

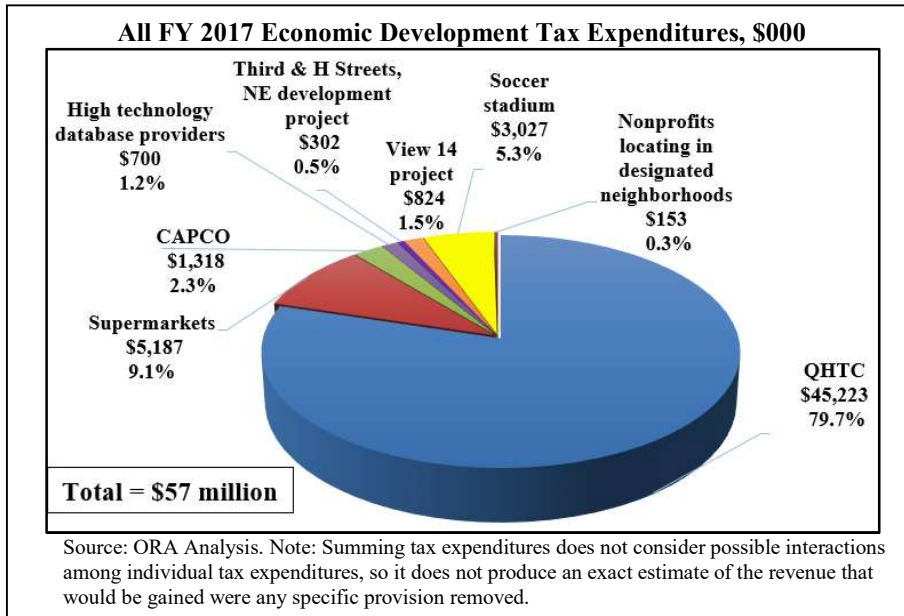


**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF REVENUE ANALYSIS**

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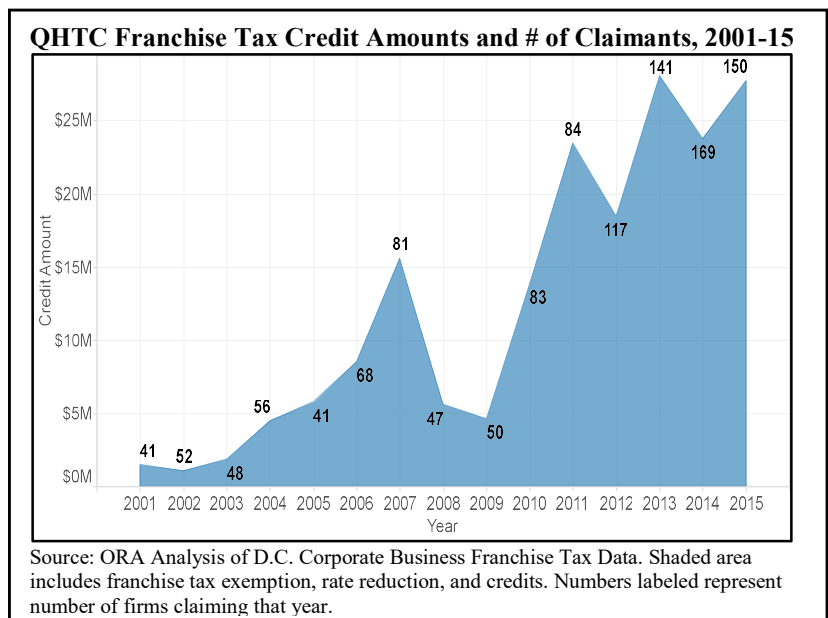
Fact Sheet: 2017 District Economic Development Tax Expenditure Review



- D.C. Law 20-155 requires the review of all D.C. tax expenditures (such as abatements, credits, and exemptions) on a five-year cycle.
- Tax expenditures decrease the tax base and therefore reduce government resources available for other priorities.
- The District's economic development tax expenditures totaled \$57 million in FY17. The QHTC incentives represent nearly 80 percent of that total.

Qualified High Technology Companies (QHTC)

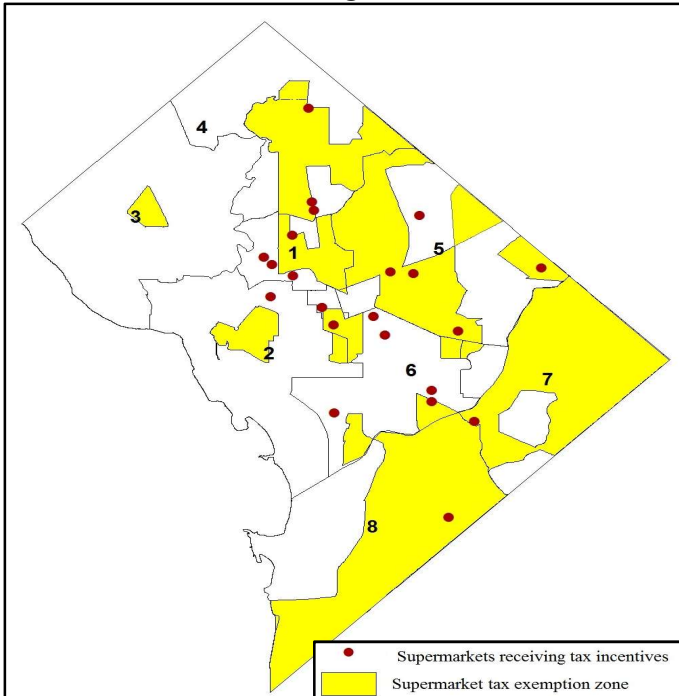
- Generous tax incentives package for qualified companies spans corporate franchise tax, sales tax, real and personal property taxes.
- Indirect research raises possibility of benefits to the District, however, the QHTC is not well targeted so benefits cannot be identified or measured.
- From 2001 to 2015, the franchise tax incentives represent at least **\$184 million** in foregone revenue; or 5% of all franchise taxes collected over that time.
- Several large consulting firms are claiming most of the tax benefits without evidence of commensurate economic benefit to the District.





Supermarket Tax Incentives

Location of Supermarkets Receiving Incentives and Current Eligible Area



- From 2010 to 2017 supermarket tax incentives represented nearly **\$29 million** in foregone revenues to the District, primarily through real property tax exemptions.
- Supermarkets in Ward 6 received over **\$11 million** in real property tax exemptions from 2010 to 2017, more than three times any other ward.
- There is no evidence to show that incentives played a role in supermarkets' decisions to locate in specific areas.

Map Notes:

- ORA Analysis. Supermarket eligibility areas have changed multiple times, thus, some supermarkets located outside of the current yellow supermarket exemption zones were in prior eligible areas.

Individual Tax Incentive Provisions

- Eight provisions represent an estimated foregone revenue of **\$4.2 million in FY 2017**.
- Future tax abatement to The Line Hotel represents up to **\$46 million**.
- Individual provisions often require recipients to meet performance targets and certain conditions to get incentives, such as 50 percent of employees must be D.C. residents.

Overall Recommendations

To promote effectiveness and accountability, all future District Tax incentives should:

- be assigned an administering agency;
- contain a clear structure for data collection, reporting, and monitoring;
- be simple to understand and administer;
- be more transparent and publicly reported;
- be better targeted and require new economic activity;
- include financial caps; and
- contain claw back provisions to recoup revenues if company leaves D.C.