

AN ACT

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

*Codification
District of
Columbia
Official Code*

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To amend, on a temporary basis, Title 47 of the District of Columbia Official Code to repeal a provision which would inadvertently repeal a tax increase imposed by the Ballpark Omnibus Financing and Revenue Act of 2004, to add provisions of an amendment that were not reflected in the enrollment of the Tax Abatement Adjustment for Housing Priority Area Act of 2004, to add a missing word to section 857.04(b)(3)(A), to correct a cross-reference; to correct the name of an entity that was given a tax exemption, to correct the lot number of another entity which were given real property tax exemptions, to re-codify the limitation on deduction for royalty payments by corporations, to correct the designation of the utility taxes to be deposited in the Ballpark Revenue Fund, to correct the basic tax rate for electricity users; to amend the Fiscal Year 2006 Budget Support Act to correct and re-codify a provision regarding real property exemptions for nonprofit organizations and to correct paragraph numbering; to amend the Arena Tax Amendment Act of 1994 to clarify and provide the real property tax exemption of the MCI Arena in accordance with a certain executed and recorded ground lease; to amend a resolution to include a cross reference that was inadvertently omitted; to amend the Uniform Disposition of Unclaimed Property Act of 1980 to add a missing word; and to clarify the effective date of an amendatory provision for the taxation of heating oil.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Finance and Revenue Technical Amendments Temporary Amendment Act of 2006".

Sec. 2. Title 47 of the District of Columbia Official Code is amended as follows:

(a) Section 47-368.03(d)(2) is repealed.

(b) Section 47-857.04 is amended as follows:

(1) Subsection (a) is amended by striking the phrase "December 31, 2004" and inserting the phrase "September 30, 2004" in its place.

(2) Subsection (b) is amended to read as follows:

"(b)(1) For the purposes of this subsection, the term "downtown area" means:

"(A) The area described in section 199 of title 10 of the District of

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Columbia Municipal Regulations (10 DCMR § 199) and designated on the District of Columbia Generalized Land Use Policies Map; and

"(B) Eligible area #2.

"(2) If a project eligible for the real property tax abatement under this section breaks ground on or after January 1, 2005 (as certified by the project architect and the Mayor), the tax abatement may be applied, assigned, conveyed, or otherwise transferred ("transferred") by the owner of the real property or project (or by the owner's designee) and the time period at which the tax abatement commences may be delayed until the transfer and shall continue for 10 years after the date of transfer; provided, that:

"(A) The tax abatement shall be \$0.89 per rentable, or usable, residential FAR square foot of the eligible real property; provided, that if the project known as Quincy Court, located at 1117 10th Street, N.W., requests participation under § 47-857.04(b) by a letter to the Deputy Mayor for Planning and Economic Development, or his or her successor, prior to December 31, 2005, the tax abatement shall be \$0.905 per rentable, or usable, residential FAR square foot of the eligible real property;

"(B) The tax abatement may be transferred by the owner:

"(i) To reduce real property taxes imposed upon any residential project in the downtown area or eligible area #2; or

"(ii) To reduce real property taxes imposed upon any commercial project in the downtown area or eligible area #2; and

"(3) The tax abatement may be transferred within:

"(A) Five years after receipt by the eligible project of a final certificate of occupancy issued for the entirety of the project; or".

"(B) Within one year after the final certificate of occupancy is issued for the project to which the abatement is transferred."

(3) A new subsection (c) is added to read as follows:

"(c) The Mayor shall be deemed to have certified the groundbreaking if the Deputy Mayor for Planning and Economic Development, or his or her successor, issues a letter certifying the groundbreaking or 20 business days pass after the date of the receipt of a request for the certification by the Deputy Mayor for Planning and Economic Development, or his or her successor, from the project developer; provided, that the request includes a certification by the project architect of the groundbreaking date of the residential project and the Deputy Mayor for Planning and Economic Development, or his or her successor, does not reject the request or request further information."

