

D.C. Tax Revision Commission Policy Options
Policy Option #52: Establish Criteria for Property Tax Exemptions

MEMORANDUM

Proposal: Establish criteria for granting property tax exemptions

Tax Type: Property

Origin: Mike Bell

Commission Goal: Transparency

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.

Proposed Change

Create eligibility criteria for organizations to qualify for a property tax exemption. The standards should turn, in part, on the nature of the services provided by the organization to the community. The cost of the exemption would be weighed against the benefits provided. Exemptions granted to organizations would be periodically reviewed. For example, Boston requires that exempt organizations provide services that i) directly benefit residents; ii) support the city’s mission and priorities; iii) are quantifiable; and iv) emphasize ways in which the city and the institution can collaborate to address shared goals.

Reason for Change

Establishing criteria would give D.C. a system to compare costs and benefits from an exemption.

Pros

- Would help D.C. evaluate its tax exemptions.
- Could encourage some organizations to dedicate more time and services to D.C. communities.

Cons

- Would make the property tax more complex for both organizations applying for exemption and the Office of Tax and Revenue or whatever agency that would conduct the cost-benefit analysis.
- The application process for an exemption would create uncertainty for organizations considering locating in D.C., which might make D.C. less competitive.

Revenue Impact

There is no revenue estimate for this option.