

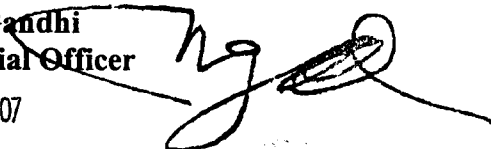
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chair, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: OCT -1 2007

SUBJECT: Fiscal Impact Statement: "New E-Conomy Transformation Act of 2007"

REFERENCE: Bill Number 17-141

Conclusion

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the provisions of the proposed legislation.

Background

Current law excludes qualified high technology companies (QHTCs) operating in high technology development zones (HTDZs) from the District's corporation income tax for a period of five years from the time a corporation qualifies on the basis of activity and location. Current law also abates real property tax increases arising from increased assessments for a period of five years for the buildings in which the QHTCs are conducting business in the HTDZs

Bill 17-141 extends the five-year exclusions and abatements to 10-year exclusions and abatements, resulting in \$15 million in foregone revenues over the next four years, because the tax liabilities of those companies now taking advantage of the exclusions and abatements would have increased upon expiration.

**Table 1. Projected Foregone Revenues from the
New E-Conomy Transformation Act of 2007**
(\$ in millions)

Item	FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
Income Tax Reductions	-\$0.8	-\$1.8	-\$2.4	-\$5.9	-\$10.9
Real Property Tax Reductions	-\$0.8	-\$0.9	-\$0.9	-\$1.5	-\$4.1
Net Annual Revenue Foregone	-\$1.6	-\$2.7	-\$3.3	-\$7.4	-\$15.0

Financial Plan Impact

Revenue projections for the FY 2008 – FY 2011 budget and financial plan were not adjusted for the scheduled expiration of the current law exclusions and abatements. Accordingly, no adjustment to the financial plan would be required for the proposed five-year extensions.