

PUBLIC HEARING ON

**“New Markets Tax Credit Real Property Tax Exemption
Amendment Act of 2022,” Bill 24-798**

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

Council of the District of Columbia

**June 16, 2022 at 9:00 a.m.
Virtual Meeting Platform**



**Testimony of Basil Facchina
Assistant General Counsel
Office of the Chief Financial Officer**

**Dr. Fitzroy Lee
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman McDuffie and Members of the Committee on Business and Economic Development. My name is Bazil Facchina. I am an Assistant General Counsel in the Office of the Chief Financial Officer (OCFO). I am pleased to testify for the OCFO on Bill 24-798, the “New Markets Tax Credit Real Property Tax Exemption Amendment Act of 2022” (“Bill”).

In general, the Bill would add a new category of exempt real property to D.C. Official Code § 47-1002. This new category would exempt property (land and buildings) belonging to a Qualified Active Low-Income Community Business (“QALICB”) whose owners or members consist of organizations entitled to real property tax exemption under subsections (5) through (20) of D.C. Official Code § 47-1002, which generally consists of nonprofit organizations traditionally recognized as exempt from tax, such as churches, schools, public charities, or hospitals.

The Bill also requires that the property be used by one or more such organizations for activities entitling the occupants to exemption. The property need not be occupied by the owners or members of the QALICB, rather, the occupants can be other organizations, as long as those occupants are within the exempt classes specified in subsections (5) through (20) of D.C. Official Code § 47-1002. Any portion of the property used for non-exempt or commercial purposes would be carved out from an eligible exemption. In order to receive the exemption, the property owner must file an application for exemption with the Office of Tax and Revenue and meet the applicable requirements for an administrative exemption.

Additionally, the Bill would furnish a means for providing real property tax exemptions to properties belonging to QALICBs in order to facilitate participation by traditionally exempt types of organizations in New Markets Tax Credit transactions. The tax credit can provide a source of financing for development of properties that will be used for recognized exempt activities. Current law generally requires that, to qualify for exemption, property must be owned by a nonprofit organization engaging in exempt activities. With this restriction, it can be difficult for property owned by a QALICB, which may be organized as a for-profit entity and whose activities are limited to leasing or holding property, to qualify for exemption. The structure and activities of the QALICB may not allow OTR to grant an exemption, even though the property might have qualified for exemption had it been owned directly by the owners or members of the QALICB. The Bill would permit OTR to assess the eligibility of each QALICB and each project on a case-by-case basis and grant exemptions to QALICBs that meet the requirements for exemption.

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