

# Roadmap to WASHINGTON, D.C. PROPERTY TAXES

**Washington, D.C. is currently on an annual valuation system.** The annual reassessment is January 1 of the year prior to the one in which taxes are paid. Tax year 2023 assessment values are set as of January 1, 2022.

Fair market value is used to establish assessed values for ad valorem property tax purposes. The assessment ratio is 100%, meaning the assessed value and market value are the same.

## ***Tax Rates***

Washington, D.C. has historically had much higher property tax rates than the surrounding and competing real estate markets of Maryland and Northern Virginia. In an effort to remove the competitive disadvantage of higher rates, the D.C. mayor and council decided to reduce the number of taxable property classes and tax rates several years ago. Under this plan, the taxable classes of property were gradually reduced to residential, commercial, vacant, and blighted.

As a result of these changes, the D.C. residential tax rate is lower than any of the surrounding Maryland and Virginia tax rates, whereas the commercial tax rate will be more than double the residential tax rate. The D.C. mayor and council have repeatedly indicated that they intend to keep these tax rates as constant and unchanged as possible in the years to come. However, budgetary constraints are always present, and these property tax rates could change in the future. Residential includes single-family dwellings, apartments, and residential condominiums.

- **Residential tax rate is currently \$0.85** per \$100 of assessed value. Commercial covers all other types of property.
- Commercial property tax rates are split into three tiers and apply to the entire amount of a property's assessed value:
  - **Under \$5 million** – \$1.65 per \$100 of assessed value
  - **Greater than \$5 million but less than \$10 million** – \$1.77 per \$100 of assessed value
  - **\$10 million or more** – \$1.89 per \$100 of assessed value
- **Vacant real property tax rate is \$5** per \$100 of assessed value.
- **Blighted real property tax rate is \$10.00** per \$100 of assessed value.

## Income and Expense Filings

The filing of income and expense (I&E) reports in D.C. is **ANNUAL** and required for properties appearing on the **MANDATORY** I&E Report file list. **There is a large financial penalty for non-timely filing, equal to 10% of the taxes due for the next ensuing tax year.** Such penalties, once issued, are difficult to have waived.

There is a further procedural penalty for nonfiling of the I&E surveys. D.C. Code prohibits the pursuit of appeals based on income capitalization when the I&E information has not been furnished.

Great care should be taken in preparing and filing these I&E forms proactively because they are heavily relied upon in the formation of the next assessment. Ryan can assist in a review of the form prior to filing. All returns must be filed electronically.

### The statutory I&E filing deadline is April 15 of each year.

The information required is that of the actual operation of the property as of December 31 of the previous year. For example, the tax year 2024 assessment will be based on the I&E survey filed April 15, 2022, showing year-end results for the property as of December 31, 2021.

## Property Tax Appeals

Recently, the Office of Tax and Revenue (OTR) required that an appeal to the assessor be filed electronically. They will no longer accept paper appeals.

There are three levels of appeals in D.C. Each level must be completed to move to the next level.

### First Level of Appeal: OTR/Assessor

**This is an informal hearing with an appeal deadline of April 1** of the year in which the assessment is issued. The annual value date is January 1. The proposed assessment notices must be issued on or before March 1, and the appeal deadline for that proposed assessment is April 1 to the OTR. Once a first level appeal hearing has occurred, OTR decisions are mailed and should be issued by August 1 of the appeal year.

### Second Level of Appeal: Real Property Tax Appeal Commission (RPTAC) Level

In accordance with D.C. Code 47.825.01, the commission is comprised of a full-time chairperson, a full-time vice chairperson, four full-time commissioners, and up to eight hearing examiners. Commission members shall be active members to the D.C. Bar

with real estate experience, D.C.-certified general real estate appraisers, D.C.-licensed residential real estate appraisers, certified public accountants, mortgage bankers, licensed D.C. real estate brokers, or possessing real estate experience. There will be three members present in the appeal hearing with RPTAC unless otherwise approved by the taxpayer.

**The deadline to appeal to the RPTAC depends on the date on which the OTR first-level decision is issued.** If issued before August 1, the RPTAC appeals must be filed within 45 days from the first-level decision notice date. If not, appeals must be filed on or before September 30.

At least seven days before the RPTAC hearing, the petitioner can contact OTR to receive a copy of the assessor's comments/response. A reconsideration may be requested 10 days after receiving the RPTAC decision. The RPTAC must render its decision within 30 days of the hearing for residential properties and 80 days for commercial properties.

### Third Level of Appeal: Superior Court

The third level of appeal is judicial to the Superior Court of the District of Columbia. The appeal filing deadline is September 30 of the year in which the taxes are due. Proof of full payment of taxes is a prerequisite and condition precedent to being able to appeal to court. D.C. has a mandatory mediation process that usually hears a case by the spring following the filing. The vast majority of tax court cases are settled at mediation. In the event of a case going all the way to trial, an independent fee appraisal by a certified general appraiser is typically required. Historically, there have been only one or two judges in D.C. who hear tax court cases. As a result, decisions after completion of the trial can take several years to be rendered. In the interim, taxes must be paid on the original assessment.

