

REAL PROPERTY TAX ADMINISTRATION

The Office of Tax and Revenue (OTR) Real Property Tax Administration assesses annually all properties within the District of Columbia, levies and collects real property, recordation and transfer taxes, and conducts the annual tax sale of delinquent property, through the following divisions:

The Assessment Division - assesses/values all real property for *ad valorem* tax purposes, conducts assessment appeals, maintains the assessment roll and parcel maps, and administers the real property exemption laws.

The Assessment Services Division – semiannually levies and collects real property taxes, conducts the annual real property tax sale, administers tax relief programs, and collects other taxes and fees as required by law.

The Recorder of Deeds Division - serves as the official repository of land records for the District of Columbia, accepts for recordation various instruments (including deeds), and levies and collects recordation and transfer taxes.

Assessments

What is an assessment? An assessment is the estimated market value of real property for tax purposes. The District of Columbia is required to assess real property at 100% of its estimated market value.

Cooperatives are assessed at 65% of the value of the owners' stock minus the value of non-real property assets, such as cash reserves.

What is estimated market value? The term “estimated market value” means 100% of the most probable price at which a particular piece of real property, if exposed for sale in the open market with a reasonable time for the seller to find a purchaser, would be expected to transfer under prevailing market conditions between parties who have knowledge of the uses to which the property may be put, both seeking to maximize their gains and neither being in a position to take advantage of the exigencies of the other. DC Code § 47-802(4).

What is an *ad valorem* tax? *Ad valorem* means “according to value.” An *ad valorem* tax is a tax assessed on real property based on the value of that real property.

When is my property assessed? Real property is assessed annually as of January 1. The assessment is the basis for calculating taxes for the subsequent tax year.

Over 202,000 taxable and exempt real properties have been reassessed to reflect current, estimated market value. The District's occupied-residential real property tax rate for tax year 2016 continues to be the lowest in the Washington metropolitan area at 85 cents per \$100 of assessed value.

When does the District notify property owners of assessments? Property owners are notified by mail on or before the March 1st preceding the tax year, as required by DC Code § 47-824.

How is my real property assessed? The Assessment Division uses the mass appraisal process, based on real property data, using standard methods and allowing for statistical testing. The process incorporates one or more of the following approaches:

- Sales Comparison Approach
- Cost Approach
- Income Approach

Appeals Process

Why is there an appeal process? The appeal process provides an opportunity for the property owner to question the assessment determined by the Assessment Division. The process begins at the 1st Level-Administrative Appeal. Property owners should base their appeal on any of the following criteria:

1. Valuation
2. Tax classification
3. Property damage or condition
4. Errors in property records
5. Unequal values of properties of the same size and use in the same area.

Include any facts, appraisals, photographs, sales data, and income-expense statements that support your appeal.

How do I file my appeal? You must file your appeal on or before **April 1**. You may file your Appeal Application electronically or download the paper version from www.otr.cfo.dc.gov, pick one up at your local fire station or library, or call (202) 727-4TAX (4829) to request one by mail. Send your application and documents to:

Office of Tax and Revenue
Attention: Real Property Appeals Section
PO Box 71440
Washington, DC 20024

If an agent will represent you, sign and attach a Letter of Agent Authorization. (Forms are available on our Web site).

1st Level—Administrative Appeal: This is an informal process. The appraiser will review your statements and documents, compare them with OTR's records, and make a change in assessment, if warranted. You should receive the appraiser's Notice of Final Determination of Assessment by August 1.

2nd Level—Real Property Tax Appeals Commission (RPTAC): If you are not satisfied with the 1st Level-Administrative Appeal decision, you may appeal to RPTAC. You must file your appeal within **45** days of the date of the Notice of Final Determination of Assessment, which you will receive from OTR.

3rd Level—DC Superior Court: - If you are not satisfied with the decision of RPTAC, you may file a complaint with the Superior Court of the District of Columbia by September 30 of the tax year.

Recording Documents

Where is the Recorder of Deeds located and what are the hours of operation? 1101 4th St SW, Suite W500. The Recorder of Deeds' hours of operation are from 8:30 AM to 3:00 PM for purposes of recording and from 8:30 AM to 4:30 PM for all other services.

