

**PUBLIC ROUNDTABLE ON
BILL 15-781, “LOT 878, SQUARE 456 TAX EXEMPTION
CLARIFICATION ACT OF 2004”**

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

The Honorable Jack Evans, Chairman

**July 14, 2004, 1:00 p.m.
Room 120, 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
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Good afternoon, Chairman Evans, and members of the Committee on Finance and Revenue. I am Daniel Black, deputy chief financial officer for the Office of Tax and Revenue (OTR). I am here this afternoon to comment on Bill 15-781, the “Lot 878, Square 456 Tax Exemption Clarification Act of 2004.”

Bill 15-781 is the permanent version of emergency legislation (DC Act 15-423) passed by the Council on April 20, 2004. The emergency legislation will expire on August 8, 2004, and a temporary version of the measure is not yet effective, as it is currently undergoing Congressional review.

The purpose of the permanent bill is to exempt subsidiaries of the Shakespeare Theater from real property, personal property and sales taxes, while such subsidiary entities develop, construct and operate a new Shakespeare Theater on 6th and F Streets, NW (Square 456, Lot 878). The exemptions would be effective so long as the property is owned, occupied and used directly through one or more wholly-owned subsidiary organizations of the Shakespeare Theater, and so long as the property continues to be used for the exempt purposes.

OTR granted the Shakespeare Theater an administrative exemption from real property taxes for Square 456, lot 878 on April 1, 2003, for the purpose of the new theater. However, there is no provision in current law that authorizes tax exemptions for subsidiaries of the theater company. Thus, Bill 15-781 and the emergency legislation grant tax exemptions to the subsidiary companies, allowing the theater project to move forward with financing and construction.

It is OTR's understanding that the intent of this proposed legislation is to exempt the Shakespeare Theater subsidiaries from real property, personal property and sales taxes strictly in connection with the development, construction and operation of the new theater at the 6th and F Streets site. The legislation does not exempt the theater or its subsidiaries from taxing those services and items sold at retail to the general public. Therefore, in accordance with DC Official Code section 47-2002, the theater and its subsidiaries will continue to be responsible for collecting tax on retail sale items and filing Sales and Use tax returns to report the sale of taxable items, including show tickets, restaurant meals, concession stand foods and T-shirts.

OTR suggests that the proposed legislation be amended to add a monetary limit on the amount of tax benefits and/or an expiration date. As currently drafted, the legislation allows for an unlimited amount and period of tax relief, making it difficult to gauge the fiscal impact of the bill. However, we can reasonably predict that such an open-ended tax exemption program for an unknown number of subsidiary companies will result in substantial revenue loss to the District.

Mr. Chairman, that concludes my prepared statement. I would be happy to answer any questions you might have at this time.

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