

**PUBLIC HEARING ON
BILL 16-73, “LOT 146, SQUARE 677 PARTIAL REAL
PROPERTY TAX EXEMPTION CONTINUATION ACT
OF 2005”**

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

The Honorable Jack Evans, Chairman

**March 14, 2005, 10:30 a.m.
Council Chamber, John A. Wilson Building**



**Testimony of
Daniel L. Black, Jr.
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 Daniel L. Black, Jr., Deputy Chief Financial Officer for the Office of Tax and Revenue. I am pleased to present testimony today on Bill 16-73, the “Lot 146, Square 677 Partial Real Property Tax Exemption Continuation Act of 2005.”

The purpose of this bill is to exempt from real property taxation lot 146 in square 677 owned by APA 750, LLC, and occupied and used by the American Psychological Association. It is presumed that APA 750, LLC, a limited liability company, is a wholly owned subsidiary of the American Psychological Association. This exemption provides for an indefinite real property tax exemption, subject to annual exempt use reporting requirements. However, this exemption does not provide for an exemption from recordation taxes.

The Office of Tax and Revenue has closely reviewed this bill. The owner of the real property, APA 750, LLC, could not qualify for a real property tax exemption because it is not organized under the District’s Nonprofit Corporations Act or similar act of a foreign jurisdiction. Additionally, the user of the real property, the American Psychological Association, would probably not qualify for an administrative exemption since it is doubtful that its charitable activities principally impact citizens of the District, as specifically required by D.C. law; the activities of this organization appear to be national in scope. As a matter of tax policy, it will be difficult for the Office of Tax and Revenue to monitor the ownership of the limited liability company and discover whether an interest therein is subsequently sold to a for-profit entity. Additionally, for more than 60 years the

District has systematically denied real property exemptions to charities that do not principally benefit District residents. The award of an exemption in this instance would be a departure from precedent and would grant preferential treatment to one taxpayer while denying the same benefit to other members of the same class. Such an exemption award would be inequitable. For these reasons, we do not believe that this bill should become law.

Having made our views known, we recognize that this Committee and the Council may yet approve this bill. In this regard, the Office of Tax and Revenue has technical concerns surrounding Bill 16-73. In addition to being subject to the provisions of DC Official Code §§ 47-1007 and 47-1009, the ownership, use and occupancy of the real property should be subject to § 47-1005. To treat the real property the same as real property exempt by administrative decision, the bill should also explicitly state that the exemption shall commence on the first day of the month following the date that this bill becomes effective.

Fiscal Impact of Bill 16-73

The fiscal impact of the proposed legislation on the District's budget, as determined by the OCFO's Office of Revenue Analysis, would result in an annual revenue reduction of \$1.85 million.

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

###