Why does a real property tax bill reflect the previous owner's name? A real property tax bill may reflect the previous owner's name because the transfer occurred during our billing cycle. As a result, the ownership information has not been updated in time for the billing. You may pay the bill that you received with the prior owner's name. The payment is applied to the real property tax account and not to the property owner. The ownership should be updated by our next billing cycle. You may check our Web site at www.taxpayerservicecenter.com to ensure the ownership change has occurred prior to the next billing.

When will my lower income homeownership tax abatement begin? If your application was filed timely with the Recorder of Deeds, the tax abatement will begin the next fiscal year, *i.e.* the subsequent October 1st.

What are the filing fees to record documents in the land records? The tax rates for recording a deed to residential property in the amount of \$400,000 or greater are 1.45% for recordation tax and 1.45% for transfer tax. These tax rates are also applicable to all non-exempt security interest instruments and deeds to commercial properties. The tax rates for recording a deed to residential properties in an amount less than \$400,000 are 1.1% for recordation tax and 1.1% for transfer tax. The fee for filing a deed in the land records is \$31.50. A complete list of recordation fees can be found on our Web site in the "Fee Charges" section.

Can you tell me who owns a specific property? The Recorder of Deeds office does not perform title searches. You may obtain specific information about a property by visiting our Web site in the "Real Property Service Center" section.

Will you accept a notarized document from jurisdictions outside of the District of Columbia? Yes. The DC Code provides that the Recorder of Deeds shall accept notarial acts from other jurisdictions as if the act had been performed in the District of Columbia.

What do I need to file a mechanics lien in the District of Columbia? DC Code § 40-301.01, *et seq.*, provides the information necessary to file a mechanic's lien. You may review the law at the DC Council's Web site at www.dccouncil.washington.dc.us.

Paying Your Taxes

How is real property taxed? A real property's assessed value is taxed by applying a tax rate based on its classification.

Classification is the grouping of properties based on similar uses. Properties in different classes are taxed at different rates.

A tax rate is the amount of tax on each \$100 of the assessed value of the property. The rates are established by the Council of the District of Columbia and may change from year to year.

How is real property tax computed? The amount of tax due is determined by dividing the assessed value of the property by \$100, and then multiplying that amount by the rate for the class associated with the property.

For example, assume your property is classified as Class 1 (which means your tax rate is \$0.85 per \$100 of value) and your house is assessed at \$100,000. To determine the tax, divide \$100,000 by 100. That amount is \$1,000. Then multiply \$0.85 by \$1,000. Your annual tax is \$850 (before application of the assessment cap credit, homestead deduction, senior citizen or disabled tax relief, trash credit, and other relief).

What are the current classes and rates?

CLASS	TAX RATE PER \$100	DESCRIPTION
1	\$ 0.85	->Residential real property, including multifamily
2	\$1.65 \$1.85	For the first \$3 Million of value All value over \$3 Million ->Commercial and industrial real property, including hotels and motels
3	\$5.00	->Vacant real property
4	\$10.00	->Blighted property

When are property tax bills mailed? Bills are mailed twice a year. The first-half of your bill is mailed in February, and the tax payment is **due March 31**. The second-half of your bill is mailed in August, and the tax payment is **due September 15**.

What happens if I am late making a payment? Penalty and interest will be added to the amount owed. The penalty for late payment of real property tax is 10% of the tax, and the interest for late payment is 1.5% per month or part thereof.

What happens if I do not pay my real property taxes? Your property can be sold at **tax sale** to satisfy your tax liability. You then have the right to redeem your property up to the date the court issues a final order foreclosing your right of redemption and granting to the tax sale buyer the right to the deed. To redeem your property, you must pay all taxes, assessments, fees, and costs due to the District of Columbia and expenses (including reasonable legal fees) due to the tax sale purchaser.

Tax Relief Programs

District of Columbia property owners may be eligible for real property tax relief. The District offers several programs to assist property owners and first-time homebuyers. These include:

- Assessment Cap Credit

- DC Government Employer-Assisted Housing Program
- First-Time Homebuyer Income Tax Credit
- Historic Properties
- Homestead Deduction
- Homeowner/Renter Property Tax Income Tax Credit
- Limited-Equity Cooperative (LEC)
- Lower Income Homeownership Tax Abatement
- Lower Income, Long-Term Homeowners Income Tax Credit
- Property Tax Deferral Programs for All Homeowners, Low-Income Homeowners and Low-Income Senior Homeowners
- Real Property Tax Exemption
- Resale Restricted Properties
- Senior or Disabled Owner Real Property Tax Relief
- Trash Credit

The Assessment Cap Credit

The assessment cap credit generally provides that a real property may not be taxed on more than a **10%** increase in the property’s taxable assessment each year. This credit does not reduce the assessed value of your property on the tax roll or the assessment notice, but it will appear as an automatic credit on your real property tax bill. The property must be receiving the homestead deduction in order for this credit to be automatically applied.

