

Properties Exempt from Paying Real Property Taxes in the District of Columbia

**Michael E. Bell
MEB Associates
George Washington Institute of Public Policy
and
Daniel Muhammad
Office of Revenue Analysis**

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Qualifying for Exemption from Paying Real Property Taxes

- Apply to the Office of Tax and Revenue (about 70 applications are processed per year with about 75 percent receiving the requested exemption); or
- Seek legislative exemption from the D.C. Council or Congress.

More than a Third of Property in the District is Exempt

Category	Estimated Market Value	Percentage of Total
Taxable Residential Property	\$86 billion	38%
Taxable Commercial Property	\$58 billion	25%
Taxable Property Combined	\$144 billion	63%
<i>Tax Exempted Property</i>	<i>\$83 billion</i>	<i>37%</i>
TOTAL PROPERTY	\$227 billion	100%

Breakdown of D.C. Exempt Properties

Category	Number of Properties	Share of Properties	Assessed Values (millions)	Share of Values
Properties Immune from Property Taxation				
U.S. Government	2,809	18.6%	\$44,958	53.9%
Foreign Government	603	4.0%	\$2,752	3.3%
Exempt from Real Property Taxes by Legislation				
D.C. Government	2,733	18.1%	\$11,988	14.4%
Religious	1,154	7.6%	\$3,463	4.2%
Educational	474	3.1%	\$5,681	6.8%
Charitable	492	3.3%	\$977	1.2%
Hospitals	13	0.1%	\$714	0.9%
Cemeteries	22	0.1%	\$305	0.4%
Low Income	3,105	20.5%	\$669	0.8%
Miscellaneous	741	4.9%	\$5,939	7.1%
WMATA	420	2.8%	\$557	0.7%
Homestead	5	0.0%	\$1	0.0%
Partially Exempt	180	1.2%	\$4,253	5.1%
Ten-Year Housing	2,361	15.6%	\$1,081	1.3%
Abatement (Condos)	11	0.1%	\$3	0.0%
TOTAL	15,123	100.0%	\$83,339	100.00%

Foregone Property Tax Revenues Under Three Scenarios

Scenario	Base (millions)	Foregone Taxes (millions)
1	\$82,807	\$1,473
2	\$23,642	\$396
3	\$5,800	\$99

Should Exempt Properties Contribute to the Cost of Public Services Consumed?

- Properties exempt from paying property taxes consume publicly provided community goods and services;
- Unless the property owners help pay the cost of providing those services, other taxpayers who do not get preferential treatment pay a larger share of those costs;
- Foregone revenue from exemption must be balanced against the value of community services the owners provide to District residents.

Policy Options

- Option 1: No change in the current system of real property tax exemptions;
- Option 2: Establish clear criteria for granting property tax exemptions and regularly review exemptions and abatements to see if they still benefit the residents of the District of Columbia;
- Option 3: Limit the value of real property exempt from taxation for individual properties.

Policy Options (Cont.)

- Option 4: Reevaluate using property tax exemptions to promote low-income housing.
- Option 5: Develop a traditional PILOT program along the lines of the program in Boston which has been characterized as “best practices.”
- Option 6: Phase out all property tax exemptions for all non-federal, non-District, non-foreign, non-religious, non-educational, non-hospital and non-profit organizations over a 10 year period starting in 2024.