
Chairman Linda Cropp

Councilmember David A. Catania

Councilmember Charlene Drew Jarvis

Councilmember Jack Evans

Councilmember Carol Schwartz

Councilmember Sharon Ambrose

Councilmember Harold Brazil

Councilmember Vincent Orange

Councilmember Kevin Chavous

Councilmember Sandy Allen

A BILL

1

2

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

3

4

Councilmember David Catania, Chairman Linda Cropp and Councilmembers Sandy Allen,
Sharon Ambrose, Kevin Chavous, Jack Evans, Harold Brazil, Charlene Drew Jarvis,
Vincent Orange, and Carol Schwartz introduced the following bill, which was referred to
the Committee on _____

5

6

7

8

To certify certain high technology companies as Qualified High Technology Companies; to
amend Title 47 to provide tax credits for Qualified High Technology Companies for
employee relocation costs, for wages paid to qualified employees, and for training costs
for and wages paid to recipients of Temporary Assistance to Needy Families; to allow the
Mayor to provide lease guarantees for Qualified High Technology Companies; to require
a report by the Mayor on the feasibility of making available to Qualified High
Technology Companies unused District property and a study by the Superintendent of
Public Schools on under-utilized public school buildings and to lease such space to
Qualified High Technology Companies who shall provide high technology assistance to
the public schools; and to amend Title 47 to provide for real property tax abatement for
improvements made to certain buildings used by Qualified High Technology Companies,
to provide for a partial exemption from the personal property tax for Qualified High

9

10

11

12

13

14

15

16

17

18

19

20

Technology Companies, to provide for an exemption from sales and use taxes for sales to
and by Qualified High Technology Companies of certain property, to reduce the corporate
tax to 6% for Qualified High Technology Companies and to exempt from the corporate
tax for up to 5 years Qualified High Technology Companies located in high-technology
zones which the Mayor is directed to designate, to allow Qualified High Technology
Companies to deduct as an expense for corporate tax purposes up to \$40,000 of the cost
of property described in § 179 of the Internal Revenue Code, and to exclude Qualified
High Technology Companies from the term "unincorporated business".

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this
act may be cited as the "New E-Conomy Transformation Act of 2000."

TABLE OF CONTENTS.

TITLE I. QUALIFIED HIGH TECHNOLOGY COMPANIES.

Sec. 101. Findings.

Sec. 102. Qualified High Technology Companies.

TITLE II. WORKFORCE DEVELOPMENT.

Sec. 201. Employment Opportunity Relocation Cost Credits.

Sec. 202. Employment Wage Credits: General.

Sec. 203. Employment and Training Wage Credits: Temporary Assistance to
Needy Families Recipients.

TITLE III. AFFORDABLE FACILITIES.

Sec. 301. Lease Guarantees.

Sec. 302. District of Columbia Public Schools and Other District Owned and
Leased Facilities.

Sec. 303. Real Property Tax Abatement for Certain Commercial Properties.

TITLE IV. TARGETED FINANCIAL INCENTIVES.

Sec. 401. Personal Property Tax Incentives.

Sec. 402. Sales/Use Tax Exemptions.

Sec. 403. Corporate Business Franchise Tax.	1
Sec. 404. Expensing for Qualified High Technology Companies.	2
Sec. 405. Unincorporated Business Franchise Tax Exemption.	3
TITLE V. IMPLEMENTATION.	4
Sec. 501. Rules.	5
Sec. 502. Fiscal Impact Statement.	6
Sec. 503. Effective Date.	7
	8
TITLE I. QUALIFIED HIGH TECHNOLOGY COMPANIES.	9
Sec. 101. Findings. The Council of the District of Columbia finds that:	10
(a) The Washington, DC Metropolitan Region is a leader in the "new" high	11
technology economy and is projected to be one of the top three national centers of this	12
new economy in the 21st Century. Almost all of this growth, however, is being driven	13
by -- and is associated with - pre-existing activities in Northern Virginia and	14
surrounding suburbs. Currently, the District of Columbia accounts for only 13.8% of	15
high-tech jobs in the region while the remaining 86.2% of these positions are found in	16
outlying areas.	17
(b) The creation of new high technology-based businesses represents an	18
important source of new jobs and public revenues for the District of Columbia.	19
(c) The most significant barriers preventing the growth of the high technology	20
sector in the District include a trained workforce, access to affordable facilities, and a	21
disparity in financial incentives offered by other jurisdictions or regions.	22
(d) In order to participate in this new high technology economy, the District of	23

Columbia must invest in its citizens and encourage private sector high technology companies to invest in these same citizens in order to secure opportunities for economic development and wealth accumulation. Among other things, our citizens must have access to - and training in - the necessary skills and technology.