DC Government Employer-Assisted Housing Program

DC government employees who are first-time homeowners and live in their homes were eligible for a sliding-scale real property tax credit. This program is discontinued for properties purchased after March 30, 2015.

First-Time Homebuyer Individual Income Tax Credit

This federal income tax credit was available to first-time homebuyers in the District of Columbia for property purchased after August 4, 1997 and before January 1, 2012. The credit was as much as \$5,000 if single, married filing jointly, head-of-household, or qualifying widow(er), or \$2,500 if married filing separately. Income restrictions and other qualifications applied, and the credit was claimed on IRS Form 8859.

Historic Properties Program

For information on special District programs for historic real properties, please contact the DC Office of Planning - Historic Preservation Division at 1100 4th Street, SW, Suite E650, Washington, DC 20024, or at (202) 442-7600.

Homestead Deduction

The homestead deduction is limited to owner-occupied residential property for which a properly completed and approved application is on file. Domicile and principal place of residence requirements apply. The amount of the deduction from the property’s assessed value for tax year 2016 is \$71,700, and such deduction may increase in subsequent years based on annual inflation adjustments.

Homeowner/Renter Property Tax Income Tax Credit

The Homeowner/Renter Property Tax Income Tax Credit for income tax year 2014 and thereafter provides for a refundable credit or reduces the DC individual income tax liability of eligible homeowners and renters by up to \$1,000. If the Federal adjusted gross income of your tax filing unit is \$40,000 (\$60,000 or less if you are 70 years of age or older), you may be eligible.

To apply, file a Schedule H (Property Tax Credit Form) with your Form D-40 (Individual Income Tax Return) or as a standalone return if you do not have a D-40 filing requirement. These forms are available on our Web site in the "Tax Forms/Publications" section under "Individual Income."

Limited-Equity Cooperatives (LEC)

The assessed value of residential real property owned by LECs is the lesser of the following three approaches to value:

1. The aggregate estimated market value of proprietary lease, stock, or other interests in the co-op association as of January 1 preceding the date of assessment;
2. The estimated market value of the property assessed as if it were a condominium (under the comparable sales approach), multiplied by 70%; or
3. The annual amount residents pay in carrying charges (excluding subsidies), divided by an appropriate capitalization rate as determined by OTR.

If property ceases to be an LEC, then it will be assessed under either (1) or (2) above.

Lower Income Homeownership Tax Abatement

Eligible homeowners, cooperative housing associations, non-profit housing organizations and owners under a shared equity agreement may receive a real property tax abatement for up to five years and be exempt from paying recordation and transfer taxes. The abatement period for the Lower Income Home Ownership Tax Abatement begins on October 1, after your deed was recorded and you applied for the abatement.

If you qualify, submit a Lower Income/Shared Equity Home Ownership Exemption Application and Claim for Exemption from Real Property Recordation and Transfer Tax when you record your deed. These forms can be found on our Web site in the "Forms Center" section of the "Recorder of Deeds." For more information, call the Recorder of Deeds at (202) 727-5374.

Lower Income, Long-Term Homeowners Income Tax Credit

The Lower Income, Long-Term Homeowners Income Tax Credit eases the effect of rising assessments and taxes on low-income residents who have lived in their homes for seven consecutive years or more. Schedule L must be filed by December 31 to claim the credit. Interested homeowners should call (202) 727-4TAX (727-4829) for more information.

Property Tax Deferral Programs for All Homeowners, Low-Income Homeowners and Low-Income Senior Homeowners

For each of these programs, the homeowner must apply, the deferred tax (plus interest) may not exceed 25% of the property's assessed value, and interest at the rate of 6% accrues on the deferred tax (unless otherwise noted). **VERIFY WITH YOUR LENDER THAT PARTICIPATION IN THE TAX DEFERRAL PROGRAM DOES NOT VIOLATE YOUR LOAN AGREEMENT.**

All homeowner tax deferral: Only the amount of tax in excess of 110% of the prior year's taxes may be deferred. To qualify, you must have owned and occupied the home for at least 1

year. Application must be made before the last date an installment payment of the real property taxes to be deferred is due. This is not a continual deferral, and each application must be made for each installment.

