PUBLIC HEARING ON

BILL 17-0071, "LOWER INCOME HOMEOWNERSHIP COOPERATIVE HOUSING ASSOCIATION RE-CLARIFICATION ACT OF 2007"

Before the
Committee on Finance and Revenue
Council of the District of Columbia

The Honorable Jack Evans, Chairman

March 14, 2007, 11:00AM
Room 120, John A. Wilson Building

Testimony of
Sherryl Hobbs Newman
Deputy Chief Financial Officer
Office of Tax and Revenue

Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Sherryl Hobbs Newman, Deputy Chief Financial Officer for the Office of Tax and Revenue (OTR). I am pleased to present testimony today on Bill 17-0071, the "Lower Income Homeownership Cooperative Housing Association Re-Clarification Act of 2007."

The Council enacted the existing law, D.C. Code § 47-3503(c)(5), as part of the 2007 Budget Support Act (BSA). The existing law provides that when a home completes the five-year low income abatement program, and the owner applies for a homestead deduction within the first half-tax year after completing the program, OTR is required to compute the taxable assessment of the home as if it received the homestead deduction and the cap, if any, during the entire period when the property was in the program.

However, the existing law imposed a very heavy administrative burden on OTR and could not be implemented on a timely basis. Because the existing law was retroactive to October 1, 2001, OTR would have had to make extensive and radical revisions in its existing computer software programs to calculate immediately hypothetical taxable assessments for each year a home was in the program and then issue refunds for homes that completed the program beginning in tax year 2002. The law also would have created an unanticipated revenue loss from these refunds.

To deal with these issues, the Council enacted emergency legislation. Bill 17-0071 represents the permanent version of that legislation.

The bill provides that:

- No credit of real property tax is allowed for tax years prior to tax year 2007;
- OTR will have approximately one year to implement the bill and make the necessary calculations. Thus, taxpayers who would have lower taxable assessments for tax year 2007 under the bill must pay real property tax for that tax year as if the law were not in effect;
- The excess tax paid by the above taxpayers for tax year 2007, if any, will then be credited but not refunded against the taxpayers' tax year 2008 real property tax liabilities; and
- No taxable assessment recalculation under the above law shall occur if the ownership has not been continuous since the five-year exemption first started.

For the above reasons, OTR believes that the Council should approve Bill 17-0071.

Fiscal Impact of Bill 17-0071

The OCFO does not have a final fiscal impact statement at this time. However, to implement Bill 17-0071 and properly administer it, OTR will incur approximately $552,600 in one-time computer programming costs and $50,000 annually in additional salary costs for an additional employee to oversee these calculations. Funds will need to be provided in the approved FY 2007-2010 budget and financial plan to support these costs ($602,600 in FY 2007 and $50,000 annually thereafter).

The revenue impact of this bill is still being verified and will be furnished to the committee as soon as this process is complete.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other Council members might have at this time.