**Government of the**
**District of Columbia**

**Muriel Bowser**
**Mayor**

**Glen Lee**
**Chief Financial Officer**

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# District of Columbia
# 2023 Tax Expenditure Review

## Environment, Public Safety, Transportation, Tax Administration and Equity Provisions

**Produced by the**
**Office of Revenue Analysis**

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We welcome feedback on the report. If you have questions or comments, please contact Charlotte Otabor at 202-727-4054.

# Executive Summary

## Introduction

The following report is published under DC Law 20-155, which requires the Chief Financial Officer (OCFO) to review all DC tax expenditures (such as abatements, credits, and exemptions) on a five-year cycle. In fulfilling this requirement, the Office of Revenue Analysis (ORA) reviewed all the District's environment, transportation, public safety, and tax administration and equity tax expenditures. This report is the second time ORA has reviewed the District's environment, transportation, public safety, and tax administration and equity tax expenditures. However, there have been no significant policy changes in the tax provisions in these areas since the last review.

## Summary of Tax Expenditure Provisions

Overall, tax expenditures are not widely used as a policy tool in the environment, public safety, and transportation. As such, this report generally lists the tax expenditures in each policy area and highlights some of them in the context of the District's broader goals and activities.

Environment

Eight environment-related tax expenditures represented just under $3.7 million in foregone revenue in FY 2023. These provisions generally support residential trash collection, brownfield cleanup, and revitalization, and solar and renewable energy. This report highlights the condominium and cooperative trash collection tax credit because it represents the tax credit with the largest forgone revenue in the report. Two specific tax expenditures related to the environment are also identified, and both involve a property tax exemption for conserving historic land for use as a public park and green space. Each of these tax expenditures generally supports the District's broader environmental goals.

Public Safety

There are two public safety-related tax expenditures. One of these – a property tax exemption for the land on which the DC Department of Corrections houses its female and juvenile prisoners and some low-to-medium-risk male prisoners – represented about $4.4 million in foregone revenue in FY 2023. A second tax expenditure in this area offers rental assistance to DC police officers, but it is currently only minimally used. Both tax expenditures support the District's broader public safety goals.

Transportation

Five transportation-related tax expenditures represented about $15.3 million in foregone revenue in FY 2023, more than three-fourths of which stemmed from the property tax exemption for Metro property owned by the Washington Metropolitan Area Transit Authority (WMATA). The other four transportation-related tax expenditures include individual and corporate income tax exemptions for alternative fuel vehicle conversion, a personal property tax exemption for commercial motor vehicles and trailers, a sales tax exemption for valet parking services, and an excise tax exemption for electric motor vehicles. The provisions for WMATA and electric motor vehicles directly support the District's transportation goals. At the same time, the other two do not directly contribute to broader transportation policy goals, though they are transportation-related.

Tax Administration and Equity

There are five tax administration and equity-related tax expenditures, with minimal to no estimates of foregone revenue in FY 2023. Most of the tax expenditures in this section exist to assist with the administration of tax laws in particular circumstances and prevent double taxation on certain firms for purposes of equity. Further, one of these provisions exists to provide parity between similar types of firms (wireless telecommunications providers to regular telecommunications providers).

Because the tax administration and equity-related tax expenditures are different in nature than the tax expenditures in this report, which often have a policy focus and are meant to incentivize behaviors, an abbreviated listing of these tax expenditures is presented.

## Recommendations

The only recommendations that arose from our review of these areas involve the condominium and cooperative trash collection tax credit and tax expenditures that are not being used for various reasons.

Environmental-Related Tax Expenditures:

1. Increase the condominium and cooperative trash collection tax credit to at least cover the annual trash collection cost for condominium and cooperative homeowners.
2. The District Department of Energy and Environment (DOEE) should promulgate the regulations necessary to implement the Brownfield Revitalization and Clean up' and 'Environmental Savings Account' tax provisions, so interested taxpayers may take advantage of the incentives to clean up brownfield properties. (DOEE officials have informed us that the statute needs to be amended before the regulations can be written, and DOEE is currently working on that process.)

Public Safety-Related Tax Expenditures:

3. Providing rental assistance to police officers may need more marketing on the police force to ensure that more officers are aware of the program.

**Outline of the Report**

First, an introduction presents the legal requirement for the report, as well as an overview of what tax expenditures are, in general, and how they are used and classified in the District of Columbia. Next, an overview of how the tax expenditure review was conducted, including the methodology used to trace the purpose of each tax expenditure to its intended outcome.

The remainder of the report is divided into four parts, one chapter for each policy area reviewed. In each section, both categorical and individual tax expenditures (if they are identified) are presented. The section on categorical tax preferences presents a summary table of all categorical tax expenditures, followed by a description of a highlighted tax expenditure when applicable, with the most updated data available on revenue foregone, number of claimants, and any other information that we were able to compile that is relevant for assessing the provision. Each section concludes with a summary and recommendations.

## Part I: Introduction

## Legal Requirement

The following report is published under a subtitle of DC Law 20-155, the "Fiscal Year 2015 Budget Support Act of 2014." Also called "Tax Transparency and Effectiveness," the legislation requires the Chief Financial Officer (CFO) to review all the District's tax preferences (abatements, credits, and exemptions, among others) on a five-year cycle.[1] To comply with this requirement, the CFO must summarize the purpose of each provision, estimate the revenue foregone, examine the impacts on the District's economy and social welfare, and offer recommendations about whether to maintain, revise, or repeal the tax preference. This is the second review in the second cycle of reports and focuses on the environment, public safety, transportation, and tax administration and equity provisions. The first report in the second cycle of reviews completed in the Fall of 2023 was the housing tax expenditure review.

Additionally, the Office of Revenue Analysis (ORA) released a report[2] in 2022 summarizing the first complete cycle of tax expenditure reviews, including recommendations, overarching findings resulting from the reports, external and internal impacts of the evaluation process, and ways we may change the reports moving forward. In striving to provide policymakers and the public with high-quality and relevant analysis that is delivered in a timely fashion, we streamlined parts of the report where the information we provided can primarily be found in ORA's biennial Tax Expenditure Reports and expanded other types of analysis where a deeper dive into the data may provide valuable results.

For all its reporting on tax expenditures, ORA organizes the District's tax expenditures by policy area, using a classification that largely mirrors the categories used by the Joint Committee on Taxation (JCT). Beginning with the first tax expenditure review in 2015, tax expenditures were grouped as either 'categorical' or 'individual,' and in recent releases, the nomenclature for the second type of tax expenditures was changed from 'individual' to 'specific.' Categorical tax expenditures are those that any eligible person or entity may take. Specific tax expenditures are those provisions for which an individual entity or organization was awarded a tax preference based on particular circumstances.

### Evaluating Tax Expenditures

### Previous Report Methodology

In the first full round of Tax Expenditure Reviews released from 2015 to 2022, ORA aimed to be comprehensive and provided a catalog of all the District's tax expenditures within each policy area. For each Review, we systematically reviewed a series of reports and documents about each provision, such as Council reports on legislation enacting the provision, DC Code and Regulations, Fiscal Impact Statements, Unified Economic Development Reports, Tax Expenditures Reports, and Tax Abatement Financial Analyses. Further, we held meetings with various agencies and stakeholders and requested data from multiple parties to conduct our review.

For each tax expenditure, we presented a logic model frequently used to evaluate programs and policies. This served as a visual tool to quickly summarize the need for the policy, the inputs (what the District is contributing toward the need with this provision), the outputs (what benefits citizens receive from this

[1] The full text of the legislative requirement is presented in Appendix 1.

