

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: February 27, 2003

SUBJECT: Fiscal Impact Statement: "CareFirst, Inc. Economic Assistance Act of 2003"

REFERENCE: Draft Proposed Bill

Conclusion

Funds are not sufficient in the proposed FY 2003 through FY 2006 budget and financial plan to enact the proposed CareFirst, Inc. Economic Assistance Act of 2003. **The proposed legislation would cost \$2.01 million in FY 2003 and \$2.14 million between FY 2003 and FY 2006.**

Background

The CareFirst, Inc. Economic Assistance Act of 2003 would provide a tax exemption on materials used in the construction of the CareFirst Headquarters in NE and a tax credit for qualified employees that live in the District.

Financial Plan Impact

The proposed legislation would cost \$2.01 million in FY 2003 and \$2.14 million between FY 2003 and FY 2006. There are two types of tax assistance provided in this act - a construction materials tax exemption and a tax credit for qualified employees.

The exemption on gross receipts from the sales of tangible personal property to be incorporated or consumed in the course of construction of the CareFirst project is capped at \$2 million. Because the new headquarters building at 840 First St, NE will complete construction by September 30, 2003, the entire impact of the \$2 million tax exemption will occur during FY 2003. The OCFO's Compliance Administration will monitor

construction activity, to ensure that tax exemptions do not continue past the end of construction. CareFirst would be required to pay tax on construction related materials at the time of purchase and obtain a post-construction rebate based on receipts and statute.

CareFirst would also receive a tax credit for hiring new full-time District residents over and above the current number of District resident employees. The credit would be \$1000 per new employee per year for a maximum of five years; the maximum aggregate tax credit is \$1 million. The bill also includes a certification requirement that CareFirst file annually with OCFO in order to remain eligible for the tax credits.

The following table shows the fiscal impact of the CareFirst, Inc. Economic Assistance Act of 2003 on the District.

Estimated Cost to the Financial Plan					
(\$ in millions)					
Item	FY 2003	FY 2004	FY 2005	FY 2006	Total
Construction Tax Abatement	\$2.00	\$0.00	\$0.00	\$0.00	\$2.00
Qualified Employee Tax Credit	\$0.01	\$0.03	\$0.05	\$0.07	\$0.15
Net Annual Impact	\$2.01	\$0.03	\$0.05	\$0.06	\$2.14