

East End Grocery and Retail Incentive Program Tax Abatement Act of 2017, Bill 22-202

Before the Committee on Finance and Revenue

The Honorable Jack Evans, Chairman

**May 8, 2017, 10:00 AM
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 22-202, the “East End Grocery and Retail Incentive Program Tax Abatement Act of 2017.”

In general, the Bill would add a new section 47-4666 to the District of Columbia Code providing tax relief to the ownership of new anchor retail stores selling affordably priced groceries and retail goods that are located in Skyland Town Center, Capitol Gateway, East River Park, St. Elizabeths East Campus and United Medical Center. Tax relief would consist of a 30-year exemption from real property tax, deed recordation and transfer tax, personal property tax, corporate franchise taxes, and sales taxes. Stores eligible for the tax relief would be constructed through the East End Grocery and Retail Incentive Program, which has been proposed as Bill No. 22-207. In order to qualify for the tax relief, the business owner “shall” certify bi-annually that 50% of full-time employees are District residents.

Skyland Town Center is in a tax increment financing (TIF) area that is currently authorized by the Council. The District is preparing for the first TIF bond issuance that will support the construction of the first phase of the project. The future projected sales and property taxes will support the debt service on the planned TIF bond. Therefore any exemptions targeted to the Skyland Town Center would

reduce the amount of TIF bonds that the project can support and could, therefore, prevent the District from meeting its financing objectives for both the current phase and for future phases of the project; this may keep the project from moving forward as planned.

Additionally, the Bill, as drafted, contains some ambiguities that would complicate its administration. Also, the Office of Tax and Revenue would prefer that the Mayor certify the stores eligible for relief and monitor their compliance with the eligibility requirements. This office would like to suggest certain technical changes to the Bill as drafted in order to address these concerns and facilitate administration. A list of suggested changes is appended to my testimony.

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

ATTACHMENT TO TESTIMONY
BILL 22-202

Page 1, Line 34— “subchapter” should read “section”.

Page 1, Line 37—Strike the initial clause reading “Beginning on the effective date of this act,”

Page 1, Line 37-38—Replace first sentence of subsection (a) with the following:

The Mayor shall certify to the Office of Tax and Revenue (OTR) each retail store constructed under the program provided by § 1.1228.01 that is eligible to receive exemptions from the following taxes:

- (1) Real property tax or possessory interest tax for the land and improvements constituting the store, provided that, if the store is operated in leased premises, the benefit of the exemption is passed through to the lessee in the form of reduced rent;
- (2) Recordation tax imposed under section 303 of the District of Columbia Deed Recordation Tax Act, approved March 2, 1962 (76 Stat. 11; D.C. Official Code § 42-1101 et seq.);
- (3) Transfer tax imposed under chapter 9;
- (4) Personal property tax imposed under chapter 15 for the property located at that store;
- (5) Corporate franchise taxes imposed under chapter 18 on the income received from the operation of the store, provided however, that no capital costs or operating expenses incurred with respect to the store shall be allowable for purposes of such tax;
- (6) Sales or use taxes imposed under chapters 20 or 22 for purchases of property or services used to construct or operate the store, provided that tax shall be collected on sales made at the store as provided under those chapters.

The certification shall identify the property or portion thereof (by square and lot) and/or person (by full legal name and taxpayer identification number) eligible to receive an exemption, the taxes for which exemption is granted, the period or date at which each exemption commences and terminates, provided that no exemption

shall be more than 30 years in duration. The Mayor shall notify OTR if a property loses entitlement to any exemption previously certified, and the date of such loss of entitlement. Retail stores must be located in Skyland Town Center, Capitol Gateway, East River Park, St. Elizabeths East Campus and United Medical Center to be eligible for the exemptions provided under this section.

Page 2, Line 11—Subsection (b) should be modified by striking “shall certify bi-annually that 50% of full-time employees” and replacing it with “shall certify to the Mayor bi-annually that at least 50% of the full-time employees at the retail store”.