’s current practice is to exempt these types of security instruments from recordation tax, codifying this in the law will not have a negative revenue impact on the District’s budget and financial plan.

¹ The practice has been to exempt these transactions from recordation taxes because the security instruments are unified deeds of trust and therefore involve the financial interest of both the borrowing entity and the District Government. The District’s financial interest is a small share of the total bond issuance.