(e) The ability to procure suitable office space and competitive lease agreements are important inducements to entrepreneurs and to high technology start-up companies to begin operations or to expand within the District of Columbia.

(f) The costs associated with starting and operating a business in the District of Columbia far exceed those in the suburbs. In order to compete for these opportunities, the District must create a more competitive legal and regulatory structure.

Sec. 102. Qualified High Technology Companies.

(a) Purpose. This section is intended to apply to high technology companies whose products or services depend to a significant extent on the application of scientific or technological skills or knowledge, whether it be a novel application of advanced technology to provide a totally new product or service, or an application of existing technology in an innovative manner.

(b) Certification. It shall be the responsibility of the Office of the Chief Financial Officer to:

(1) Review companies that have applied for benefits as a Qualified High Technology Company to insure that they have met the requirements set forth in subsection (c) of this section and certify them accordingly; and

(2) Monitor economic developments in the District of Columbia and

prepare a report at least once per year outlining the economic impact of existing
Qualified High Technology Companies. The report shall include the number of
employees employed full-time by such companies and the total amount of financial
benefits received to the District of Columbia as a result of the tax benefits received.
The report shall be delivered to the Council and the Mayor.

(c) Eligibility. A firm shall be eligible and subject to certification as a Qualified
High Technology Company for the benefits of this section if it:

(1) Is a business concern in the legal form of an individual
proprietorship, partnership, limited liability company, corporation, joint venture,
association, trust, or cooperative;

(2) Is organized for profit;

(3) Operates primarily out of the District of Columbia and pays taxes in
the District of Columbia; and

(4) Is a High Technology Company as defined by subsection (d) of this
section;

(d) Definitions. For purposes of this act, the term

(1) "High Technology Company" means a company involved in any of
the following:

(A) Advanced materials and processing technologies that involve
the development, modification, or improvement of one or more materials or methods to
produce devices and structures with improved performance characteristics or special
functional attributes, or to activate, speed up, or otherwise alter chemical, biochemical,

or medical processes. Such technologies shall include, but not be limited to, the following: metal alloys, metal matrix and ceramic composites, advanced polymers, thin films, membranes, superconductors, electronic and photonic materials, bioactive materials, bioprocessing, genetic engineering, catalysts, waste emissions reduction, pharmaceuticals, and waste processing technologies;

(B) Engineering, production, and defense technologies that involve knowledge-based control systems and architectures, advanced fabrication and design processes, equipment, and tools, or propulsion, navigation, guidance, nautical, aeronautical and astronautical ground and airborne systems, instruments, and equipment. Such technologies shall include, but not be limited to, the following: computer-aided design and engineering, computer-integrated manufacturing, robotics and automated equipment, integrated circuit fabrication and test equipment, sensors, biosensors, signal and image processing, medical and scientific instruments, precision machining and forming, biological and genetic research equipment, environmental analysis, remediation, control, and prevention equipment, defense command and control equipment, avionics and controls, guided missile and space vehicle propulsion units, military aircraft, space vehicles, and surveillance, tracking, and defense warning systems;

(C) Electronic and photonic devices and components for use in producing electronic, optoelectronic, mechanical equipment and products of electronic distribution with interactive media content. Such technologies shall include, but not be limited to, the following: microprocessors, logic chips, memory chips, lasers, printed

circuit board technology, electroluminescent, liquid crystal, plasma, and vacuum 1
fluorescent displays, optical fibers, magnetic and optical information storage, optical 2
instruments, lenses, and filters, simplex and duplex data bases, and solar cells; 3

(D) Information and communication technologies, equipment and 4
systems that involve advanced computer software and hardware, visualization 5
technologies, and human interface technologies. Such technologies shall include, but 6
not be limited to, the following: operating and applications software, artificial 7
intelligence, computer modeling and simulation, high-level software languages, neural 8
networks, processor architecture, animation and full-motion video, graphics hardware 9
and software, speech and optical character recognition, high-volume information storage 10
and retrieval, data compression, broadband switching, multiplexing, digital signal 11
processing, and spectrum technologies. 12

(2) "Qualified employee" means an employee who is employed on a full- 13
time basis by a Qualified High Technology Company. 14

