

PUBLIC HEARING ON

**The Grace Covenant Church Equitable Real Property Tax Relief
Act of 2023
Bill 25-0281**

**Before the
Committee on Business and Economic Development
The Honorable Kenyan McDuffie, Chairman**

Council of the District of Columbia

**June 28, 2023, 10:00am
Virtual Meeting Platform**



Testimony of

**Rick Liu
Senior Policy Analyst
Economic Development Finance
The Office of Finance and Treasury**

**Glen M. Lee
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman McDuffie and Members of the Committee on Business and Economic Development. I am Rick Liu, a Senior Policy Analyst in the Office of the Chief Financial Officer's Office of Finance and Treasury (OCFO). I am pleased to testify for the OCFO on Bill 25-0281, "The Grace Covenant Church Equitable Real Property Tax Relief Act of 2023" (the "Bill").

The Bill would provide real property tax forgiveness to the Grace Covenant Church with respect to the Church's property in the Brookland neighborhood located at 3100 18th St. NE, known for tax assessment purposes as Square 4138, Lot 0800. The Bill would forgive all real property tax, penalties, interest and other related charges assessed against this property for tax years 2020, 2021, and 2022.

The Applicant, Grace Covenant Church, is a non-denominational church that assembled and worshipped in rented facilities until it purchased its current church property in October 2019. This property had a real property tax exemption when it was owned by its prior owner, but this exemption ended once the property was transferred to Grace Covenant Church. Grace

Covenant Church did not file its own application for exemption, mistakenly expecting that the exemption would continue after the change of ownership.. Instead, the property went into a taxable status upon the ownership transfer. After receiving a tax bill in the summer of 2021, the Applicant filed an Application for Exemption from D.C. Real Property Tax, or Form FP-300, in December 2021, and the exemption on the property was approved and went into effect in January 2022. However, there remains unpaid real property tax liability on the property from tax year 2020 through a portion of tax year 2022.

Financial Analysis

The OCFO reviewed the Applicant’s non-audited financial statements over its past three fiscal years (FY 2020, FY 2021, and FY 2022), as well as financial information on the church property such as its mortgage note and its most recent appraisal. Information provided indicates that the Applicant’s operating revenue has declined over the past three years – largely due to lack of in-person services as a result of COVID-19 which has reduced member contributions – requiring Grace Church to dip into its emergency reserve in FY 2022 to cover expenses. Its current level of unrestricted assets already represents less than the level of emergency

reserves typical of most churches, and paying off the tax liability would further exacerbate the Applicant's financial situation. Furthermore, the Applicant is unlikely to extract its equity from the church property as a means of covering the tax liability, as they would be challenged to refinance given their unstable annual income over the past three years and the estimated value from the property appraisal. For these reasons, OCFO finds that the forgiveness provided in the Bill is necessary for Grace Covenant Church to meet its fiscal and operational needs.

The value of the forgiveness is \$133,156 during the financial plan period. This represents the cumulative amount of unpaid real property tax liability, penalties, and interest incurred on this property during tax years 2020, 2021, and 2022.

Thank you for the opportunity to testify. This concludes my testimony and I am happy to answer any questions you have at this time.