

**Testimony of Ed Lazere, Executive Director
At the Public Hearing on
B22-909, the Homestead Exemption Increase Amendment Act of 2018
DC Council Committee on Finance and Revenue
October 30, 2018**

Chairman Evans and members of the committee, thank you for the opportunity to submit this written testimony. My name is Ed Lazere, and I am the Executive Director of the DC Fiscal Policy Institute. DCFPI is a non-profit organization that promotes budget choices to reduce economic and racial inequality and build widespread prosperity in the District of Columbia through independent research and thoughtful policy recommendations.

Bill 22-909 would increase the homestead deduction in DC's property tax from the current figure of roughly \$70,000 to \$125,000. The homestead deduction is available to homeowners for their primary home, and it shields a portion of their home value from property taxation.

While the homestead deduction makes DC's property tax somewhat progressive—as the same deduction amount for all homeowners, it covers a larger share of the home's value for those with lower-value homes than those with higher-value homes—DCFPI recommends against any increase in the homestead deduction at this time. This is because DC already has the lowest residential property taxes in the region and because the District's property tax includes many mechanisms to protect low-income homeowners and older residents from burdensome property taxes.

DC's residential property taxes are the lowest in the region. This partly reflects the fact that DC's residential property tax rate is the lowest in the region. It also reflects the fact that DC has two provisions to further reduce property taxes that our neighboring jurisdictions do not. As noted, the District offers all homeowners a homestead deduction. The District's property tax also limits annual increases in taxable property value to 10 percent per year. By contrast, Virginia counties offer neither a homestead deduction nor an annual cap on taxable assessment growth. Instead, residents pay the property tax rate on the full value of their home. In Maryland, there is no homestead deduction, though there is a cap on annual tax increases.

As a result of these factors, the property taxes paid by DC residents are the lowest in the region. The latest analysis of taxes paid in the DC region by the DC Chief Financial Officer shows that property taxes paid by a family earning \$150,000 equaled \$3,400 in 2016, compared with \$4,700 in Montgomery County and Arlington County, \$5,000 in Fairfax County, and \$5,300 in Prince George's County.¹

Beyond these general property tax reduction mechanisms, the District also has several property tax assistance mechanisms targeted to older and low-income residents. Older homeowners with incomes below \$125,000 qualify for a 50 percent reduction in their property tax bill. All homeowners with incomes below \$50,000 (\$60,000 for older residents) can receive up to \$1,000 in property tax credits

from the Schedule H property tax credit. And just this year, the DC budget included a new provision to limit property tax increases to 5 percent per year for seniors with low incomes.

These factors suggest that further reductions in DC's property tax should not be a priority at this time, especially since any revenue lost due to a property tax cut could instead be used to fund needed DC services, like funding DC's plan to end homelessness or to implement the recently passed "Birth to Three for All DC" act.

It's also worth noting that any reduction in the property tax would focus on a relatively advantaged group of residents—those who own their homes. Homeowners tend to have higher incomes than renters, and homeowners in DC are disproportionately white. According to the D.C. Policy Center, DC's tax treatment of homeowners, including the homestead deduction, amplifies racial inequities in wealth.² Given this analysis, expanding the homestead deduction would make these inequities even greater.

Thank you for the opportunity to testify.

¹ DC Chief Financial Officer, [*Tax Rates and Burdens, Washington Metropolitan Area: 2016*](#)

² D.C. Policy Center, "[Tax practices that amplify racial inequities: Property tax treatment of owner-occupied housing](#)," October 2018.