

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



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Kwame R. Brown  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** October 4, 2011

**SUBJECT:** Fiscal Impact Statement – “New Issue Bond Program Tax Exemption Amendment Act of 2011”

**REFERENCE:** Second Draft Amendment, shared with the OCFO on October 3, 2011

---

**Conclusion**

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the proposed amendment.

**Background**

The proposed legislation amends the New Issue Bond Program Tax Exemption Amendment Act of 2011 (Bill 19-20) to clarify that the exemption would apply as of January 1, 2009.

Bill 19-20 would exempt<sup>1</sup> deeds or deeds of trust, and other security instruments (collectively “security instruments”) for conveying, vesting, granting, or assigning title to, an interest in, a security interest in, or an economic interest in real property that is to be developed into affordable housing and is funded in whole or in part by the issuance of District of Columbia Housing Finance Agency (“DCHFA”) bonds pursuant to the U.S. Department of Treasury’s New Issuance Bond Program (“NIBP”).

The NIBP is a time-limited program intended to help state and local housing finance agencies (HFAs), like DCHFA, by issuing low-interest rate bonds to these entities to support the construction of affordable housing. The NIBP is a two-year program that started in 2010 and is set to expire at the end of 2011. Under the program, the housing providers that borrow money from HFAs under the NIBP are required to insure or “credit enhance” the loans with Fannie Mae or Freddie Mac. In

---

<sup>1</sup> The bill amends the District of Columbia Real Estate Deed Recordation Tax Act of 1962, effective March 2, 1962 (Pub. L. 87-408, title III; D.C. Official Code § 42-1102).

The Honorable Kwame R. Brown

FIS: Draft "New Issue Bond Program Tax Exemption Amendment Act of 2011," as Shared with the OCFO.

some instances, Fannie Mae and Freddie Mac choose to also insure the loan through a private insurer. When this occurs, the loan is then subject to the District's recordation tax, as current law does not exempt security instruments of for-profit organizations from recordation taxes.

### **Financial Plan Impact**

Funds are sufficient in the proposed FY 2012 through FY 2015 budget and financial plan to implement the proposed amendment.

The estimated cost of implementing Bill 19-20 is a one-time cost of approximately \$413,004 in Fiscal 2012.<sup>2</sup> Clarifying the applicability date of the tax exemption would not result in additional costs.

---

<sup>2</sup> See Fiscal Impact Statement issued by the Office of the Chief Financial Officer on June 17, 2011. Available at: [http://app.cfo.dc.gov/services/fiscal\\_impact/pdf/spring09/FINAL-FIS-19-20-New-Issue-Bond-Program-Tax-Exemption-Act-of-2011.pdf](http://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/FINAL-FIS-19-20-New-Issue-Bond-Program-Tax-Exemption-Act-of-2011.pdf)