[2] Office of Revenue Analysis (March 2022). Summary Report on the District's First Cycle of Tax Expenditure Reviews. Retrieved from https://ora-cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/Summary%20TE%20Eval%20Review_Final_rev.pdf

policy), and the short-, medium-, and long-term outcomes (what effect or impact did the policy have). Using the logic model to structure the analysis, we reviewed the above-mentioned reports along with a variety of other data sources to conduct our reviews, including DC tax data, OTR Reports on Property Exempt from Taxation, OTR Exempt Property Use Reports filed by tax exemption recipients, and internal sources of tax expenditure data obtained from the OTR. Each report covered all tax expenditures within a policy area. Several reports provided a deep dive into tax expenditures for which we had more data, such as the qualified high technology company tax credits, the supermarket's tax credits, the certified capital company tax credits, and the earned income tax credits.

**Methodology Moving Forward**

For the current and future reports, beginning with the second cycle of tax expenditure reviews, the goal is to streamline the reports, which means focusing on data not presented elsewhere in ORA reports. For example, biennial Tax Expenditure Reports give narrative text and multiyear estimates of revenue forgone for every District tax expenditure resulting from federal conformity and all local District tax expenditures. The goal is to use the Tax Expenditure Reviews to provide data unavailable in those reports and refer readers to the tax expenditure report for more information.

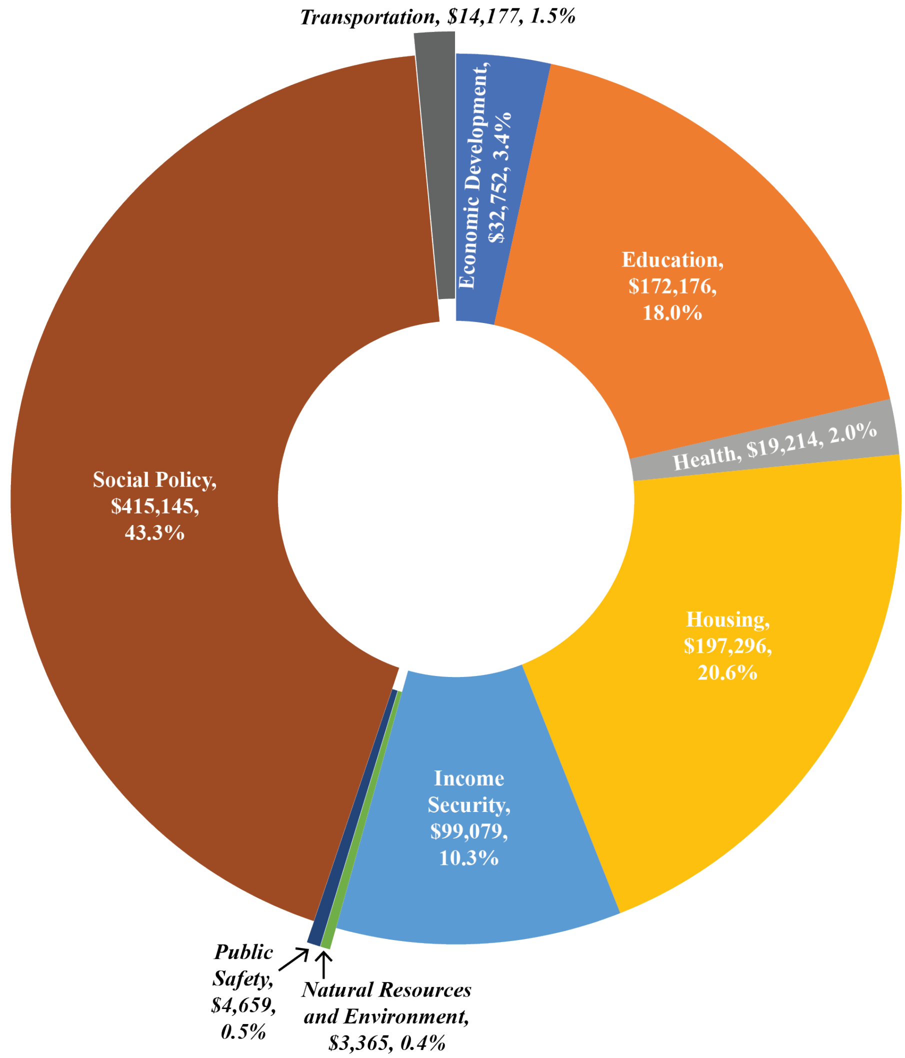
To determine the topics to be covered in our reports, we rely on the legislative mandate for the reports[3], which gives the leeway to decide that not all [on-cycle tax] preferences merit a full review. Choosing which preferences to include for such a 'summary' review should consider the amount of revenue loss, number of claimants, recent changes in revenue loss, recent proposals for repeal, and lastly, whether the tax expenditure is included in the Home Rule Act. In addition to these guidelines, we will consider recently adopted tax provisions for which we have at least a few years of data to base a preliminary review (such as the Electric Motor Vehicle Excise Tax Exemption presented in this report).

We will present a complete list of all related tax expenditures in a table and then select various policies on which to do a deeper dive. The goal is to be flexible with the methodology used to evaluate tax expenditures depending on data availability to provide a comprehensive review of the District's tax provisions. We may also continue to use the logic model to structure our analysis and review. This serves as a visual tool to quickly summarize the need for the policy, the inputs (what the District is contributing toward the need with this provision), the outputs (what benefits citizens receive due to this policy), and the short-, medium, and long-term outcomes (what effect or impact did the policy have). For this report, where data is unavailable, the logic models describe expected benefits or outcomes rather than actual outcomes.

Moreover, for the current Environment, Transportation, Public Safety, and Tax Administration and Equity Tax Expenditure Review, we present a tabular list of all categorical and specific tax expenditures by policy area, sorted by amount of revenue forgone, including other descriptive information. We have chosen two categorical provisions for a more extended review based on the size of the revenue forgone and the newness of the provision. The first categorical provision reviewed in this report is the condominium and cooperative trash collection tax credit, an environment-related tax expenditure, and the electric vehicle excise tax exemption, a transportation-related tax expenditure. We also continue to use the logic model to describe the two categorical provisions reviewed in this report because of the unavailability of data.

[3] DC Law 20-155 "Fiscal Year 2015 Budget Support Act of 2014." See full text of requirement in Appendix 1.

**Chart 1: FY 2022 District Tax Expenditure Estimates, Aggregated by Policy Area**




Source: FY 2022 District Tax Expenditure Report

Chart 1 reports the District tax expenditures totals for fiscal year 2022 by policy area, as presented in the 2023 District of Columbia Housing Tax Expenditure Review report. Per Chart 1, tax preferences targeted to social policy comprise the largest category of District spending through the tax code. This total consists of real property tax exemption for non-profit organizations, including charitable organizations, theatres, churches, art galleries, and cemeteries, and sales tax exemption for groceries, diapers, and female hygiene products, which comprise over 90 percent of the total for social policy. Tax preferences for housing, including income and property tax exemptions for some renters and homeowners and property tax exemptions for non-profit developers, comprise the second largest aggregate amount of spending through the tax code. Chart 1 shows that tax expenditure estimates for environment, transportation, public safety, and tax administration and equity are small relative to the other tax expenditure categories.