(3) (A) "Research and development" means any of the following 15
activities 16

(i) The systematic search for new knowledge or for new 17
understandings of what is already known; 18

(ii) The systematic search for new uses for what is already 19
known and understood; or 20

(iii) The systematic search for new techniques for 21
application in the use of any knowledge or understanding; 22

(B) "Research and development" includes, but is not limited to: 1
(i) Physical, chemical, biological or medical science; 2
(ii) Mechanical, chemical or electrical engineering, 3
including electronics; 4
(iii) Technology, including information technology; or 5
(iv) Such other matters as the Mayor may designate for 6
the purposes of this section. 7

(C) The activities which constitute research and development 8
under this section do not include: 9

(i) Any activities carried on for the purpose of 10
ascertaining whether a demand for a new product or service exists, the extent or nature 11
of such a demand or the expense of meeting such a demand; and 12

(ii) any activities carried on for the purposes of, or in 13
connection with, the commercial exploitation of something or the commercial 14
exploitation of which has already been decided upon or otherwise undertaken. 15

TITLE II. WORKFORCE DEVELOPMENT. 16

Sec. 201. Employment Opportunity Relocation Cost Credits. 17

Title 47 of the District of Columbia Code is amended by adding a new section 18
47-1807.7 to read as follows: 19

"§ 47-1807.7. Tax credit for Qualified High Technology Company employment 20
relocation costs; exceptions. 21

“(a)(1) Except as provided in subsection (b) of this section, for taxable years
beginning after December 31, 2000, any Qualified High Technology Company certified
pursuant to Title I of the New E-Conomy Transformation Act of 2000 shall be allowed
an employment opportunity relocation costs credit against the tax imposed by this
chapter. The amount of such credit shall be \$5,000 for each commercial employment
opportunity relocated to the District from an area outside the District. Such credit shall
be allowed to a Qualified High Technology Company which relocates a minimum of ten
employment opportunities.

“(2) The relocation costs for which the credit may be claimed are those
incurred after December 31, 2000, in connection with employment opportunities
relocated to the District after that date. Such credit shall be allowed only to the extent
that the Qualified High Technology Company has not claimed a deduction for allowable
employment opportunity relocation costs.

“(3) The credit allowed hereunder may be taken by the Qualified High
Technology Company in whole or in part in the year in which the employment
opportunity is relocated by the Qualified High Technology Company or in either of the
two years succeeding such event.

“(b) The credit under subsection (a) of this section shall not be allowed:

“(1) To exceed a total of \$100,000 in any one taxable year;

“(2) Until the Qualified High Technology Company has employed the
relocated employee for at least 760 hours;

“(3) If the Qualified High Technology Company pays the relocated

employee less than the greater of the legal minimum wage or the wage the Qualified
High Technology Company pays other employees in similar jobs;

“(4) If the Qualified High Technology Company accords the relocated
employee lesser benefits or rights than it accords other employees in similar jobs;

“(5) If the relocated employee was employed as the result of the
displacement, other than for cause, of another employee, or as the result of a strike or
lockout, or a layoff in which other employees are awaiting recall, or a reduction of the
regular wages, benefits, or rights of other employees in similar jobs;

“(6) If the Qualified High Technology Company does not meet, with
respect to the employment of the relocated employee, all federal and District of
Columbia laws and regulations, including those concerning health, safety, child labor,
work/hour, and equal employment opportunity; or

“(7) If the relocated employee is a member of the board of directors of
the Qualified High Technology Company, directly or indirectly owns a majority of its
stock, or is related to a member of the board of directors or a majority stockholder as a
spouse or as any relative listed in the definition of “dependent” in § 152 of the Internal
Revenue Code of 1986 (26 U.S.C. § 152), without regard to source of income.

“(c) If the amount of the credit allowable under this section exceeds the tax
otherwise due from a Qualified High Technology Company, the amount of the credit not
used as an offset against the tax may be carried forward or back for up to 5 years, except
that no portion of the credit shall be:

“(1) Carried back to any taxable year ending before January 1, 2001; or

“(2) Claimed for any taxable year in which the Qualified High
Technology Company was not located within the District or did not employ a relocated
employee.”

Sec. 202. Employment wage credits: general.

Title 47 of the District of Columbia Code is amended by adding a new section
47-1807.8 to read as follows:

“§ 47-1807.8. Tax credit to Qualified High Technology Companies for wages to
qualified employees; exceptions.