Low-income homeowner tax deferral: Only the increase in your real property taxes may be deferred. To qualify, you must be a District resident living in your owner-occupied house or condominium and the total Federal adjusted gross income of everyone living in the property, excluding tenants, must be less than \$50,000 for the prior calendar year (e.g. eligibility for tax year 2016 based on 2014 income taxes).

You must file Form FP-110, Application for Tax Deferral for Low-Income Senior Property Owners and Low-Income Property Owners. If a properly completed and approved application is filed from October 1 to March 31, the property will receive the deferral for the entire tax year (and for qualified tax years in the future). If a properly completed and approved application is filed from April 1 to September 30, the property will receive one-half of the deferral reflected on the second half tax bill (and full deferral for qualified tax years in the future). This is a continual deferral and application is not necessary for prospective periods.

Low-income senior tax deferral: There are 2 different programs. The first applies to general seniors and the second applies to older seniors who are long-term residents. For each program, you must:

1. Be a District domiciliary living in your owner-occupied house or condominium;
 2. Own at least 50% of the house or condominium;
 3. Have total Federal adjusted gross income of everyone living in the property, excluding tenants, less than \$50,000 for the prior calendar year (e.g. eligibility in tax year 2016 based on 2014 income taxes); and
 4. File Form FP-110, Application for Tax Deferral for Low-Income Senior Property Owners and Low-Income Property Owners.
- General seniors. To qualify, you must be 65 years of age or older and meet the requirements of items 1 – 4, above.
 - Older, long-term resident seniors. No interest accrues on taxes deferred under this specific program. To qualify, you must:
 - Be 75 years of age or older;
 - For the last 25 years have been domiciled and owning a principal place of residence in the District;
 - Have household interest and dividend income less than \$12,500; and
 - Meet the requirements of items 1 – 4, above.

Under each program of the low-income senior tax deferral, you may defer all of the real property taxes due. This is a continual deferral and application is not necessary for prospective periods.

Real Property Tax Exemption

Properties owned by qualified non-profit, educational, charitable, and religious organizations may be exempt from real property tax. To receive an exemption, a property must be owned by a qualified non-profit and used for an exempt purpose. See DC Code § 47-1002.

If you believe that your property may qualify for an exemption, file an application for Exemption from DC Real Property Tax (FP-300).

Resale Restricted Properties

A resale restricted property may qualify for an alternative assessment. To qualify, a resale restriction must be imposed by the United States government, the District of Columbia government, or a tax-exempt organization for a period of not less than five years that is intended to preserve affordability for low or moderate income purchasers. Other requirements apply.

The assessed value is determined each year by adjusting the initial year's base assessed value by the consumer price inflation index for the Washington-Baltimore Metropolitan Area. The original base assessed value is the amount paid by the current owner, less any grants received that may not be repaid. The property owner must apply for this assessment program.

Senior Citizen or Disabled Real Property Owner Tax Relief

To qualify:

1. You must be aged 65 or older or disabled;
2. You must own 50% or more of the property or cooperative unit, and live in the property; and
3. For tax year 2016, the total 2014 Federal adjusted gross income of everyone living in the property or cooperative unit, excluding tenants, must be less than \$127,600 (there is a two-year look-back for eligibility). Such income threshold may increase for subsequent periods based on annual inflation adjustments.

If a properly completed and approved application is filed from October 1 to March 31, the property will receive the tax relief for the entire tax year (and for tax years in the future). If a properly completed and approved application is filed from April 1 to September 30, the property will receive one-half of the tax relief as reflected on the second installment (and full tax relief for tax years in the future).

Trash Credit

Any real property owners who pay for garbage collection instead of receiving city garbage service may qualify for the credit. The trash credit is \$107 for tax year 2016, and it may increase for TY 2017 based on inflation adjustments.

For More Information

Visit our Web site at www.taxpayerservicecenter.com and click on the Real Property Service Center link. Check your class, tax status, and property records; download forms; and research your property or sales information.

Visit us:

8:15 AM - 5:30 PM, Monday-Friday
1101 4th Street, SW, Suite W270
Washington, DC 20024