It is essential to point out that for this review, multiple barriers, including a lack of data, prevented us from assessing *actual* outcomes. Instead, we have filled in the outcome boxes with *expected* outcomes or benefits and, where possible, provided any assumptions underlying the policy and these expected outcomes. These statements are not empirically proven facts; rather, they give the logic behind why the policy was enacted and what it intends to do. Ideally, these statements would be part of the implementing legislation when a policy is first passed, and often they are for the tax expenditures that we reviewed. Having this information is the first step in evaluating outcomes. In lieu of procuring the data required to evaluate each provision adequately, we have filled in these assumptions in the logic models as a starting point for an interim assessment.

Evaluating the success of the District's tax expenditures primarily entails examining how they meet the goals set out for them when they were created. This individual level analysis is the basis of this report and will be laid out in detail in the following pages. However, another important question when examining the tax preferences in a single policy area is whether these tools are also helping the District meet its overall goals and needs. Thus, each section provides a brief overview of the District's policy goals in each area: environment, public safety, and transportation. This information is presented to provide a broader context within which to view the findings of this report.

## Part II: Review of the District's Environment-Related Tax Expenditures

## Overview of the District's Environmental Goals

The following section provides a brief overview of the current environmental policy goals of the District government, which revolves around conserving the environment and treating its natural resources in a sustainable way. The District has several planning documents relating to the use of its territory. The Sustainable DC Plan, created under former Mayor Gray and released in April 2013, contains goals in jobs, health, food, nature, climate, water, energy, built environment, transportation, waste, and a green economy. The plan was updated under Mayor Bowser in 2018 to the Sustainable 2.0 DC plan. The Sustainable 2.0 plan contains the District's long-term goals to make DC the healthiest, greenest, and most livable city for all District residents like its predecessor. Further, the District's Comprehensive Plan, which was last released in 2006 and amended in 2011 and 2021, contains various elements relating to the environment.[4] Other plans that complement the environment-related goals are listed in the box below.

### Table 1: DC Environment-Related Plans and Goals

| DC Environment-Related Plans | Brief Summary of Plan's Environment-Related Goals |
|---|---|
| Sustainable DC Plan/ Sustainable DC 2.0 Plan | • Cut greenhouse gas emissions;<br>• Protect, restore, and expand aquatic ecosystems;<br>• Cut energy usage;<br>• Advance physical adaptation and human preparedness to increase the District's resilience to climate change;<br>• Increase healthy tree canopy and nature space;<br>• Produce less waste, consume less, and reuse everything else;<br>• District waterways fishable and swimmable;<br>• Use a portion of our landscape to filter or capture rainwater for reuse |
| District's Comprehensive Plan; Chapters 6, 8, and 13 | • Restore the city's tree canopy and green infrastructure;<br>• Improve our rivers, streams, and stream valleys;<br>• Reduce erosion and stormwater run-off;<br>• Sustain plant and animal habitat;<br>• Conserve water and energy and expand recycling;<br>• Improve human health and increase access to clean and renewable energy; prevent and reduce pollution and<br>• Encourage green building techniques and |
| Anacostia 2032 Plan | • Make the Anacostia River swimmable and fishable by 2032 |
| Climate and Energy Action Plan[5] | • Reduce the carbon footprint of the District government and the community as a whole |
| DC Clean Rivers Project | • Long-term plan for controlling combined sewer overflows |
| DDOT Climate Change Adaptation Plan | • A plan to adapt DC's transit system to a changing climate |
| Wildlife Action Plan | • A census of wildlife found in the District, including those species in greatest need of conservation |

Source: ORA Compilation.

[4] Source: The District's Comprehensive Plan, Chapters 6; 8; and 13. A planning amendment cycle is underway and updates are scheduled to be released in 2018.
[5] The Climate and Energy Action Plan is also known as Clean Energy DC

The District's work on the environment is organized into similar clusters in the legislative and executive branches. The DC Council's Committee on Transportation and the Environment is responsible for matters relating to environmental protection regulation and policies; highways, bridges, traffic, vehicles, and other transportation issues; regulation of taxicabs; maintenance of public spaces; recycling; waste management; water supply and wastewater treatment; and maintenance of public areas and public parks and recreation.

The primary agency involved in implementing the environmental and natural resource goals and policies in the District is the Department of Energy and Environment (DOEE).[6] DOEE's mission is "to improve the quality of life for the residents and natural inhabitants of the nation's capital by protecting and restoring the environment, conserving our natural resources, mitigating pollution, increasing access to clean and renewable energy, and educating the public on ways to secure a sustainable future."[7] DOEE carries out this mission by "enforcing environmental regulations; monitoring and assessing environmental risks; developing energy and environmental policies; issuing permits; and providing residents and local businesses with funding, technical assistance, and information on initiatives designed to ensure a more resilient and sustainable city."[8]

The District's environment-related tax expenditures are one of various policy tools for implementing environment-related goals, and a review of them should be assessed within the broader context of the District's work in this area.

## Environment-Related Categorical Tax Expenditures

Categorical environment-related tax provisions, or those available to anyone who is eligible, represent roughly $3.6 million in foregone revenue in FY 2023. There are six categorical environment-related tax expenditure provisions, which generally support:

trash collection (1);
environmental savings account contributions and earnings (1);
brownfield cleanup and revitalization (2); and
solar and renewable energy (2)

The estimate of revenue foregone for FY 2023 in this category is based on one tax expenditure, the real property tax credit for condo and cooperative trash collection, which will be further discussed in this report. The other five environment-related tax expenditures have no projected revenue loss in FY 2023. Two of the remaining tax incentives aim to encourage landowners to clean up blighted property by restoring brownfields to reuse the land. The final two tax incentives in this category focus on using cleaner energy, such as solar, and available information indicates they have yet to be used but may be used in the future.

Table 2 below presents all environment-related tax provisions, the tax they relate to, the type of tax expenditure, the date enacted, the provision in the DC Code, the administering agency, and an estimate of revenue foregone for FY 2023. This table presents the largest (in terms of revenue foregone) tax expenditure provision at the top. The individual analysis below primarily follows this order.

We further review the condominium and cooperative trash collection tax credit in this report section. The other tax expenditures listed in the table below are described in the District's 2016 Tax Expenditure Review:

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[6] The Department of Parks and Recreation, the Department of Public Works and the Office of Zoning also play a smaller role in carrying out environment-related policies.
[7] DOEE Mission Statement: https://doee.dc.gov/page/about-doee.
[8] Ibid.

Environment, Public Safety, Transportation, and Tax Administration and Equity Provisions, and the 2022 Tax Expenditure Report.

**Table 2: Categorical Environment-Related Tax Expenditures**

| Name of Tax Expenditure | Tax | Type of Provision | Date Enacted | DC Code | Agency | FY 2023 Revenue Loss Estimate ($000) |
|---|---|---|---|---|---|---|
| Condominium and cooperative trash collection | Real Property | Credit | 1990 | § 47-872 and § 47-873 | OTR | $3,607 |
| Brownfield revitalization and cleanup (implementing regulations not written) | Real Property | Credit | 2001 | § 8-637.01 | DOEE | $0 |
| Brownfield revitalization and cleanup (both personal and business income; implementing regulations not written) | Income | Credits | 2001 | § 8-637.01 | DOEE | $0 |
| Environmental savings account contributions and earnings (both personal and business income; implementing regulations not written) | Income | DC Subtractions from FAGI | 2001 | § 8-637.03 | DOEE | $0 |
| Solar energy systems (unused so far) | Personal Property | Exemption | 2013 | § 47-1508(a)(11) | OTR | $0 |
| Cogeneration systems | Personal Property | Exemption | 2013 | § 47-1508(a)(12) | OTR | $0 |
| **TOTAL** | | | | | | **$3,607** |

Source: ORA Compilation from 2022 Tax Expenditure Report with some updates from more recent data.
Note: Summing tax expenditures does not consider possible interactions among individual tax expenditures, so it does not produce an exact estimate of the revenue that would be gained were any specific provision removed.