- All appeals must be done in order. If you fail to appeal timely to one level of appeal, no further appeal is permitted for that assessment year.
- All appeals are "de novo" at each level.
- Assessments can be reduced, sustained, or increased at each level of appeal.

### Refunds/Credits

If an assessment is reduced on appeal at the first or second level of appeal, no taxes based thereon would typically have been paid, so no refund or credit against future tax liability is needed. If an assessment is reduced at tax court, there could be either a refund or credit against future tax liability.

- Refunds accrue interest at 6% from the date of the tax court filing through the settlement date/decision.
- Credits bear no interest and show up on the next regularly scheduled tax bill.

### Reassessment on Sale/Supplemental Assessment for New Construction/Change of Use

The basic rule in D.C. is that the OTR does not issue a supplemental assessment for any property that sells after the applicable value date. Every assessment is considered final unless appealed timely.

A sale will not trigger a supplemental reassessment. Only a change of use, or qualifying new construction, can trigger the issuance of a supplemental assessment.

There are two tests to be met before a new construction supplemental is issued. First, the total amount spent must be \$100,000 and, second, the construction of the entire project must be at least 65% complete. Supplemental assessments can only be issued twice a year, as of June 30 and December 31.

Supplemental assessments for new construction completed during the first half of the year (January 1–June 30) are typically issued that summer and attached to the regularly issued tax bill due the following March. Supplemental assessments for new construction completed during the second half of the year (July 1–December 31) are typically issued early the following year and attached to the regularly issued tax bill due that September.

Supplemental assessment appeal deadlines are complicated and generally based on the date of the supplemental assessment notice's issuance and the construction period involved. As with regular assessments, appeals should, if possible, be lodged with the OTR, then RPTAC, and finally Superior Court.

The RPTAC filing deadline is 30–45 days after the OTR result. However, there are certain drop-dead appeal dates for RPTAC appeals of supplemental assessments that kick in even if no OTR result is issued:

- **If for a construction period from January 1 to June 30, then RPTAC appeal deadline is October 31.**
- **If for a construction period from July 1 to December 31, then RPTAC appeal deadline is April 1.**

### Tax Bills

D.C. issues two tax bills each year with the tax year running from October 1 to September 30. Each bill represents one half of the annual taxes under the applicable assessment.

**The bills are payable on March 31 and September 15.** No discounts are offered for early payment on either bill.

### Business Improvement District (BID) Taxes

D.C. has numerous business improvement districts. Their annual fees are typically based on ad valorem assessed values or can be a fee based on net rentable area, etc. If ad valorem based, they can be appealed/reduced automatically if the assessment is reduced (depending on the applicable base year).

### Vault Taxes

Vault tax is a misnomer because this is really just the rent that a property owner pays the D.C. government for its use of public space (i.e., sidewalk café that encroaches the public sidewalk or subterranean space encroaching into public land). Fees are set by code and cannot be appealed; however, blocking off the space being used will result in a prorated reduction in future payments.

### Transfer Taxes

Transfer taxes consist of a Deed Recordation and a Deed Transfer Tax. The **Recordation Tax** is based on the recording of the deed and is taxed on the consideration paid for the property at the rate of 2.5% for properties more than \$2 million. The **Transfer Tax** is also based on the consideration paid for the property taxed at 2.5% for properties more than \$2 million. If non-realty components to a transaction can be extracted, it may be to the purchaser's best interest to do so by means acceptable to D.C. (purchase price allocation, separate bill of sale for nonrealty).

### Personal Property

Personal property is taxed at a rate of \$3.40 per \$100 of assessed value. This would be inclusive of furniture, fixtures, machinery,

and equipment. The first \$225,000 of value is excluded. Personal property is depreciated based on D.C.'s depreciation schedule dependent upon the class of personal property and the date of installation/acquisition if it is not in use but retained as storage surplus.

### Baseball Stadium Tax

Baseball Stadium Tax is applicable to any entity that is subject to D.C. Corporation Franchise Tax, D.C. Unincorporated Business Franchise Tax, or the D.C. Unemployment Compensation Act, provided that they derived at least \$5 million in annual D.C. gross receipts during the most recent calendar or fiscal year ending on or before June 15 of the calendar year in question. The filing due date is June 15, and it is incumbent upon the taxpayer to file as no filing forms are provided from the district.

### Fee Schedule

D.C. Gross Receipts:

➤	\$5 to 8 Million	\$5,500
➤	\$8,000,001 to 12 Million	\$10,800
➤	\$12,000,001 to 16 Million	\$14,000
➤	\$16,000,001 and above	\$16,500

### D.C. Assessment Website

D.C. operates an excellent website, at which basic assessment information such as assessor name, square and lot, and current/prior year assessment information are shown.

[https://mytax.dc.gov/\\_/](https://mytax.dc.gov/_/)