

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 [signature]
Chief Financial Officer

DATE: January 5, 2004

SUBJECT: Fiscal Impact Statement (Revised): "Owner-Occupant
Residential Tax Credit Act of 2003"

REFERENCE: Bill Number 15-303

Conclusion

No funds are budgeted in the FY 2004 through FY 2007 budget and financial plan to implement the proposed legislation. However, improvements in District revenue forecasts could be used to support the proposed tax rate reduction, if the Mayor and the Council were to decide to do so. While additional Congressional budget authority is needed to increase expenditures no approvals are needed to reduce tax burdens.

Background

The proposed legislation makes owner-occupied property eligible for a new tax credit that will equal the difference between the current property tax liability and 110 percent of the previous year's tax liability. Eligibility is triggered by the conditions for eligibility for the existing Homestead Deduction Program. To be eligible for the credit all properties must be within the District of Columbia and the owners must file a tax return with the City.

Financial Plan Impact

No funds are budgeted in the FY 2004 through FY 2007 budget and financial plan to implement the proposed legislation but recent changes to District revenue estimates could support the proposed tax reduction.

The table in Figure 1 presents the projected reductions in tax burdens when the tax cap is reduced from the 25 percent limitation in current law to the 10 percent limitation on increases to real property tax proposed in the bill.

Figure 1.

Impact on Local General Fund Revenue (\$ in millions)				
FY 2004	FY 2005	FY 2006	FY 2007	4 -Year Total
\$23.7	\$27.6	\$22.1	\$16.6	\$90.0

Note: This fiscal impact statement supercedes the October 3, 2003 and the November 3, 2003 statements previously transmitted to the Council.