## Condominium and cooperative trash collection

*Real Property Tax Credit*

District of Columbia Code: DC Official Code § 47-872 (condominiums) and § 47-873 (cooperatives)
Sunset Date: None
Year Enacted: 1990

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|
| **Estimated Revenue Foregone ($000) Fiscal Year** | $3,046 | $3,205 | $3,333 | $3,282 | $3,607 | $3,931 | $4,202 | $4,475 |
| **# of Beneficiaries Tax Year** | 28,496 | 28,659 | 28,969 | 29,193 | 28,852 | 29,370 | 29,897 | 30,433 |

Source: ORA Analysis of DC Real Property Tax Data. These estimates represent revisions to the 2020 Tax Expenditure Report based on updated data.

DESCRIPTION: Owners of condominium and cooperative dwelling units may qualify for a trash collection credit against their real property tax liability if they pay for garbage collection instead of receiving city garbage service. The credit, which is $125 for tax year 2023, is adjusted annually for inflation.

To qualify for the credit, the property must be occupied by the owner and used for non-transient residential purposes. In addition, the property must be in a condominium or cooperative housing building with more than three dwelling units.

PURPOSE: The purpose of the credit is to help defray garbage collection costs for residential real property owners who do not receive trash collection services from the DC government. The original intent of the tax credit was to reimburse condos, coops, and other owner-occupied buildings with more than three units for the cost of providing trash collection services in their taxes since the DC Government was prohibited from doing collections at these large buildings by Congress.[9] The prohibition lasted until 1988. The DC government was prohibited from collecting trash from apartment buildings when it switched from contracting out trash collection to providing direct municipal service in the 1920s because Congress did not want to pay the extra cost of disposing of coal ash, which was a significant source of waste at the time.[10] DC has continued not to service certain buildings for two reasons. First, condo associations testified during the original law's hearing that their private collection services were satisfactory. Second, some buildings have physical barriers like narrow lanes and private roads that make it difficult for the Department of Public Works (DPW) to collect trash, and sometimes, DC does not have the appropriate garbage truck for such situations. The committee thought providing tax relief via a categorical property tax credit for this group was the most equitable and efficient way to deliver relief.

[9] DC Council Committee Report on L8-180: Condominium and Cooperative Trash Collection Tax Credit of 1990. Pg. 4.
[10] Hartman, C. J. (2012). Talking Trash: Solid Waste Policy in the District of Columbia, 1877-1922. Washington History, 24(2), 85–99. http://www.jstor.org/stable/41825434

Evaluating the Impact of the Credit:
This credit benefits condominium or cooperative housing owners who pay for garbage collection. In FY 2023, about 28,852 homeowners received this credit for a total of $3.6 million in revenue forgone.

Generally, trash collection for DC residents falls into three categories: 1) residents who have their trash collected by the District. The District collects trash for residents who live in single- and multi-family dwellings with a maximum of three units at no cost to the homeowners; 2) residents who use private trash collectors and are given the condominium and cooperative trash collection tax credit. The trash collection credit, as the name suggests, is for condominium and cooperative homeowners living in multi-family dwellings with more than three units and; 3) residents who use private trash collectors but are not reimbursed through a credit. These residents live in rental apartments in multi-family buildings with more than three units.

With the limited available data[11] ORA found that in 2023 the average annual trash collection cost per unit for condominiums and cooperatives is about $215. The average price to the District for sanitation and trash collection for single-family homeowners and condominium buildings with three or fewer dwelling units is about $253 (see Table 4 below). Annual average trash collection cost to the District is higher than what is paid by condominiums and cooperatives, and the trash collection tax credit reimburses only about 50 percent to 66 percent of trash collection costs to residents who own and reside in condominiums and co-operatives. Unlike condominium and cooperative homeowners, residents living in apartments in the District do not receive trash collection reimbursement from the District, although these residents indirectly pay for trash services. Trash collection fees, on average, make up about 3.75 percent of the total annual rent collected by medium and large residential apartments in the District. The average yearly trash cost per unit is about $349 in 2022.[12] This means that the District provides an additional service, paid with DC general fund revenue, and hence preferential treatment to residents living in single-family homes and multi-family dwellings with a maximum of three units compared to residents living in multi-family buildings. Table 3 shows that DC's trash collection policy is similar to the surrounding counties. Most counties surrounding the District provide trash collection services for single-family homes, which is included in their property taxes, except Arlington County residents who pay via quarterly fee, while multi-family buildings, except in Montgomery County, must hire private companies for their trash collection services. In summary, apart from Arlington County, each surrounding jurisdiction's residential property owner must pay taxes on their property, which the government uses to finance services like trash collection. Still, in DC, only single-family dwellings receive this benefit, and DC's trash tax credit attempts to offset some of this inequity for residents living in apartments, condominiums, and co-operatives.

[11] ORA reached out to multiple property management companies in the District to inquire about the cost of trash collection and received data from three condominiums.
[12] Calculation is from the 2022 Income & Expense (I&E) data. Private owners of all medium and large residential rental properties in the District must submit an annual I&E Report for each property to the Real Property Tax Administration (RPTA) for property assessment purposes. The I&E Report is a comprehensive annual record documenting all expenses and income sources associated with each taxable multifamily residential rental property in the city. The report also includes information like the number of units in each residential property and trash fees.

**Table 3: Trash collection policy for multi-family vs. single-family buildings for counties surrounding DC, 2023**

| County | Does the local government provide weekly curbside trash collection services? | | How residents are billed | Provides a tax credit to single-family residences not covered by service?**** | How many dwelling units constitute single-family eligibility? |
|---|---|---|---|---|---|
| | Single-Family Dwellings | Multi-Family Buildings | | | |
| Washington, DC | Yes | No | n/a | Yes | Properties with up to three units |
| Arlington Co., VA | Yes | No | Quarterly fee | No | Up to two units |
| Alexandria, VA | Yes | No | Property tax | No, but they do not pay the additional fee on their property tax | Up to four units |
| Prince George's Co., MD | Yes | No | Property tax | No, but they are relieved from solid waste charge on property tax | Up to three units |
| Montgomery Co., MD* | Yes | Yes | Property tax | No | Up to six units |
| Fairfax Co., VA | Yes** | No | Property tax | No, but they do not pay for the refuse collection service charge | Up to one unit |
| Falls Church, VA | Yes | No*** | Property tax | No | Up to one unit |

Note: Single-family dwellings include detached or attached houses, townhomes, duplexes, and sometimes triplexes
*Certain Montgomery Co. municipalities offer their collection service.
**Property must be within Fairfax's Solid Waste Collection Areas or through their petition process for servicing approval.
***Falls Church makes an exception for two condominiums.
****Properties include condominiums, cooperatives, or certain homeowners who pay for garbage collection instead of receiving government service.

Given that the city provides trash collection for all residents who own single-family homes that are not condo or co-op buildings with four or higher dwelling units, this provision is inequitable because condo and coop homeowners are not on equal footing with the rest of District homeowners, regarding trash collection. Moreover, due to the inequity in trash collection costs, the district provides more amenities to residents living in single-family homes than residents living in multi-family units.

