

PUBLIC HEARING

ON

BILL 19-21 “The Washington Ballet Equitable Real Property Tax Relief Act of 2011”

**Before the
Committee on Finance and Revenue**

The Honorable Jack Evans, Chairman

**April 13, 2010, 10:00 AM
John A. Wilson Building, Room 120**



**Testimony of
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**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 Bazil Facchina, Assistant General Counsel, for the Office of Tax and Revenue. I am pleased to present testimony on Bill 19-21, “The Washington Ballet Equitable Real Property Tax Relief Act of 2011.”

In general, the Bill would amend the District’s tax code to exempt from all taxation the property known as Lot 19 in Square 1911, provided that the property is used to carry out the activities of the Washington Ballet (Ballet). The exemption would commence with fiscal year 2008. The deed conveying the property to the Ballet would also be exempted from recordation tax and the tax sale of the property would be cancelled.

The available information indicates that the subject property was formerly a private residence. The property was conveyed to the Ballet by deed recorded October 19, 2007, and an application for real property tax exemption was filed. The Ballet converted the property for use as a dormitory for students as well as to provide office space and living accommodations for visiting artists and other staff of the Ballet.

The application was rejected because the property did not meet the requirements for exemption under the provisions of D.C. Official Code section 47-1002 and the regulations thereunder. Most significantly, the Office of Tax and Revenue (OTR)

determined that the property did not have a certificate of occupancy authorizing dormitory and office use, as required under the regulations. As a result of the denial of the exemption application, recordation tax was due.

The Ballet subsequently obtained a certificate of occupancy dated August 24, 2010 that authorized dormitory and office use of the property and filed a new exemption application on September 10, 2010. OTR granted this application by letter dated October 27, 2010 and placed the property in an exempt status effective October 1, 2010, in accordance with applicable law.

If it is determined that conferring exemption for periods prior to effective date of the administrative grant of exemption is good policy, enactment of this Bill is necessary to accomplish that result.

OTR has some technical comments on the bill, and I have attached to my testimony suggested language implementing these comments. First of all, the Bill contains no requirement that the property be owned by the Ballet, or even by another non-profit organization. Under the Bill as currently drafted, it appears that the property could still qualify for exemption if it was owned by a private person and rented to the Ballet for its use. Generally, real property tax exemptions are conditioned on ownership, as well as use, by exempt organizations, and this Bill should require the property to be owned by the Ballet in order to receive the

exemption. Also, the effective date of the exemption should be the date that the exemption would have taken effect had it been granted administratively.

Additionally, the statutory reference in the provision dealing with the recordation tax exemption should be corrected and the provision regarding cancellation of the tax sale should be amended to follow the form customarily used to afford this relief.

Thank you, Chairman Evans, for the opportunity to comment on this Bill. I would be happy to answer any questions at this time.

Attachment

The following changes should be made to Bill 19-21 as introduced:

On page 2, lines 2-3 of the Bill, strike the phrase “for fiscal years 2008, 2009 and 2010” and replace it with the phrase “ beginning November 1, 2008”.

On page 2, line 3 of the Bill, insert the phrase “owned by the Washington Ballet and” after the phrase “and continuing for as long as the same is” and before the phrase “used in carrying out the purposes and activities of the Washington Ballet”.

On page 2, line 3 of the Bill, strike the words “Chapter 14” and insert in their place the words “Chapter 11 of Title 42”.

On page 2, strike the text of current subsection (c) of section 47-46__ and replace it with the following:

“(c) The amount necessary to redeem under section 47-1361 the real property described in subsection (a) shall be deposited with the Chief Financial Officer on behalf of the owner thereof and the Chief Financial Officer shall cancel the December 2, 2009 tax sale of the property described in subsection (a).”.