

East End Commercial Real Property Tax Rate Reduction Amendment Act of 2017, Bill 22-43

Before the Committee on Finance and Revenue

The Honorable Jack Evans, Chairman

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Room 120, John A. Wilson Building**



**Testimony of
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Good morning Chairman Evans and members of the Committee on Finance and Revenue. I am Bazil Facchina, Assistant General Counsel, for the Office of Tax and Revenue. I am pleased to present testimony on Bill 22-43, the “East End Commercial Real Property Tax Rate Reduction Amendment Act of 2017.”

In general, the Bill would amend the real property tax law to provide for taxation of commercial or nonresidential properties (designated as Class 2 properties for real property tax purposes) located east of the Anacostia River at the tax rate applicable to residential properties (known as Class 1 properties for tax purposes) for Tax Years 2018 through 2027. The rate of tax would increase four cents annually in each subsequent tax year until it equaled the rate generally applied to Class 2 properties.

Although the term “east of the Anacostia River” is not defined, the Office of Tax and Revenue (OTR) would construe the term as referring to real property located east of the east bank of the river, and would not include any islands or land lying within the riverbed.

Although our office has not examined this issue in detail, it is possible that the imposition of different tax rates for property in the same tax class could be susceptible to challenge on equal protection grounds. As a general matter, similarly situated taxpayers should be treated alike, and the creation of two tax

rates for the same class of property based on its location may raise a question as to whether this standard has been met. This issue warrants further study.

Because of these concerns, the Council may wish to consider other methods of providing relief to properties in this area, such as creation of a new class of property for this area, or allowance of an abatement, credit or reduction of the tax imposed under the standard rates.

Thank you, Chairman Evans, for the opportunity to comment on this Bill. I would be happy to answer any questions at this time.