“(a) Except as provided in subsection (b) of this section, for taxable years
beginning after December 31, 2000, a Qualified High Technology certified pursuant to
Title I of the New E-Conomy Transformation Act of 2000 shall be allowed a credit
against the tax imposed by this chapter in an amount equal to 10% of the wages paid by
the Qualified High Technology Company to a qualified employee as defined in Title I of
the New E-Conomy Transformation Act of 2000 during the first 24 calendar months in
which the employer employed the qualified employee.

“(b) The credit under subsection (a) of this section shall not be allowed:

“(1) To exceed, for any qualified employee, a total of \$5,000 in any
taxable year;

“(2) Until the Qualified High Technology Company has employed the
qualified employee for at least 760 hours;

“(3) For any calendar month in which the Qualified High Technology
Company has not employed the qualified employee for at least 90 hours;

“(4) If the Qualified High Technology Company pays the qualified employee less than the greater of the legal minimum wage or the wage the Qualified High Technology Company pays other employees in similar jobs;

“(5) If the Qualified High Technology Company accords the qualified employee lesser benefits or rights than it accords other employees in similar jobs;

“(6) If the qualified employee was employed as the result of the displacement, other than for cause, of another employee, or as the result of a strike or lockout, or a layoff in which other employees are awaiting recall, or a reduction of the regular wages, benefits, or rights of other employees in similar jobs;

“(7) If the Qualified High Technology Company does not meet, with respect to the employment of the qualified employee, all federal and District of Columbia laws and regulations, including those concerning health, safety, child labor, work/hour, and equal employment opportunity; or

“(8) If the qualified employee is a member of the board of directors of the Qualified High Technology Company, directly or indirectly owns a majority of its stock, or is related to a member of the board of directors or a majority stockholder as a spouse or as any relative listed in the definition of “dependent” in § 152 of the Internal Revenue Code of 1986 (26 U.S.C. § 152), without regard to source of income.

“(c) Whenever a Qualified High Technology Company is prevented from claiming the credit for wages paid because the qualified employee was not employed for the period of time required by subsection (b)(2) and (3) of this section, the credit for wages paid may be claimed against the tax for the immediately succeeding taxable

period in which the period of employment satisfies the requirement of subsection (b)(2) of this section.

“(d) If the amount of the credit allowable under this section exceeds the tax otherwise due from a Qualified High Technology Company, the amount of the credit not used as an offset against the tax may be carried forward or back for up to 5 years, except that no portion of the credit shall be:

“(1) Carried back to any taxable year ending before January 1, 2001; or

“(2) Claimed for any taxable year in which the Qualified High Technology Company was not located within the District or did not employ a qualified employee.”

Sec. 203. Employment Wage and Training Credits: Temporary Assistance to Needy Families Recipients.

Title 47 of the District of Columbia Code is amended by adding new sections 47-1807.9 and 47-1807.10 to read as follows:

"§ 47-1807.9. Tax credit to Qualified Technology Companies for retraining costs for Temporary Assistance to Needy Families recipient employees.

"(a) For taxable years beginning after December 31, 2000, a Qualified High Technology Company certified pursuant to Title I of the New E-Conomy Transformation Act of 2000 shall be allowed a credit against taxes imposed by this chapter for expenditures paid or incurred during the taxable year for worker retraining of a District resident who is a recipient of Temporary Assistance to Needy Families ("TANF") or immediately prior to employment by the Qualified High Technology

Company was a recipient of TANF. 1

"(b) Worker retraining expenditures which are eligible for the tax credit include: 2

"(1) Noncredit courses taken at the University of the District of 3
Columbia or a private school which have been certified as eligible by the Office of the 4
Chief Financial Officer; and 5

"(2) Worker retraining programs undertaken through an apprenticeship 6
agreement approved by the District of Columbia Apprenticeship Council. 7

"(c) The retraining expenditures for employees in temporary and seasonal 8
positions shall not be eligible for the credit. 9

"(d) Fifty percent of the credit up to \$20,000 per employee for training 10
expenditures incurred within the first 18 months of employment of the employee shall 11
be refundable." 12

"§47-1807.10 Tax credit to Qualified High Technology Companies for wages to 13
recipients of Temporary Assistance to Needy Families. 14

