

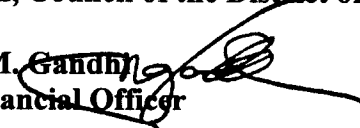
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

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

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: June 26, 2008

SUBJECT: Fiscal Impact Statement: "National Law Enforcement Museum Sales Tax Credit Act of 2008"

REFERENCE: Unnumbered Draft

Conclusion

Funds are sufficient in the FY 2008 budget and the proposed FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation.

Background

On November 9, 2000, the U.S. Congress enacted the "National Law Enforcement Museum Act" (PL 106-492), which authorized the construction of a National Law Enforcement Museum (the "Museum") on federal land (specifically the land below E St, NW on U.S. Reservation Number 7 between the existing National Law Enforcement Memorial and the U.S. Court of Appeals for the Armed Services).

The proposed legislation authorizes a credit against the sales and use taxes to the Museum's non-profit developer, the National Law Enforcement Officers Memorial Fund ("NLEOMF"), and the Museum's vendors. The amount of the sales tax credit will not exceed the amount necessary to pay principal and interest for one year on a loan of \$5,500,000 at an interest rate of 8 percent. The credit will be in place for 20 years, beginning in the year that the Museum receives its Certificate of Occupancy, which is expected to be FY 2012. The final amount of the annual credit will be determined after the developer issues debt to finance the Museum's construction, but is unlikely to exceed approximately \$720,000 annually.

A sales tax credit will always result in foregone revenue. A new project such as the Museum may result in new sales tax revenues that are not reflected in the OCFO's quarterly revenue estimates, and thus in the financial plan. The assumption in this fiscal impact statement is that none of the foregone revenues are included in the current revenue baseline. For this reason, there is no negative fiscal effect estimated for this credit. The Office of the Chief Financial Officer is currently reviewing the interaction of sales tax credits with revenue estimates to determine the best way to reflect the impact, if any, on the financial plan of such credits.

For accounting purposes, the revenue loss will be captured by inclusion in the TIF entry on the District's revenue estimates. In addition, monthly cash reporting will also reflect the allocation of this sales tax credit.

Financial Plan Impact

Funds are sufficient in the FY 2008 budget and the proposed FY 2009 through FY 2012 budget and financial plan to implement the provisions of the proposed legislation.