


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: September 30, 2011

SUBJECT: Fiscal Impact Statement – “Recordation Tax on Refinances of Security Interest Instruments Clarification Act of 2011”

REFERENCE: Bill 19-371, As Introduced

Conclusion

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

Background

The purpose of the proposed legislation is to clarify¹ that refinances of security interest instruments shall be taxed only on the amount of new debt that exceeds existing debt so long as that tax was paid on the existing debt or it was exempted from the recordation tax.

A security interest instrument is what allows a creditor to enforce its rights against collateral in case the debtor defaults on the loan. It could be a mortgage, a deed of trust, or any other assignment of interest that creates an encumbrance on the real property.

The proposed legislation would also provide that modifications to existing financing agreements shall be taxed as refinances unless otherwise exempt.

These clarifications would affirm the present interpretation and implementation of that law.

¹ By amending District of Columbia Deed Recordation Tax Act, approved March 2, 1962 (Pub. L. 87-408; D.C. Official Code § 42-1103(a)(3)).

The Honorable Kwame R. Brown

FIS: B19-371 "Recordation Tax on Refinances of Security Interest Instruments Clarification Act of 2011," as Introduced.

Financial Plan Impact

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the proposed legislation. The proposed legislation does not have an impact on the District's budget and financial plan, but clarifies existing law, to affirm current practices.