"(a) Except as provided in subsection (b) of this section, for taxable years 15
beginning after December 31, 2000, Qualified High Technology Companies certified 16
pursuant to Title I of the New E-Conomy Transformation Act of 2000 shall be allowed a 17
credit against the tax imposed by this chapter in an amount equal to 50% of the wages 18
paid by the Qualified High Technology Company to a District resident who is a 19
recipient of Temporary Assistance to Needy Families ("TANF") or immediately prior to 20
employment by the Qualified High Technology Company was a recipient of TANF 21
during the first 24 calendar months in which the employer employed the employee. 22

- “(b) The credit under subsection (a) of this section shall not be allowed: 1
- “(1) To exceed, for any such employee, a total of \$15,000 in any 1
taxable year; 2
3
- “(2) Until the Qualified High Technology Company has employed the 4
employee for at least 760 hours; 5
- “(3) For any calendar month in which the Qualified High Technology 6
Company has not employed the employee for at least 90 hours; 7
- “(4) If the Qualified High Technology Company pays the employee less 8
than the greater of the legal minimum wage or the wage the Qualified High Technology 9
Company pays other employees in similar jobs; 10
- “(5) If the Qualified High Technology Company accords the employee 11
lesser benefits or rights than it accords other employees in similar jobs; 12
- “(6) If the employee was employed as the result of the displacement, 13
other than for cause, of another employee, or as the result of a strike or lockout, or a 14
layoff in which other employees are awaiting recall, or a reduction of the regular wages, 15
benefits, or rights of other employees in similar jobs; 16
- “(7) If the Qualified High Technology Company does not meet, with 17
respect to the employment of the employee, all federal and District of Columbia laws 18
and regulations, including those concerning health, safety, child labor, work/hour, and 19
equal employment opportunity; or 20
- “(8) If the employee is a member of the board of directors of the 21
Qualified High Technology Company, directly or indirectly owns a majority of its stock, 22

or is related to a member of the board of directors or a majority stockholder as a spouse
or as any relative listed in the definition of “dependent” in § 152 of the Internal Revenue
Code of 1986 (26 U.S.C. § 152), without regard to source of income.

“(c) Whenever a Qualified High Technology Company is prevented from
claiming the credit for wages paid because the employee was not employed for the
period of time required by subsection (b)(2) and (3) of this section, the credit for wages
paid may be claimed against the tax for the immediately succeeding taxable period in
which the period of employment satisfies the requirement of subsection (b)(2) of this
section.

“(d) If the amount of the credit allowable under this section exceeds the tax
otherwise due from a Qualified High Technology Company, the amount of the credit not
used as an offset against the tax may be carried forward or back for up to 5 years, except
that no portion of the credit shall be:

“(1) Carried back to any taxable year ending before January 1, 2001; or

“(2) Claimed for any taxable year in which the Qualified High
Technology Company was not located within the District or did not employ an
employee who is or was immediately prior to employment a TANF recipient.”

TITLE III. AFFORDABLE FACILITIES.

Sec. 301. Lease Guarantees.

(a) Lease Guarantee Services. The Mayor may provide lease guarantees for
facilities, improvements and equipment, to benefit a Qualified High Technology

Company certified pursuant to Title I of the New E-Conomy Transformation Act of 1
2000 which is unable to secure financing for such items on commercially reasonable 2
terms. Any such guarantee may be made or effected either directly or in cooperation 3
with any qualified surety company or other qualified company through a participation 4
agreement with such company. No guarantee shall be issued under this subsection if (1) 5
a guarantee meeting the requirements of the applicant is otherwise available on 6
reasonable terms; and (2) the Mayor determines that there exists a reasonable 7
expectation that the Qualified High Technology Business on behalf of which the 8
guarantee would be issued will not perform the covenants and conditions of the lease. 9

(b) Lease Guarantee Protection. In conjunction with the guarantee of any lease 10
conferred under subsection (a) of this section, the Mayor may require, in order to 11
minimize the financial risk assumed under such guarantee, that 12

(1) The lessee pay an amount not to exceed one-fourth of the minimum 13
guaranteed annual rental required under the lease. This amount shall be held in escrow 14
and shall be available: 15

(A) To meet rental charges accruing in any month for which the 16
lessee is in default; or 17

(B) If no default occurs during the term of the lease, for 18
application (with accrued interest) toward final payments of rental charges under the 19
lease; 20

(2) Upon occurrence of a default under the lease the lessor shall, as a 21
condition precedent to enforcing any claim under the lease guarantee, utilize the entire 22

period for which there are funds available in escrow for payment of rentals in reasonably diligent efforts to eliminate or minimize losses by releasing the commercial or industrial property covered by the lease to another qualified tenant, and no claim shall be made or paid under the guarantee until such effort has been made and such escrow funds have been exhausted;

(3) Any guarantor of the lease will become a successor of the lessor for the purpose of collecting from a lessee in default rentals which are in arrears and with respect to which the lessor has received payment under a guarantee made pursuant to this section; and

(4) Such other provisions as the Mayor may in his discretion require.