(c) Section 47-857.06(d)(2) is amended as follows:

(1) The undesignated text is amended by striking the phrase "there shall be allowed an abatement of \$710,000 per year of the real property tax imposed by § 47-811 on the Wax Museum project (to be allocated between the K Street Building and L Street Building as set forth in paragraph (3) of this subsection)" and inserting the phrase "there shall be allowed an

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abatement of \$664,000 per year of the real property tax imposed by § 47-811 on the Wax Museum project (to be allocated between the K Street Building and L Street Building as set forth in paragraph (4) of this subsection)" in its place.

(2) Subparagraph (A)(iii) is amended by striking the word "and".

(3) Subparagraph (B)(iii) is amended by striking the period at the end and inserting the phrase "; and" in its place.

(4) A new subparagraph (C) is added to read as follows:

"(C) If the residential project known as Quincy Court, located at 1117 10th Street, N.W., requests participation under § 47-857.04(b) by a letter to the Deputy Mayor for Planning and Economic Development, or his or her successor, prior to December 31, 2005, the annual amount of the abatement of real property tax imposed by § 47-811 on the Wax Museum project (to be allocated between the K Street Building and L Street Building as set forth in paragraph (4) of this subsection) shall be \$675,000."

(d) The table of contents for Chapter 10 of Title 47 of the District of Columbia Official Code is amended by striking the phrase "lots 34" and inserting the phrase "lots 33" in its place.

(e) Section 47-1065 is amended as follows:

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§ 47-1065

(1) Subsection(a)(1) is amended by striking the phrase "Golden Rule Place" and inserting the name "Golden Rule Plaza" in its place.

(2) By striking the phrase "lots 34" wherever it appears and inserting the phrase "lots 33" in its place.

(f) Section 47-1803.03 of the District of Columbia Official Code is amended as follows:

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§ 47-1803.03

(1) Subsection (a) is amended by adding a new paragraph (19) to read as follows:

"(19) *Royalty payments.* ---

"(A) Royalty payments, if the royalty payments are directly or indirectly paid, accrued, or incurred to a related member during the taxable year and deductible in calculating federal taxable income.

"(B) The disallowance of the deduction under subparagraph (A) of this paragraph shall not apply if and to the extent that the payments satisfy any of the following conditions:

"(i) The related member during the same taxable year directly or indirectly paid, received, accrued, or incurred the amount of the obligation to or from a person or entity that is not a related member, and the transaction was done for a valid business purpose and the payments are made at arm's length;

"(ii) The related member receiving the royalty payments acquired the intangible assets for which royalty payments are being made from a person or entity that was not a related member, the transaction was done for a valid business purpose, and the royalty payments are made at arm's length;

"(iii) The royalty payments are paid or incurred to a related

member organized under the laws of a country other than the United States, and the country has entered into a comprehensive income tax treaty with the United States; or

“(iv) The related member receiving the royalty payments is subject to a tax measured by its net income or receipts in a state or possession of the United States imposing a statutory tax rate of at least 4.5%; provided, that a related member receiving the royalty payment shall not be considered to be subject to a tax merely by virtue of the related member’s inclusion in a combined or consolidated return in one or more states.

“(C) For the purposes of this paragraph, the term:

“(i) "Majority interest" means:

“(I) In the case of a corporation, more than 50% of the total combined voting power of all classes of stock of the corporation, or more than 50% of the capital, profits, or beneficial interest in the voting stock of the corporation; or

“(II) In the case of a partnership, association, trust or other entity, more than 50% of the capital, profits, or beneficial interest in the partnership, association, trust or other entity.

“(ii) "Related entity" means (I) a stockholder who is an individual, or a member of the stockholder's family enumerated in section 318 of the Internal Revenue Code of 1986, if the stockholder and the members of the stockholder's family own, directly, indirectly, beneficially or constructively, in the aggregate, at least 50% of the value of the taxpayer's outstanding stock; (II) a stockholder, or a stockholder's partnership, limited liability company, estate, trust, or corporation, if the stockholder and the stockholder's partnerships, limited liability companies, estates, trusts, and corporations own directly, indirectly, beneficially or constructively, in the aggregate, at least 50% of the value of the taxpayer's outstanding stock; or (III) a corporation, or a party related to the corporation in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of section 318 of the Internal Revenue Code of 1986, if the taxpayer owns, directly, indirectly, beneficially or constructively, at least 50% of the value of the corporation's outstanding stock. The attribution rules of section 318 of the Internal Revenue Code of 1986 shall apply for purposes of determining whether the ownership requirements of this paragraph have been met.