**Table 4: Sanitation Collection and Removal Cost to the District**

| Year | Household Count | Total Cost | Average Cost per House |
|---|---|---|---|
| 2016 | 97,478 | $24,274,000 | $249.02 |
| 2017 | 97,926 | $23,615,000 | $241.15 |
| 2018 | 98,087 | $22,019,000 | $224.48 |
| 2019 | 98,687 | $25,335,000 | $256.72 |
| 2020 | 98,856 | $25,865,000 | $261.64 |
| 2021 | 98,998 | $27,791,000 | $280.72 |
| 2022 | 99,816 | $28,668,000 | $287.21 |
| 2023 | 101,232 | $25,573,000 | $252.62 |

*Sources*: FY 2017- FY 2024 Approved Operating Budget Chapters, Operating Appendix Tables, and Capital Budgets by Agency, Agency Budget Chapters- Part 3.
DC Department of Public Works (DPW). DPW does not maintain a customer count database measured over different time periods. Hence, the household counts are not "official" counts of customers for those periods. Routinely, the waste diversion office will request a list of DPW customers so that mailers can be sent to them.

**Condominium and cooperative trash collection**

**The Need:**

The purpose is to help defray the costs of garbage collection for real property owners who do not receive trash collection services from the DC government, providing horizontal equity among residents who own their homes.

**Resources/Inputs:**

Residents owning and living in a condo or coop with more than four units may receive a trash credit. In 2023, the tax credit applied to property tax bills was $125.

**Outputs:**

From 2019 to 2023, an average of 28,834 residents took the trash credit per year, for an average annual cost to the District of $3.3 million. The five-year total of revenue foregone due to the credit was $16.5 million.

**Expected Benefits**

(changes in short, medium, or long-term measures)

**Short-term:**

Reduces trash collection cost to condominium and cooperative homeowners. Mitigates the inequity in trash collection cost between condominium and cooperative residents and residents living in single family homes.

**Medium-term:**

Reduces trash collection cost to condominium and cooperative homeowners. Mitigates the inequity in trash collection cost between condominium and cooperative residents and residents living in single family homes.

**Long-term:**

Reduces trash collection cost to condominium and cooperative homeowners. Mitigates the inequity in trash collection cost between condominium and cooperative residents and residents living in single family homes.

**Assumptions:**

## Specific Environment-Related Tax Expenditures

Specific tax expenditure provisions result from legislation passed to provide a tax benefit for a particular resident or entity, in contrast to categorical provisions, which are available to all who are eligible (as outlined in the previous section).

Projects granted a property tax exemption must submit an annual use report, as per DC Official Code § 47-1007. The report should provide evidence that the property is still being used for the purpose for which it was granted the exemption. The table below shows information from reports filed for two such properties. The total estimated foregone revenue for all individual environment-related tax expenditures in FY 2023 is approximately $103,537. Table 5 below presents both individual environment-related tax provisions, the tax they relate to, the type of tax expenditure, the date enacted, the enabling provision in the DC Code, the administering agency, and their estimated revenue foregone for FY 2023.

### Table 5: Listing of Environment-Related Individual Tax Expenditures

| Name of Tax Expenditure | Tax | Type of Provision | Date Enacted | DC Code | Agency | FY 2023 Revenue Loss Estimate ($000) |
|---|---|---|---|---|---|---|
| Rosedale Conservancy, lot 817 in square 1954 | Real Property | Exemption | 2003 | § 47-1056 | OTR | $83 |
| Tregaron Conservancy, Lots 848, 857, 859, and 860, Square 2084 | Real Property | Exemption | 2008 | § 47-1077 | OTR | $20 |
| **TOTAL** | | | | | | **$103** |

## Summary of Environment-Related Tax Expenditures and Recommendations

Environment-related tax expenditures are not a widely used policy tool, though three of the eight tax expenditures in this area were passed in the last decade, which may indicate that this is changing. The revenue loss due to categorical environment-related tax expenditures in FY 2023 was an estimated $3.6 million, all due to a single tax expenditure. This is a credit for trash pick up to condominium and cooperative housing owners that do not receive city-provided trash collection. Five tax expenditures passed in 2001 have not been available for use because DOEE has yet to promulgate implementing regulations. In 2016, the first environment-related tax expenditure review reported that DOEE officials informed us that the statute would need to be amended before the rules could be written. DOEE had been working on that process at the time and its status is currently unknown.[13] If these tax incentives for cleaning up brownfields and blighted lands are to achieve their policy goals, they will need to be implemented and used by landowners.

Two tax-exempt properties were identified as falling under the Individual Tax Expenditures provisions category with primarily environmental goals. The Rosedale and Tregaron Conservancies, located in Northwest Washington, DC, have property tax exemptions designed to ensure that this land remains an undeveloped open space that is available free of charge to the public. The estimated revenue loss of these two exemptions for FY 2023 is $103,537.

Overall, each environment-related tax expenditure generally supports the District's broader environmental goals.

**Recommendations:**

1. Make the condominium and cooperative trash collection tax credit more equitable by increasing the credit to eligible homeowners. The most equitable outcome would be to fully abate the trash collection cost to condo and cooperative homeowners.

2. DOEE should promulgate regulations necessary to implement the Brownfield Revitalization and Cleanup Tax Credits and the tax expenditure for Environmental Savings Account Contributions and Earnings. These provisions (containing five tax expenditures in total) are related. They will only be successful in their policy goals if they are in use and provide taxpayers with incentives to redevelop brownfields.

[13] ORA was unable to get more information from DOEE

## Part III: Review of the District's Public Safety Tax Expenditures

## Overview of the District's Public Safety Goals

The following section briefly overviews the District's current public safety policy goals and plans. The District's overall goals for public safety can be found in Chapter 11 of the Comprehensive Plan, which is focused on community services and facilities. The Community Services and Facilities Element provides policies and actions on police stations, fire stations, and other vital facilities such as health facilities and libraries. Chapter 11 of the plan also focuses on public safety and emergency preparedness and includes elements relating to police, fire, and emergency services and facilities.[14]

The District has three additional plans that make up the District Preparedness Framework for responding to various public emergency scenarios, including enemy attacks, resource shortages, fire, and natural disasters, among other emergencies. They are the District Response Plan (DRP), the Emergency Response Plan (ERP), and the Regional Emergency Coordination Plan. The Metropolitan Washington Council of Governments (MWCOG) developed the District Response Plan to strengthen regional communication and coordination in the event of a regional incident, disaster, or emergency. MWCOG also has a National Capital Region Homeland Security Strategic Plan, a unified, long-term effort to improve "all-hazards" regional preparedness.

The Safer, Stronger DC initiatives also include programs related to strengthening law enforcement tools, reducing crime, gun violence, and juvenile crime, treating trauma in communities, creating opportunities and alternatives, and increasing police force levels.[15]

| Public Safety-Related Plans | Brief Summary of DC's Public Safety-Related Goals |
|---|---|
| Chapter 11 of DC's Comprehensive Plan | A section of this Chapter focuses on public safety and emergency preparedness and includes elements relating to the maintenance of police, fire, and emergency services and facilities. |
| District Response Plan | Guides how District agencies and departments, nongovernmental organizations, voluntary organizations, and regional and federal partners respond to disasters in the District to protect life and property and ensure public safety. Includes three annexes with specific threat-based plans. |
| Emergency Response Plan (ERP) | ERPs ensure that District agencies develop emergency plans and provide employees with documented procedures for responding to emergency events. |
| Regional Emergency Coordination Plan | MWCOG plan identifies specific actions in regional communication and coordination to facilitate emergency response in the event of a regional incident, disaster, or emergency. A section of the plan is focused on law enforcement issues and activities. |
| Safer, Stronger DC | The mayor's plan specifically includes increasing police presence on streets and in communities as long as necessary, getting tough on the relatively small number of repeat violent offenders who continue to harm the DC community, and providing the Metropolitan Police Department (MPD) with the tools and resources it needs to protect neighborhoods. |

Source: ORA Compilation.