Sec. 302. District of Columbia Public Schools and Other District Government Owned and Leased Facilities.

(a) Section 1 of An Act Authorizing the sale of certain real estate in the District of Columbia no longer required for public purposes, approved August 5, 1939 (53 Stat. 1211; D.C. Code § 9-401), is amended by adding a new subsection (m) to read as follows:

“(m)(1) Not later than one year following the date of enactment of this subsection, the Mayor shall provide the Council with a report on the feasibility of selling, conveying, or leasing real property owned in fee simple or leased by the District of Columbia that is no longer required for public purposes to Qualified High Technology Companies certified pursuant to Title I of the New E-Conomy Transformation Act of 2000.

“(2) Not later than one year following the date of enactment of this subsection, the Superintendent of District Public Schools shall conduct a study of under-utilized buildings within the public school system and report to the Mayor and Council the results of said study.

“(3) Within a reasonable time after the release of the study described in paragraph (2) of this subsection, the Mayor may, with the affirmative assistance of the principal, lease the under-utilized space to Qualified High Technology Companies at reasonable below-market prices.

“(4) Qualified High Technology Companies shall, in exchange for access to formerly under-utilized space provide:

“(A) Training courses to District public school teachers and administrators for the more efficient use of technology in the education process;

“(B) Internship opportunities to District public school students through out the calendar year;

“(C) Employment opportunities to District public school students during the summer months when school is not in session;

“(D) Technical support or expertise, including, but not limited to, networking, maintaining computer systems and other related activities; or

“(E) Any other assistance deemed appropriate or acceptable by the Mayor.

“(5) The Mayor and the Superintendent of District Public Schools shall convene a summit to facilitate these internship and employment opportunities.”

Sec. 303. Real Property Tax Abatement for Certain Commercial Properties. 1

Title 47 of the District of Columbia Code is amended by adding the following 2

section 47-811.2: 3

"§ 47-811.2. Real Property Tax Abatement for Certain Commercial Properties. 4

"(a) Definitions. When used in this section, the term 5

"(1) "Applicant" means the landlord or the tenant. 6

"(2) "Benefit Period" means the period commencing with the first day of 7

the month immediately following the rent commencement date and terminating no later 8

than sixty months thereafter. 9

"(3) "Billed assessed value" means the lesser of the taxable transitional 10

or the taxable actual assessed value of the eligible building and the land on which the 11

eligible building is located for the fiscal year in which the benefit period commences. 12

"(4) "Eligible building" means a non-residential or mixed-use building 13

which received its initial certificate of occupancy or initial temporary certificate of 14

occupancy prior to January 1, 2001, and either 15

"(A) 75% of its Tenants are Qualified High Technology 16

Companies certified pursuant to Title I of the New E-Conomy Transformation Act of 17

2000, or 18

"(B) 75% of its aggregate square footage is leased to a Qualified 19

High Technology Company certified pursuant to Title I of the New E-Conomy 20

Transformation Act of 2000. 21

"(5) "Eligible premises" means premises located in an eligible building 22

which are occupied or used as offices (including ancillary uses) or are occupied or used
as retail space and are occupied or used by a tenant under a lease which meets the
eligibility requirements set forth in this section.

“(6) "Landlord" means any person who controls all non-residential
portions of an eligible building, including without limitation, the record owner, the
lessee under a ground lease, any mortgagee in possession or any receiver, and grants the
right to use or occupy eligible premises to any tenant, provided that the landlord shall
not include any lessee who at any time during the lease term occupied or used or
occupies any part of the non-residential portions of such eligible building, other than
premises occupied or used by such lessee to provide rental management services to such
building.

“(7) "Mixed-use building" means building used for both residential and
commercial purposes, provided that more than 25% of the aggregate floor area of such
building is used or held out for use as commercial, community facility or accessory use
space leased to one or more Qualified High Technology Companies certified pursuant
to Title I of the New E-Conomy Transformation Act of 2000.

