Chairman Phil Mendelson

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend, on a temporary basis, Title 47 of the DC Official Code to provide for more timely classification changes for commercial properties that are to be put to residential use; to provide for an application process to make classification changes; to provide for appeal rights if such application is denied; and to provide for a claw back in the event the real property is not timely put to residential use.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the “Residential Building Permit Classification Temporary Amendment Act of 2025”.

Sec. 2. Section 47-813 of the District of Columbia Official Code is amended to read as follows:

(a) Subsection (c-9)(2) is amended as follows:

(1) Subparagraph (A) is amended to read as follows:

“(A) Except as otherwise provided in this paragraph and subject to paragraphs (4) and (5) of this subsection, Class 1A Property shall be comprised of:

“(i) Residential real property that is improved and its legal use is for nontransient residential dwelling purposes, and that is not Class 1B Property; provided, that such property may be used to host transient guests pursuant to an unexpired short-term rental license endorsement issued pursuant to § 30-201.04; or

“(ii) Real property, for which a building permit has been issued and construction has commenced to construct a new improvement, or substantially rehabilitate that portion or all of an existing improvement for exclusive, for predominantly nontransient residential dwelling purposes. Construction commencement shall be deemed to have occurred at such time as a party contracted by the owner has initiated work on the real property under a construction contract and mobilized equipment on the real property, or for which a supplemental assessment is issued under § 47-829 for construction or rehabilitation of that portion or all of an improvement for exclusive nontransient residential dwelling purposes; provided that this sub-subparagraph shall not apply to any tax year or part thereof once a subsequent annual assessment for the upcoming tax year is made under § 47-824 and the owner may apply for mixed-use under subsection (f) of this section; provided further that this sub-subparagraph shall apply only to real property that shall be Class 1A Property as defined under sub-subparagraph (i) of this subparagraph.”.

(2) Subparagraph (C) is amended by striking the phrase “designated as” and inserting the phrase “designated solely as” in its place.

(b) Subsection (d-2) is amended by striking the phrase “Class 3 Property or Class 4 Property,” and inserting the phrase “Class 2 Property, Class 3 Property, or Class 4 Property,” in its place.

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

“(d-3)(1) If real property changes classification pursuant to subsection (c-9)(2)(A)(ii) during the period:

“(A) October 1 through March 31 of the tax year, the newly reclassified Class 1A Property, or portion thereof for exclusive residential use if already improved or assessed under § 47-829, shall be taxed at the Class 1A Property tax rate for the entire tax year; or

“(B) April 1 through September 30 of the tax year, the newly reclassified Class 1A Property, or portion thereof for exclusive residential use if already improved or assessed under § 47-829, shall be taxed at the Class 1A Property tax rate for the second installment only.

“(2) The owner shall apply for a change of classification under this paragraph and promptly provide complete documentation as prescribed by the Chief Financial Officer to substantiate any classification change under this paragraph and subsection (c-9)(2)(A)(ii) before any such change shall be effective, which may include a schedule of costs with supporting documentation.

“(3) A change in classification under this paragraph and subsection (c-9)(2)(A)(ii) shall be effective beginning in the half tax year for which application is made under paragraph (2) of this subsection.

“(4) If a classification change under this this paragraph and subsection (c-9)(2)(A)(ii) is determined to be erroneous because the real property was not put to predominantly residential use within the earlier of issuance of any new or amended certificate of occupancy (temporary or permanent) for any part of the improvement thereon or 3 years from issuance of the building permit, or the building permit expired and was not renewed within 1 year, the Chief Financial Officer shall reclassify and tax the real property without limitation for each tax year or half tax year in which the real property was improperly classified as Class 1A Property, subject only to subsection (d-1)(5)(A-i) of this section if the property is determined to be Class 3 Property or Class 4 Property, or subsection (d-2) of this section. In the event of such reclassification, penalty and interest shall be added beginning from the day the correct amount of tax should have been due but not paid if the property had been properly classified.

“(5) Within 45 days from the date of the notice of denial of Class 1A Property reclassification under this paragraph of this subsection, the owner may petition for an administrative review of the rescission or denial and appeal from a final determination thereof to the same extent as if the appeal were filed under § 47-825.01a(d)(2).

“(6) Notwithstanding the time limitations in subparagraphs (3) and (4) of this paragraph, the Chief Financial Officer in his or her discretion may grant an extension of time to comply to prevent an undue hardship to the owner.

“(7) The provisions of this paragraph, subsection (c-9)(2)(A)(ii) of this section, and § 47-829 shall not supersede the requirement to timely file for mixed-use classification for the upcoming tax year pursuant to subsection (f) of this section, where the annual assessment for such upcoming tax year is made under § 47-824 and the certificate of occupancy (final or temporary) was issued.”.

Sec. 3. Applicability.

This act shall apply as of April 1, 2025.

Sec. 4. Fiscal impact statement.

The Council adopts the fiscal impact statement of the Budget Director as the fiscal impact statement required by section 4a of the General Legislative Procedures Act of 1975, approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

Sec. 5. 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) and 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)).

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