“(iii) "Related member" means:

“(I) A person that, with respect to the taxpayer any time during the taxable year, is a related entity;

“(II) A component member, as defined in section 1563(b) of the Internal Revenue Code of 1986;

“(III) A controlled group of which the taxpayer is also a component; or

“(IV) Is a person to or from whom there is attribution of stock ownership in accordance with section 1563(e) of the Internal Revenue Code of 1986.

"(iv) "Royalty payments" mean payments directly connected to the use, maintenance, or management of licenses, trademarks, copyrights, trade names, trade dress, service marks, mask works, trade secrets, patents, and any other similar types of intangible assets as are set forth in regulations promulgated by the Chief Financial Officer, including amounts allowable as interest deductions under § 47-1803.02(a)(2), to the extent that such amounts are directly or indirectly for, related to, or in connection with the use, maintenance, or management of such intangible assets.

"(v) "State" shall include the District of Columbia.

"(vi) "Valid business purpose" means one or more business purposes, other than the avoidance or reduction of taxation, which, alone or in combination, constitute the primary motivation for some business activity or transaction, which activity or transaction changes in a meaningful way, apart from tax effects, the economic position of the taxpayer.”.

(2) Subsection (b)(7) is repealed.

(g) Section 47-2501 is amended as follows:

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§ 47-2501

(1) Subsection (a-1) is repealed.

(2) Subsection (a-2) is amended by striking the phrase “One-eleventh of the total tax collected” and inserting the phrase “One-eleventh of the total tax collected from nonresidential customers” in its place.

(3) Subsection (d-1)(1)(B) is amended as follows:

(A) Sub-subparagraph (i) is amended by striking the phrase “a tax of \$0.0077” and inserting the phrase “a tax of \$0.007” in its place.

(B) Sub-subparagraph (ii)(I) is amended to read as follows:

“(ii)(I) Pay to the Mayor a tax of \$0.0007 for each kilowatt-hour of electricity delivered to nonresidential end-users in the District of Columbia for the preceding calendar month.”.

(4) Subsection (e) is amended by striking the word “necessary” and inserting the phrase “necessary or appropriate” in its place.

(h) Section 47-3902(d) is amended by striking the phrase “One-eleventh of the total tax collected” and inserting the phrase “One-eleventh of the total tax collected from nonresidential customers” in its place.

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§ 47-3902

Sec. 3. Section 3 of the Tax Abatement Adjustment for Housing Priority Area Act of 2004, effective April 12, 2005 (D.C. Law 15-329; 52 DCR 5831), is repealed.

Sec. 4. The Fiscal Year 2006 Budget Support Act of 2005, effective October 20, 2005 (D.C. Law 16-33; 52 DCR 7503), is amended as follows:

(a) Section 1182 is amended to read as follows:

“Sec. 1182. Section 47-3505 of the District of Columbia Official Code is amended by

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adding a new subsection (f) to read as follows:

“(f)(1) Subject to the requirements of paragraphs (2) and (3) of this subsection, any nonprofit organization that has been denied exemption from District of Columbia real property taxes pursuant to § 47-1002 and has acquired property to develop more than 10 units of housing for affordable or lower income homeownership households in the District of Columbia and subdivides the acquired property into more than 10 units shall have 2 years from the date of the subdivision of the property to hold the property as exempt from the recordation, transfer, and real property taxes associated with the acquisition and development of the property for low-income or affordable housing.

“(2) Recordation, transfer, and real property tax assessments associated with the acquisition of a property under paragraph (1) of this subsection shall not be assessed against a nonprofit organization that acquires property and subdivides it for resale into more than 10 units to low-income home owners when the first low-income home owner purchases a home within 2 years of the subdivision of the real property into lots on the records and cadastral maps of the Office of Tax and Revenue.