“(8) "Tenant" means a Qualified High Technology Company certified
pursuant to Title I of the New E-Conomy Transformation Act of 2000 that executes a
lease with the landlord for the right to occupy or use the eligible premises and that
occupies or uses the eligible premises pursuant to such lease. Tenant shall include any
subtenant if the subtenant also is a certified Qualified High Technology Company.

“(b) Real property tax abatement.

“(1) Eligible buildings containing eligible premises shall receive an abatement from real property tax increases to the billed assessed value that might otherwise result from improvements or renovations necessary to adapt or convert a building(s) or a portion(s) thereof for use by Qualified High Technology Companies for a period of five years from the date of application for same.

“(2) To the extent that a tenant is liable for property taxes under the terms of its lease and the tenant makes improvements or renovations necessary to adapt or convert a building(s) or a portion(s) thereof for its own use as a Qualified High Technology Company, or for use by a Qualified High Technology Company as a subtenant(s), the tenant shall receive an abatement from real property tax increases to the billed assessed value that might otherwise result from improvements or renovations for a period of five years from the date of the application for same.

“(c) Eligibility.

“(1) No abatement shall be granted pursuant to this section unless the landlord enters into a lease or leases with a Qualified High Technology Company(s) and maintains lease(s) with such entities throughout the five-year abatement period.

“(2) If the original lease terminates during the five-year abatement period, the abatement shall remain effective so long as the landlord or tenant, as applicable, makes a good faith effort to lease the eligible premises to a Qualified High Technology Company(s).

“(3) The abatement shall be revoked immediately if the landlord or tenant, as applicable, shall lease the otherwise eligible building or premises within an

eligible building to a tenant other than a Qualified High Technology Company(s) such
that the eligible building no longer satisfies the terms of paragraph (2) of this
subsection.

“(4) The Office of the Chief Financial Officer is hereby directed to
develop regulations and a form whereby an applicant can apply for a real property tax
abatement established under this section.”

TITLE IV. TARGETED FINANCIAL INCENTIVES.

Sec. 401. Personal Property Tax Incentives.

Section 47-1508(a) of the District of Columbia Code is amended by adding a
new paragraph (9) to read as follows:

“(9) The tangible personal property used or held by a Qualified High
Technology Company certified pursuant to Title I of the New E-Conomy
Transformation Act of 2000 pursuant to the following:

“(A) Exemptions will apply to seventy-five per cent of the
assessed value of qualified property for the first five years. Exemptions will apply to
fifty per cent of the assessed value of qualified property for the next five years after
which the exemptions will terminate.

“(B) As used in this paragraph, "qualified property" means any
tangible personal property as defined in § 47-1521(4) which is used or held by a
Qualified High Technology Company described in Title I of the New E-Conomy
Transformation Act of 2000.

“(C) As used in this paragraph, "held" means any keeping or retention in the District for any purpose, except sale in the regular course of business or subsequent use solely outside of the District, of qualified property purchased from a vendor.

“(D) As used in this paragraph, "use" means and includes:

" (i) The exercise of any right or power over qualified property incident to the ownership of that property, except that it does not include the sale of that property in the regular course of business, and

" (ii) Enjoyment of the benefit of a service, except that it does not include the sale of services in the regular course of business.

“(E) As used in this paragraph, the terms "held" and "use" shall not include the keeping, retaining, or exercising of any right or power over qualified property for the purpose of subsequently transporting it outside of the District for use thereafter solely outside of the District, or for the purpose of being processed, fabricated or manufactured into other qualified property to be transported outside of the District and thereafter used solely outside of the District.

“(F) An exemption applies to all qualified property in the inventory of a Qualified High Technology Company, except that, in the instance that a Qualified High Technology Company was in business prior to the enactment of the New E-Conomy Transformation Act of 2000, the inventory that is exempt is that amount or value of inventory in excess of the amount or value of inventory required to be listed in the personal property tax return of the Qualified High Technology Company on the return

for the tax year in which the New E-Conomy Transformation Act of 2000 is enacted. 1

“(G) When qualified property has not received a tax exemption, 2
the owner of the property, at any time on or before six months after the effective date of 3
this paragraph, may file with the Mayor an application requesting that the property be 4
placed on the tax exempt list and that all unpaid taxes, penalties, and interest on the 5
property be abated. 6

“(H) The application regarding the qualified property shall be 7
made on the form prescribed by the Mayor and shall list the address where the property 8
is located; the property’s legal description; its taxable value; the amount in dollars of 9
any unpaid taxes, penalties, and interest; the date of acquisition of title to the property; 10
the use of the property during any time that any unpaid taxes accrued; and any other 11
information required by the Mayor. 12

