


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



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: September 17, 2013

SUBJECT: Fiscal Impact Statement – “District Tax Sale Emergency Act of 2013”

REFERENCE: Draft Bill shared with the Office of Revenue Analysis on September 9, 2013

Conclusion

Funds are sufficient in the FY 2013 budget and the FY 2014 through FY 2017 budget and financial plan to implement the bill.

Background

The bill, on an emergency basis, will make the following changes to the District’s annual real property tax sale:

- Prohibit the sale of real property tax liens on properties owned by a D.C. resident who is a veteran of the United States Armed Forces or senior or disabled citizens receiving a real property tax deduction¹ as of July 2013;
- Require any amount the purchaser paid above the total lien amount at the time of sale to be paid to the homeowner if the property is foreclosed on. Under current law, the District returns the surplus bid to the tax lien purchaser;
- Cap attorney’s fees charged by the tax lien purchaser at \$1,500; and
- Establish a \$2,000 threshold of taxes owed for a real property to go to tax sale.

¹ D.C. Official Code § 47-863. Current law provides homeowners who are disabled or over 65 years old and have an annual income less than \$100,000 with a 50 percent reduction in their taxable assessment.

Financial Plan Impact

Funds are sufficient in the FY 2013 budget and the FY 2014 through FY 2017 budget and financial plan to implement the bill. The emergency legislation will be in effect for 90 days and the temporary 225 days.

The requirements in the legislation will have not have a negative fiscal impact on the District's budget and financial plan. Most of the reforms proposed in this legislation will be accomplished through the reforms recently announced by the Mayor and the Office of the Chief Financial Officer (OCFO). As of September 13, 2013,² the Mayor and the OCFO announced plans to make the following reforms to the District's tax sale:

- Cancel the July 2013 tax-lien sales of properties of primary residences;
- Cap attorney's fees at \$2,200;
- Ban the sale of liens of less than \$2,500 on primary residences; and
- Create an ombudsman to work with distressed homeowners.

Finally, the requirement in the bill to direct any surplus bid³ to the original homeowner at the time of foreclosure would not have a negative fiscal impact. As noted above, the surplus bid is returned to the lien purchaser either when the property is foreclosed on or when the lien purchase expires.⁴ While this requirement may have the effect of reducing the amount purchasers bid over the tax lien amount, it is not expected to have any significant impact on the participation in the tax sale.

² "Mayor Gray and CFO Gandhi Order Cancellation of 2013 Tax-Lien Sales of District Homeowners' Properties," September 13, 2013. Available at: <http://mayor.dc.gov/release/mayor-gray-and-cfo-gandhi-order-cancellation-2013-tax-lien-sales-district-homeowners%E2%80%99>

³ The surplus is the amount of the winning bid that is in excess of the total tax lien purchased.

⁴ If a lien purchaser does not move to foreclose on a property, the certificate of sale expires after one year.