[14] The District's Comprehensive Plan, Chapter 11.
https://planning.dc.gov/sites/default/files/dc/sites/op/publication/attachments/11_CSF.pdf
[15] Safer, Stronger DC: http://mayor.dc.gov/page/saferstronger.

Under the Deputy City Administrator/Deputy Mayor for Public Safety and Justice, various agencies carry out public safety work in the District, coordinated through the Homeland Security and Emergency Management Agency (HSEMA). These include the Metropolitan Police Department, the Fire and Emergency Medical Services Department, the Department of Corrections, and the Department of Forensic Sciences.

The high-level overview of the plans listed above are the District's key documents outlining goals, procedures, and best practices for maintaining the safety of residents and visitors in DC. These plans include a focus on reducing crime and violence, as well as having the ability to best respond to and mitigate natural disasters or other emergencies, such as terrorism. An evaluation of the District's public safety-related tax expenditures, which provides one avenue for implementing public safety goals, should be viewed and assessed within this broad context.

## Categorical Public Safety Tax Expenditures

Categorical public safety-related tax expenditure provisions, or those available to anyone who is eligible, constitute roughly $4.5 million in the District's foregone revenue in FY 2023. There are two categorical public safety-related tax expenditure provisions which support the following activities:

rental assistance to police officers (1);
correctional facilities (1)

The rental assistance to police officers' income tax subtraction was enacted in 1993. The law allows eligible Metropolitan Police Department (MPD) officers who receive discounted rent from public and private housing providers in the District to not count the discounted rent as income when calculating their income tax liability.

The correctional treatment facility property tax exemption has been law since 1997. It allows the facility, which houses all the Department of Corrections (DOC) female and juvenile prisoners as well as some male prisoners who are a medium-security risk or lower, to be exempt from real property taxation if the facility on that site is used as a correctional facility, housing inmates in the custody of the DOC.

Table 6 below presents both public safety-related tax provisions, the tax they relate to, the type of tax expenditure, the date enacted, the provision in the DC Code, the administering agency, and their estimated revenue foregone for FY 2023.

The tax expenditures listed in the table below are described in the District's 2016 Tax Expenditure Review: Environment, Public Safety, Transportation, and Tax Administration and Equity Provisions, and the 2022 Tax Expenditure Report.

### Table 6: Categorical Public Safety Tax Expenditures

| Name of Tax Expenditure | Tax | Type of Provision | DC Code | Agency | Enacted | FY 2023 Revenue Loss Estimate ($000) |
|---|---|---|---|---|---|---|
| Correctional Treatment Facility | Real Property | Exemption | § 47-1002(25) | OTR | 1997 | $4,441 |
| Rental assistance to police officers | Income | DC Subtractions from FAGI | § 42-2902 | OTR/DCHA | 1993 | $17 |
| **TOTAL** | | | | | | **$4,458** |

Source: ORA Compilation from 2022 Tax Expenditure Report.

## Summary of Public Safety-Related Tax Expenditures and Recommendations

Tax expenditures are not a widely used policy tool in public safety. However, this tax expenditure does support the public safety goals of the District in that it directly relates to how the District manages its inmates.

This report makes no recommendations for changes to the provisions based on this minimal use of tax expenditures within the public safety area. However, regarding the use of provisions of rental assistance to police officers, the fact that it is underused may signal a need for some marketing of this provision on the police force to ensure officers know it exists. It will only achieve the policy purpose of incentivizing officers to live in the District if they are aware of the program.

## Part IV: Review of the District's Transportation Tax Expenditures

## Overview of the District's Transportation Goals

The following section provides a brief overview of the current transportation policy goals of the District government. The District's overall goal for transportation, found in Chapter 4 of the Comprehensive Plan, is to: "Create a safe, sustainable, equitable, efficient, and multimodal transportation system that meets the access and mobility needs of District residents, the regional workforce, and visitors; supports local and regional economic prosperity; and enhances the quality of life for District residents."[16]

| DC Transportation-Related Plans | Brief Summary of the District's Transportation-Related Goals |
|---|---|
| The District's Comprehensive Plan; Chapter 4 | To maintain and improve the District's transportation system and enhance the travel choices of current and future residents, visitors, and workers. |
| Sustainable DC Plan | The plan's transportation elements include improving connectivity and accessibility through efficient, integrated, and affordable transit systems; expanding the provision of safe, secure infrastructure for cyclists and pedestrians; enhancing affordable, convenient transportation options to reduce dependency on single-occupant vehicles; and reducing greenhouse gas emissions and air pollution from the transportation sector. |

Source: ORA compilation.

The critical transportation issues facing the District of Columbia, as noted in the Comprehensive Plan, include:

- "Eliminating fatalities and severe injuries on the transportation network;
- Expanding the District's transportation system to provide alternatives to the use of single-occupant autos;
- Enhancing the District's corridors for all modes of transportation;
- Increasing bicycle and pedestrian connections, routes, and facilities;
- Improving the efficiency of the existing transportation system;
- Investing in bridge and roadway maintenance and repair;
- Investing in transit network maintenance and repair;
- Providing equitable transportation choices and access that meet the needs of communities of color, residents at all income levels, and vulnerable populations;
- Reducing pollution and adverse health and environmental effects from transportation; • Promoting transportation demand management (TDM)." (p. 4-1)

Chart 2 below presents the major transportation assets of the District for reference and highlights just how extensive the city's transportation networks are.

[16] The District's Comprehensive Plan, p. 4-4.

**Chart 2: Transportation Assets of the District (as of 2017)**

**Transportation Assets of the District** 400.8

| Transportation Asset | Description |
|---|---|
| Roadway System | 1,171 miles |
| Rail Mass Transit (Metrorail) | 38 miles (total for region = 117 miles)<br>40 stations (total for region = 91 stations) |
| Bus Mass Transit<br>Metrobus<br>DC Circulator | <br>Service on 281 miles of road<br>Service on 52 miles of road |
| Sidewalks | 1,808 miles |
| Bicycle Routes<br>***Protected bicycle lanes***<br>***On-road bicycle lanes***<br>***Signed routes***<br>***Off-road trails*** | <br>9 miles<br>75 miles<br>100 miles<br>60 miles |
| Capital Bikeshare<br>***Bikes***<br>***Stations*** | <br>2,300 Capital Bikeshare bikes (total for region = 3,600 bikes)<br>300 Capital Bikeshare stations (total for region = 525 stations) |
| Parking Meters | 11,166 parking meters serving 18,903 spaces |
| Street Lights | 70,263 street lights |
| Airports* | Two international airports (Washington Dulles International and Baltimore/Washington International) and one domestic (Reagan National) |
| Railroads | 27.2 miles of rail line (serving Amtrak passenger rail, Maryland Area Regional Commuter (MARC) and Virginia Rail Expressway (VRE) commuter rail, and CSX and Norfolk Southern freight rail). Union Station, within walking distance of the Capitol, provides connections to bus and rail transit, and to shared cars, rental cars, and sightseeing services. |

***Source: DC Office of Planning, 2017***

Source: The District's Comprehensive Plan, Table 4.1, (P. 4-3) (last amended in 2017).