“(3) Real property owned or acquired by a nonprofit organization shall be exempt from recordation, transfer and real property taxes if the nonprofit organization subdivides the property into more than 10 units of low-income housing and completes the sale of all units of low-income housing on the property within 4 years from the date of acquisition.”.

(b) Section 1286 is amended to read as follows:

“Sec. 1286. Section 47-864(b)(1)(B)(i) of the District of Columbia Official Code is amended to read as follows:

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§ 47-864

“(i) For tax year 2006:

“(I) The current tax year's taxable assessment shall be determined by subtracting \$22,000 from 110% of the prior tax year's taxable assessment;

“(II) The prior tax year's taxable assessment for taxable real property located in triennial groups 1 and 2, as designated by the Office of Tax and Revenue, that has been owned and occupied continuously by the same owner since October 1, 2001, shall be recalculated by applying a 12% cap as of October 1, 2001; and

“(III) This sub-subparagraph shall apply as of October 1, 2005;”.

Sec. 5. Section 3 of the Arena Tax Amendment Act of 1994, effective September 28, 1994 (D.C. Law 10-189; 41 DCR 5857), is amended to read as follows:

“(a) Notwithstanding any other law, that portion of the real property, described as lot 0047 in square 0455, in preparation for occupation and use, under construction for occupation or use, or occupied and used as a multi-purpose arena and related amenities shall be exempt from real property taxation, possessory interest taxation and business improvement district taxation.

“(b) The exemption provided by this section shall apply so long as the Land Disposition Agreement - Ground Lease, by and between The District of Columbia Redevelopment Land Agency, The District of Columbia, and DC Arena, LP, dated as of December 29, 1995 and recorded with the Recorder of Deeds on January 5, 1996 as instrument number 9600001285, remains in effect.”.

Sec. 6. Section 2 of the Unsolicited Proposal Submitted by Washington Properties, Inc./Square 673 Partners for the Negotiated Disposition of 59 M Street, N.E., Resolution of 1994, effective December 6, 1994 (Res. 10-475; 41 DCR 8157), is amended by striking the phrase “pursuant to the District Owned Surplus Real Property Amendment Act of 1989, effective March 14, 1990 (D.C. Law 8-96; D.C. Code § 9-401)” and inserting the phrase “pursuant to section 1(b)(3) and (6) of An Act authorizing the sale of certain real estate in the District of Columbia no longer needed for public purposes, approved August 5, 1939 (53 Stat. 1211; D.C. Official Code § 9-401(b)(3) and (6))” in its place.

Sec. 7. Section 117(d) of the Uniform Disposition of Unclaimed Property Act of 1980, effective March 5, 1981 (D.C. Law 3-160; D.C. Official Code § 41-117(d)), is amended by striking the phrase “filed later than October 1” and inserting the phrase “filed no later than October 1” in its place.

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Sec. 8. The Finance and Revenue Technical Corrections Temporary Amendment Act of 2005, effective June 17, 2005 (D.C. Law 16-7; 52 DCR 4148), is amended by adding a new section 4a to read as follows:

“Sec. 4a. Applicability.

“Section 2(d) shall apply for the period beginning May 1, 2003 and ending December 31, 2004.”.

Sec. 9. Applicability.

(a) Section 2(a) and (g)(1) through (3) shall apply as of January 1, 2005.

(b) Section 2(d) and (e) shall apply as of April 1, 2004.

(c) Section 2(h) shall apply as of April 8, 2005.

(d) Section 5 shall apply as of September 28, 1994.

(e) Section 6 shall apply as of December 6, 1994.

(f) Section 7 shall apply as of October 1, 2004.

Sec. 10. Fiscal impact statement.

The Council adopts the fiscal impact statement of the Budget Director as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

ENROLLED ORIGINAL

Sec. 11. Effective date.

(a) This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.

(b) This act shall expire after 225 days of its having taken effect.

Chairman
Council of the District of Columbia

Mayor
District of Columbia