PUBLIC HEARING ON

“Players Lounge Tax Exemption Act of 2021,” Bill 24-352

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

Council of the District of Columbia

June 16, 2002, 9:00 a.m.
Virtual Meeting Platform

Testimony of Nancy Fox
Senior Policy Analyst
Office of Finance and Treasury
Office of the Chief Financial Officer

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. I am Nancy Fox, a Senior Policy Analyst in the Office of the Chief Financial Officer’s Office of Finance and Treasury. I am pleased to testify for the Office of the Chief Financial Officer (OCFO) on Bill 24-352, the “Players Lounge Tax Exemption Act of 2021.”

The Bill intends to provide a real property tax exemption for 10 years, both retroactively and prospectively, to 2737 Martin Luther King, Jr. Avenue, S.E., in Ward 8 (the Property). For tax and assessment purposes, the Property is known as Lot 46 in Square 5982. The Property is the location of the sit-down restaurant known as the Players Lounge and Georgena’s Restaurant (the Restaurant). The Restaurant is operated as a sole proprietorship owned by Georgene Thompson. Stephen Thompson, her spouse, is the sole member of the business entity that owns the Property.

As written in the Bill, the exemption begins October 1, 2019 and ends September 30, 2029. It is not clear, however, that the Bill, if enacted, would provide the intended tax relief. The Bill would add this relief provision to the section of the D.C. Official Code containing the District’s general real property tax exemption law, which generally grants only prospective tax exemptions. The OCFO recommends certain technical amendments to the Bill in order to provide the intended relief. Suggested replacement text for the operative language in the Bill is attached to my testimony.
Financial Analysis

The OCFO reviewed income tax returns filed by the Thompsons, providing documentation of the financial condition of the Restaurant and the Thompsons’ income from the Restaurant and other sources. These tax returns demonstrate a substantial decrease in net income from the Restaurant in 2020 and 2021, likely due to the adverse business conditions posed by the COVID-19 pandemic. However, in these years there was still sufficient net income from the Restaurant to pay the Property’s tax liability, and the Restaurant’s net income may increase in future years in line with pre-pandemic levels. Therefore, the proposed property tax exemption is not financially necessary for the Restaurant to remain a going concern.

The OCFO cannot determine if the proposed exemption would have an impact on the Thompsons’ decision-making on whether to maintain or close the Restaurant based on the income it provides net of real property taxes. Based on their tax returns, the net income from the Restaurant has been a significant portion of the Thompsons’ income in past years. The proposed exemption would serve the purpose of reducing the Thompsons’ costs, thereby increasing the income that the Thompsons can use for other purposes.

Fiscal Impact

The OCFO estimated the value of the exemptions for the Property to be $79,696 during the financial plan period and $112,192 through the 10-year period of the proposed exemption. The tax liability for the current and
previous tax years includes penalties and interest, that will continue to accrue while past due tax liability remains unpaid. The Thompsons have paid $18,000 in past year tax liability which would be refunded to them if the tax exemption is applied retroactively to tax years 2020 and 2021.

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

Chapter 46 of Title 47 of the District of Columbia Official Code is amended by adding a new section to read as follows:

Section 47-46__. _____________________, Lot 46, Square 5982.

The real property described as Lot 46, in Square 5982, known as the Players Lounge and Georgena’s Restaurant, owned by GST LLC, shall be exempt from the tax imposed by Chapter 8 of this title for the period beginning October 1, 2019 and ending September 30, 2029. The tax exemption pursuant to this section shall be in addition to, and not in lieu of, any other tax relief or assistance from any other source applicable to the Players Lounge and Georgena’s Restaurant.