Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: **The Honorable Phil Mendelson**
Chairman, Council of the District of Columbia

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

DATE: **March 19, 2013**

SUBJECT: **Fiscal Impact Statement – "GALA Hispanic Theatre Real Property Tax Abatement Act of 2013"**

REFERENCE: **Bill 20-55, As Introduced**

Conclusion

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The proposed bill will reduce real property tax collections by $113,612 in FY 2013 and $251,058 over the FY 2013 through FY 2016 budget and financial plan period.

Background

The bill abates the real property taxes owed on the portion of Lot 79 in Square 2837 that is leased by the GALA Hispanic Theatre ("GALA"), so long as GALA continues to lease the space and it is used for producing and staging live theatre. Because GALA leases and does not own the space, they not qualify for the real property tax exemption provided under current law to nonprofits organizations producing live theatre that *own* real property.[1] Under the terms of its lease, GALA pays the property owner 8.43 percent of the total property taxes levied on the property. Specifically, the bill abates the amount of property tax due in excess of the levied for Tax Year 2005. This abatement will take effect retroactively, as of Tax Year 2011.

Financial Plan Impact

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The bill reduces real property tax collections by $113,612 in FY 2013 and $251,058 over the FY 2013 through FY 2016 budget and financial plan period. The estimated cost is detailed in the table below.

[1] D.C. Official Code § 47-1002.

Estimated Fiscal Impact of B20-55, GALA Hispanic Theatre Real Property Tax Abatement Act of 2013, FY 2013 - FY 2016					
	FY 2013	**FY 2014**	**FY 2015**	**FY 2016**	**Four Year Total**
Real Property Tax Abatement[a]	$42,949	$44,458	$45,804	$47,185	$180,396
FY 2011 - FY 2012 Real Property Tax Refund	$70,662				$70,662
Total	**$113,612**	**$44,458**	**$45,804**	**$47,185**	**$251,058**

[a] Abatement is equal to the difference between the amount of GALA's annual real property taxes owed and their 2005 level of taxation of $7,320.

Additionally because the real property exemption is for an indefinite period of time, it will continue to have a cost outside of the four-year financial plan. The bill is estimated to reduce real property tax collections by an additional $556,199 between FY 2017 and FY 2026.

Estimated Revenue Reduction, FY 2017 – FY 2026	
Fiscal Year	**Estimated Annual Abatement**
2017	$48,602
2018	$50,056
2019	$51,548
2020	$53,078
2021	$54,649
2022	$56,260
2023	$57,913
2024	$59,609
2025	$61,349
2026	$63,135
Total	**$556,199**