The primary agency implementing the District's transportation policy is the District Department of Transportation (DDOT). DDOT's mission is "to enhance the quality of life for District residents and visitors by ensuring that people, goods, and information move efficiently and safely, with minimal adverse impact on residents and the environment." The Washington Metropolitan Area Transit Authority (WMATA) oversees the Metro. WMATA's Board of Directors has eight voting and eight alternate directors; DC, Maryland, Virginia, and the federal government each appoint two voting members and two alternates.

## Categorical Transportation Tax Expenditures

Categorical provisions, or those available to anyone eligible, constitute roughly $15.3 million in the District's foregone revenue in FY 2023 due to transportation-related tax expenditure provisions. There are five categorical transportation-related tax expenditure provisions which support the following activities:

Alternative fuel vehicle conversion (2);
Metro (1);
commercial motor vehicle and trailer owners (1);
valet parking services (1); and
electric motor vehicles (1)

Like the environment and public safety areas, tax expenditures are not widely used as a policy tool in transportation. We identified six tax expenditures: one is the exemption of properties owned by WMATA from the real property tax; another is the personal property tax exemption for motor vehicles and trailers in the District; the third is the exemption from the sales tax of valet parking services; the fourth is a recently enacted tax provision known as the excise tax exemption for electric vehicles; and the fifth and sixth tax provisions are the alternative fuel vehicle conversion income tax credits for individual and businesses.[17] The WMATA exemption, representing about $13.3 million for FY 2023, has been in the DC tax code since 1966. It results from the public purpose of WMATA and is aimed at helping it fulfill its mission of improving transportation throughout the region.

The motor vehicle and trailer personal property tax exemption has been law since 1954 and allows businesses to exclude vehicles and trailers from the personal property tax. The sales of valet parking services have never been subject to the sales tax in DC, perhaps because it would be administratively burdensome to enforce, though the rationale needs to be clarified. In 2002, the Council codified the tax exemption into law.

The alternative fuel vehicle conversion income tax credit for individuals and businesses was enacted in 2015 as part of the District's goal of creating a sustainable multimodal transportation system. It allows residents and businesses to claim a nonrefundable credit of 50% of the equipment and labor costs directly attributable to purchasing and installing alternative fuel storage and dispensing or charging equipment on a qualified alternative fuel vehicle refueling property or in a qualified private residence.

The electric vehicle excise tax exemption was enacted in FY 2019 as part of the Clean Energy DC initiative to reduce greenhouse gas emissions and air pollution from the transportation sector. Only the electric vehicle tax exemption is reviewed in this report section. The other tax expenditures listed in the table below are described in the District's 2016 Tax Expenditure Review: Environment, Public Safety, Transportation, and Tax Administration and Equity Provisions, and the 2022 Tax Expenditure Report.

Table 7 below presents the three transportation-related tax provisions, the tax they relate to, the type of tax expenditure, the date enacted, the provision in the DC Code, the administering agency, and their estimated revenue foregone for FY 2023.

[17] There is a DC sales exemption for transportation and communication services, which is categorized as economic development and will be presented in that report.

**Table 7: Categorical Transportation Tax Expenditures**

| Name of Tax Expenditure | Tax | Type of Provision | Enacted | DC Code | Agency | FY 2023 Revenue Loss Estimate ($000) |
|---|---|---|---|---|---|---|
| Alternative fuel vehicle conversion and infrastructure credit (personal and business) | Income | Credit | 2015 | § 47-1806.13 and § 47-1806.12 | OTR | $470 |
| Washington Metropolitan Area Transit Authority properties | Real Property | Exemption | 1966 | § 9-1107.01 | OTR | $13,251 |
| Motor vehicles and trailers | Personal Property | Exemption | 1954 | § 47-1508(a)(3) | OTR | $372 |
| Valet parking services | Sales | Exemption | 2002 | § 47-2001 (n)(1)(L)(iv-I) | OTR | $78 |
| Electric motor vehicles | Sales | Exemption | 2019 | § 50-2201(j)(3)(J) | OTR | $1,116 |
| **TOTAL** | | | | | | **$15,287** |

Source: ORA Compilation from 2022 Tax Expenditure Report. The FY 2023 estimates were updated for this report. In summary, tax expenditures do not consider possible interactions among individual tax expenditures, so they do not produce an exact estimate of the revenue that would be gained were any specific provision removed.

**Electric motor vehicles**
*Excise Tax Exemption*

District of Columbia Code: DC Official Code § 50-2201.03(j)(3)(J)
Sunset Date: None
Year Enacted: 2019

| Fiscal Year | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|
| Estimated Revenue Foregone ($000) | $1,259 | $1,276 | $1,197* | $1,116* | $1,127* | $1,147* | $1,168* |

*Estimates based on a one percent excise tax rate.

DESCRIPTION: The electric motor vehicle excise tax exemption, part of the Clean Energy DC Omnibus Amendment Act of 2018, allows all-electric motor vehicles to be exempt from the District's motor vehicle excise tax on the issuance of every original certificate of title for a motor vehicle or trailer in the District of Columbia and every subsequent certificate of title issued in the District of Columbia in the case of a sale, resale, or gift, except in the case of a bona fide gift of a vehicle already titled in the District given between spouses, parent, and child, or domestic partners. The exemption is an extension of the energy conservation and efficiency initiatives to reduce greenhouse gas emissions in the District.

PURPOSE: The exemption aims to protect the environment by setting more aggressive renewable energy goals and encouraging reductions in energy use through encouraging consumer choices to reduce emissions in the transportation sector. The exemption aims to incentivize electric and fuel-efficient vehicles over less efficient ones to reduce the District's greenhouse gas emissions.

IMPACT: The exemption benefits purchasers of electric vehicles who are not required to pay an excise tax on the issuance of an original certificate of title for a motor vehicle in the District. According to the Department of Energy and Environment (DOEE), motor vehicles with fuel economy of more than 40 mpg, including electric vehicles, are eligible for the excise tax exemption, and the median excise tax per vehicle purchased in 2019 was $680.[18]

| Fiscal Year | # of New Electric Vehicles |
|---|---|
| 2019 | 966 |
| 2020 | 543 |
| 2021 | 2,030 |
| 2022 | 1,587 |
| 2023 | 2,258 |

Source: DC Department of Motor Vehicles

[18]The average excise tax of $680 was calculated before the 2021 Budget Support Act of 2020, which revised the motor vehicle excise tax calculation.

**Electric motor vehicles**

**The Need:**

The electric motor vehicle excise tax exemption is part of DC's part of the Clean Energy initiative to reduce greenhouse gas emissions in the District

**Resources/Inputs:**

Since FY 2020, the District's revenue foregone due to this tax expenditure is about $4.85 million.

**Outputs:**

Since FY 2019, there has been about 7,384 electric vehicles registered in the District of Columbia, according to the DC Department of Motor Vehicles.

**Expected Benefits**
(changes in short, medium, or long term measures)

**Short-term:**

Owners of electric motor vehicles benefit from this exemption.

**Medium-term:**

Owners of electric motor vehicles benefit from this exemption.

**Long-term:**

Owners of electric motor vehicles benefit from this exemption.

**Assumptions:**

## Summary of Transportation-Related Tax Expenditures and Recommendations

Tax expenditures are not a widely used policy tool in transportation. The revenue loss due to categorical transportation-related tax expenditures in FY 2023 was about $15.3 million, most of which (about 87 percent) stemmed from a property tax exemption for Metro property owned by WMATA.

