The Revenue Impact of Corporate Tax Incentives

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added “Statement No. 77 on Tax Abatement Disclosures” to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires most state and local governments (including school districts) to report tax abatement programs (if they have such a program/s) in their annual comprehensive financial reports (ACFRs), specifying the amount of revenue reduced or foregone as a result of these tax abatements programs. This new rule, GASB 77, allows the public to see how much money for public services is lost to tax breaks given to corporations. This fact sheet summarizes that foregone revenue (where available) in the District of Columbia.

The District of Columbia is the political equivalent of a city, a county, and a state all in one. D.C has many tax incentive programs but only two are included under its GASB 77 disclosures: Real Property Tax Abatements and Possessory Interest Tax Abatements. Between fiscal years 2017 and 2021, D.C lost over $51 million due to those tax breaks. The table below compiles the reported foregone revenue from 2017 to 2021.

The spending trend is sharply up: over the six years, revenue losses increased from $6,733,000 to $10,690,000 — an increase of 59%.

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<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>District of Columbia</td>
<td>$6,733,000</td>
<td>$10,143,000</td>
<td>$12,235,000</td>
<td>$11,918,000</td>
<td>$10,690,000</td>
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Five-Year Total Foregone Revenue: $51,819,000

Key findings:

- Between 2017 and 2021 D.C. lost an average of $10.2 million a year due to two economic development tax breaks: Real Property Tax Abatements and Possessory Interest Tax Abatements.
- The majority of the losses, 88% ($45.6 million), are due to Real Property Tax Abatements.
- The remaining 12% ($6.2 million) is due to the district’s Possessory Interest Tax program, which, in simple terms, allows private companies to lease land from the government, develop it, and pay no or little in property taxes.

Note: School district data excluded. Because the District’s school system is a component of DC’s government, it does not have its own GASB 77 note.