

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

Natwar M. Gandhi
Chief Financial Officer

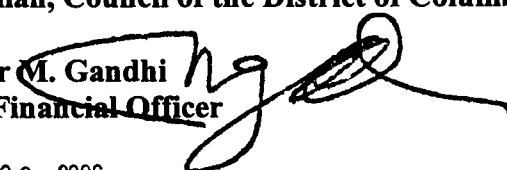


2006 OCT 23 PM 1:09

CHAIRMAN CROPP

MEMORANDUM

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

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: OCT 23 2006

SUBJECT: Fiscal Impact Statement: "Homeowners Association Common Area Real Property Tax Exemption and Relief Act of 2006"

REFERENCE: Bill Number 16-834 as Introduced

Conclusion

The proposed legislation would result in a negative fiscal impact on the local General Fund of \$131,000 in FY 2007 and an overall impact of \$359,000 for FY 2007 through FY 2010.

Background

The proposed legislation would amend Chapter 8 of Title 47 of D.C. Official Code to exempt from taxation real property that is part of a planned unit development or within the jurisdiction of a property owners association and is restricted to use as a common area or open space. In addition to providing a property tax exemption, this proposal would amend D.C. Official Code §42-1102 and §47-902 to exempt these same common area parcels or open space from deed recordation and transfer taxes. The proposed legislation would be retroactive to October 1, 2005, requiring forgiveness or a refund of any real property taxes, deed recordation, or transfer taxes owed or paid on qualifying common area or open space properties.

Financial Plan Impact

It is estimated that the proposed property tax exemption will cost an estimated \$116,000 in FY 2007 (including a refund of \$56,000 for Tax Year 2006) and \$320,000 in FY 2007 through FY 2010. The Office of Tax and Revenue (OTR) will require additional resources in order to

implement the provisions of the proposed legislation. The table in Figure 1 illustrates the estimated revenue impact on the District's financial plan and the operational costs associated with implementing the legislation. In total, the proposed legislation would result in a negative fiscal impact on the local General Fund of \$131,000 in FY 2007 and an overall impact of \$359,000 for FY 2007 through FY 2010.

Figure 1.

Summary Table Estimated Impacts to the Financial Plan (S in 000s)					
Item	FY 2007	FY 2008	FY 2009	FY 2010	4 - Year Total
Reduced Revenue Collections	\$116 ¹	\$63	\$67	\$74	\$320
Unbudgeted Operational Burden	\$15	\$8	\$8	\$8	\$39
Net Annual Impact	\$131	\$71	\$75	\$82	\$359

¹ Includes refund of \$56,000 for Tax Year 2006