MEMORANDUM

Proposal: Elimination “miscellaneous” property tax exemptions
Tax Type: Property
Origin: Mike Bell
Commission Goal: Broaden the tax base

Current Law

There are generally three types of property exempt from property taxes in D.C.

1. Properties “immune” from taxation such as property belonging to the U.S. government.
2. Properties exempt by tradition such as property owned by religious or educational groups.
3. Properties exempt from taxes by a special act of Congress or the D.C. government.

The Office of Revenue Analysis (ORA) categorizes exempt properties, such as foreign government, hospitals, low-income, etc. One category of property is labeled “miscellaneous” and contains 741 properties that have been exempted for special purposes. This group contains properties such as the national headquarters of professional organizations (e.g., American Pharmacists Association) and quasi-government international organizations (e.g., The World Bank). The property in this category accounts for 5% of all exempt property and has a total market value of roughly $6 billion.

Proposed Change

Eliminate tax exemptions for organizations owning office buildings with an assessed value of more than $3 million that ORA categorizes as “miscellaneous.” There are 21 such buildings currently receiving an exemption.

Reason for Change

Exempting some organizations from property taxes means that those paying property taxes (both residents and business) must shoulder a larger share of the tax burden. Asking these organizations to pay taxes would more fairly spread the tax burden of the property tax.

Pros

- Would require organizations currently exempt from property taxes to contribute to the costs of services that they benefit from.
- Would make the property tax fairer by broadening the tax base.
- Would raise new tax revenue that could be used to lower property tax rates.
Cons

- Many organizations receiving an exemption bring people to D.C. as employees. Removing an exemption may incent some organizations to leave the city.

Revenue Impact

The Office of Revenue Analysis estimates that in the first year of implementation eliminating property tax exemptions for organizations that own office buildings with assessed value of more than $3 million and labeled as “miscellaneous” would raise $58.9 million in new tax revenue.