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

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Philip H. Mendelson** **Chair, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** **Chief Financial Officer**
DATE:	**July 5, 2012**
SUBJECT:	**Fiscal Impact Statement – "Meridian Public Charter School-Harrison Campus Property Tax Exemption Emergency Act of 2012"**
REFERENCE:	**Draft Bill as Shared with the Office of Revenue Analysis on July 3, 2012**

Conclusion

Funds are sufficient in the FY 2012 budget and the FY 2013 through FY 2016 budget and financial plan to implement the bill.

Background

The bill extends, on an emergency basis, tax exemptions authorized under current law[1] for the Harrison School Campus, located at 2120 13th Street, NW (Lot 814, Square 235).[2] The tax exemptions authorized under current law are set to expire on July 25, 2012. This bill will ensure these exemptions are extended for another 60 days and are retroactive to July 26, 2012. There is also legislation[3] currently under consideration by the D.C. Council, which if approved, will make these tax exemptions permanent.

The bill exempts the school from real property and possessory interest taxation so long as it is owned, or occupied under a ground lease, by Meridian Public Charter School or Meridian-Harrison QALICB, Inc. It also exempts the property from recordation and transfer taxation if any portion of it were transferred between Meridian PCS and Meridian-Harrison QALICB, Inc., or a deed of trust with

[1] https://mpcs.learningstation.com/school
[2] "The Meridian Public Charter School-Harrison Campus Property Tax Exemption Temporary Amendment Act of 2011," effective December 13, 2011 (D.C. Law 19-72; D.C. Official Code § 47-1087).
[3] Bill 19-577, "The Meridian Public Charter School-Harrison Campus Property Tax Exemption Amendment Act of 2012" was introduced November 8, 2011 and marked up by the Committee on Finance and Revenue on June 29, 2012.

respect to the real property granted by Meridian PCS or Meridian-Harrison QALICB, Inc. to a third party lender.

The property is the former Harrison School. It is owned by the District of Columbia and is exempt from real property taxation. The Meridian PCS plans will operate a charter school on this property after renovations. The District of Columbia Public Schools has executed a ground lease for the property with Meridian PCS, allowing Meridian PCS to assign the ground lease to a Qualified Active Low-Income Community Business (QALICB). The Meridian PCS will occupy the property under a leaseback arrangement. The Meridian PCS formed the QALICB to take advantage of the New Markets Tax Credit program[4] for financing the planned renovation of the Harrison School Campus.

Financial Plan Impact

Funds are sufficient in the FY 2012 budget and the FY 2013 through FY 2016 budget and financial plan to implement the proposed legislation. Under current law, DC charter schools are exempt from real property, possessory interest, and recordation taxes.[5]

The bill will have no impact on the District's revenue collection, as, according to the Office of Tax and Revenue, the proposed transaction is not expected to affect the property's tax exempt status. Furthermore, this bill extends tax exemptions currently authorized on a temporary basis.

[4] http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5

[5] D.C. Official Code § 38-1802.10(b) exempts public charter schools from D.C. real property and sales tax. D.C. Official Code § 42-1102(3) states generally that the recordation tax does not apply to deeds to property acquired by an institution entitled to a real property tax exemption under D. C. Official Code § 47-1002(10), which generally applies to non-profit schools embracing the generally recognized relationship of teacher and student.