The property tax expenditure for WMATA directly supports the District's larger transportation goals in assisting the WMATA in providing Metro services. The excise tax exemption for electric vehicles also supports the District's plan to reduce greenhouse gas emissions and air pollution from the transportation sector. The other two tax expenditures do not have clear policy goals and, in fact, may create inequities between different types of parking (valet vs. garages) as well as between businesses that own different types of property (since commercial vehicles are exempt from the personal property tax and other types of business personal property may not be). However, given that residents' and cars are exempt from the personal property tax, this tax expenditure treats vehicles the same whether a business or an individual owns them.

## Part V: Review of the District's Tax Administration and Equity Tax Expenditures

**Overview of the District's Tax Administration and Equity Tax Expenditures**

The total amount of tax administration and equity tax expenditures in FY 2023 is minimal. The tax expenditures under this policy area either have no estimate or the estimate is zero or minimal.[19] While a tax expenditure with no estimate means that the precise data for estimating the provision is lacking, the revenue loss might not be minimal. It should be noted that in some cases, it is not possible to provide an estimate due to confidentiality concerns. This occurs when there are less than three individuals who have made a claim, which can make it difficult to protect the privacy of individual tax records. To comply with U.S. Internal Revenue Service regulations, statistical tabulations cannot be released if they contain data from fewer than three tax returns.[20] Most of the tax expenditures in this section exist to assist with the administration of tax laws in particular circumstances, and to prevent double taxation on certain firms for purposes of equity. Further, one of these tax expenditures exists to provide parity between similar types of firms (wireless telecommunications providers to regular telecommunications providers).

The tax expenditures listed in the table below are described in the District's 2016 Tax Expenditure Review: Environment, Public Safety, Transportation, and Tax Administration and Equity Provisions, and the 2022 Tax Expenditure Report.

**Table 8: Categorical Tax Administration and Equity Tax Expenditures**

| Name of Tax Expenditure | Tax | Type of Provision | Date Enacted | DC Code | Agency | FY 2023 Estimate ($000) |
|---|---|---|---|---|---|---|
| Tax-exempt entities subject to a long-term lease | Deed Rec. and Transfer | Exemption | 2003 | § 42-1102(27) and § 47-902(21) | OTR | $0 |
| Miscellaneous | Sales | Exemption | 1949 | § 47-2005 | OTR | no estimate |
| State and local governments | Sales | Exemption | 1949 | § 47-2005(2) | OTR | minimal |
| Wireless telecommunication companies | Personal Property | Exemption | 1998 | § 47-1508(a)(7) | OTR | minimal |
| Works of art lent to the National Gallery by non-residents | Personal Property | Exemption | 1950 | §47-1508(a)(2) | OTR | $0 |
| **TOTAL** | | | | | | **minimal** |

Source: ORA Compilation from 2022 Tax Expenditure Report.

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[19] A minimal estimate means that the foregone revenue is estimated as less than $50,000 per year, although precise data from the appropriate agency still need to be provided.

[20] U.S. Internal Revenue Service, Publication 1075, "Tax Information Security Guidelines for Federal, State, and Local Agencies and Entities" (January 2014), p. 116. Even if the taxpayers are not specifically identified, it might be possible for someone to figure out the confidential information from an estimate of revenue involving so few people or businesses.

## Appendix: Legislative Requirement

From DC Law 20-155

Subtitle N. Tax Transparency and Effectiveness
Sec. 7141. Short title. This subtitle may be cited as the "Tax Transparency and Effectiveness Emergency Act of 2014."
Sec. 7142. Definitions.
For the purposes of this subtitle, the term:

(1) "Categorical preference" means a tax preference that sets eligibility criteria and is potentially available to all entities that meet the criteria, subject to any funding limitations.
(2) "CFO" means the Chief Financial Officer of the District of Columbia.
(3) "Economic development purpose" means a goal to increase or retain business activity, including attracting new businesses or retaining existing ones, encouraging business expansion or investment, increasing or maintaining hiring, or increasing sales.
(4) "Individual preference" means a tax preference, such as a tax abatement, applied to one entity, project, or associated projects.
(5) "On-cycle tax preference" means a tax preference being reviewed in a current year.
(6) "Tax preference" shall have the same meaning as the phrase "tax expenditures" as defined in section 47-318(6) of the District of Columbia Official Code.

Sec. 7143. Tax preference review.
(a) The CFO shall review all locally adopted tax expenditures on a 5-year cycle and publish annually a report complying with the requirements of this section.
(b) By October 1, 2015, and by October 1 of every year thereafter, the CFO shall submit for publication in the District of Columbia Register a report for on-cycle tax preferences that complies with the requirements of this section.
(d) An on-cycle individual preference shall be analyzed and reported in the following manner:

(1) An individual preference shall be analyzed and reported in groupings of similarly purposed preferences, with the report focusing on collective effects or trends that emerge.
(2) The report shall include the stated purpose of the tax preferences within the grouping, if clarified in the authorizing legislation. (3) The report shall include the amount of lost revenue due to the tax preferences within the grouping.
(4) The report shall include an assessment of the general effects on the District resulting from the preferences.
(5) The report on groupings of individual preferences shall include recommendations on how to improve similar preferences in the future.
(6) For groupings of individual tax preferences with an economic development purpose, the analysis shall consider the economic impact of the preferences, and where sufficient data are available, take into account factors including:

A) Whether the economic impact of the tax preferences would have been expected without the preferences;
(B) The extent to which the economic impact of the tax preferences was offset by economic losses elsewhere;
(C) The average economic impact for a level of direct expenditures equal to the cost of the tax preferences;
(D) The indirect economic impact of the tax preferences;
(E) The number of jobs created by the preference;
(F) The wages of the jobs created;
(G) The percentage of jobs filled by District residents; and
(H) Whether any terms of the tax preferences have been or are being satisfied.

(e) Except as provided in subsection (f) of this section, on-cycle categorical preferences shall receive a full review that, where sufficient data are available, includes:

(1) The purpose of the tax preference, if clarified in the authorizing legislation;

(2) The tax preference's cost in terms of lost revenue;

(3) An assessment of whether the tax preference is meeting its goals;

(4) An assessment of whether the tax preference is achieving other goals; (5) Recommendations for improving the effectiveness of the tax preference; (6) Recommendations for whether the tax preference should be modified, discontinued, or remain in its existent state; and (7) For tax preferences with an economic development purpose, an analysis that measures the economic impact of the preference, including:

(A) Whether the economic impact of the tax preference would have been expected without the preference;

(B) The extent to which the economic impact of the tax preference was offset by economic losses elsewhere;

(C) The average economic impact for a level of direct expenditures equal to the cost of the tax preference; and

(D) The indirect economic impact effect of the tax preference.

(f) For on-cycle categorical tax preferences that the CFO determines do not merit a full review, the CFO shall instead perform a summary review. In determining which tax preferences are appropriate for a summary review, the CFO shall consider factors including, at a minimum:

(1) The revenue lost due to the tax preference and the number of potential or actual claimants;

(2) Whether the revenue lost due to the preference has increased or decreased since the preference was last reviewed;

(3) Whether the preference has been included in legislative or administrative proposals to modify or repeal; and

(4) Whether the preference is required by the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 774; DC Official Code §1-201.01 et seq.).

(g) A report on a categorical preference designated for summary review shall include:

(1) A narrative summary of the preference, including its purpose;

(2) The source and year of statutory authorization;

(3) The fiscal impact of the preference; and

(4) A description of the beneficiaries of the tax preference.

(h) All District agencies, offices, and instrumentalities shall cooperate with the CFO. They shall provide any records, information, data, and data analysis needed to complete the reviews and reports required by this section.[21]

[21] http://lims.dccouncil.us/Download/32103/B20-0849-Enrollment.pdf