“(I) Upon the request of the applicant, the Office of the Chief 13
Financial Officer shall determine if any taxes, penalties, and interest that became a lien 14
on the qualified property before it first was used for an exempt purpose and all special 15
assessments charged against the property have been paid in full. If so, the Office of the 16
Chief Financial Officer shall issue a certificate to the applicant stating that all such 17
taxes, penalties, interest, and assessments have been paid in full. Prior to filing the 18
application with the Mayor, the applicant shall attach the Office of the Chief Financial 19
Officer’s certificate to it. The Mayor shall not consider an application filed under this 20
paragraph unless such a certificate is attached to it. 21

“(J) Upon receipt of the application and after consideration of it, 22
the Mayor shall determine if the applicant meets the qualifications set forth in this 23

paragraph, and if so shall issue an order directing that the property be placed on the tax
exempt list and that all unpaid taxes, penalties, and interest for every year the property
met the qualifications for exemption be abated. If the Mayor finds that the property is
not now being so used or is being used for a purpose that would foreclose its right to tax
exemption, the Mayor shall issue an order denying the application.

“(K) If the Mayor finds that the property is not entitled to tax exemption
and to the abatement of unpaid taxes, penalties, and interest for any of the years for
which the owner claims an exemption or abatement, the Mayor shall order the Office of
the Chief Financial Officer to collect all taxes, penalties, and interest due on the
property for those years in accordance with law.

“(L) The Mayor may apply this section to any qualified property that is
the subject of an application for exemption pending before the Mayor on the effective
date of this paragraph, without requiring the property owner to file an additional
application. The Mayor also may apply this paragraph to any qualified property that is
the subject of an application for exemption filed on or after the effective date of this
paragraph and on or before six months after that effective date, even though the
application does not expressly request abatement of unpaid taxes.”

Sec. 402. Sales/Use Tax Exemptions.

Section 47-2005 of the District of Columbia Code is amended by adding a new
subsection (28) to read as follows:

“(28). Exemption for Qualified High Technology Companies.

“(A) Sales to Qualified High Technology Companies certified pursuant
to Title I of the New E-Conomy Transformation Act of 2000 of tangible personal

property in the form of computer software and hardware and visualization and human interface technology equipment, including, but not limited to, the following: operating and applications software, computers, monitors, printers, cable, fiber, discs, and modems when purchased for use in connection with the operation of the Qualified High Technology Companies;

“(B) Sales by Qualified High Technology Companies, certified pursuant to Title I of the New E-Conomy Transformation Act of 2000 within the District of Columbia of:

" (i) Tangible personal property in the form of computer software and hardware and visualization and human interface technology equipment, including, but not limited to, the following: operating and applications software, computers, monitors, printers, cable, fiber, discs, and modems; and

" (ii) Intangible property and/or services not otherwise exempt under other sections of the District of Columbia Code, including, but not limited to, advertising space and design, graphic design, banner advertising, subscription services, and downloads from databases."

Sec. 403. Corporate Business Franchise Tax.

Title 47 of the District of Columbia Code is amended by adding a new section 47-1807.2b to read as follows:

“§ 47-1807.2b Corporate Tax on Qualified High Technology Companies.

"(a) Reductions. (1) Notwithstanding any other provision of the District of Columbia Code, a corporate tax at a rate of 6% shall be imposed upon Qualified High Technology Companies certified pursuant to Title I of the New E-Conomy

Transformation Act of 2000, except as provided for in paragraph (2) of this subsection 1

"(2) The Mayor shall designate, subject to approval by the Council, high 2
technology empowerment zones. Qualified High Technology Companies certified 3
pursuant to Title I of the New E-Conomy Transformation Act of 2000 within these 4
zones shall not be subject to the tax imposed by this chapter for a period not to exceed 5
five years from the first day the Qualified High Technology Company operates in the 6
high technology empowerment zone in the District of Columbia. 7

"(b) Transfer of ownership. Transfer of ownership shall not affect eligibility 8
under this section. 9

"(c) The Mayor shall, pursuant to subchapter I of Chapter 15 of Title I, issue 10
rules to implement the provisions of this chapter." 11

Sec. 404. Expensing for Qualified High Technology Companies. 12

Section 47-1803.3(a) is amended by adding a new paragraph (18) to read as 13
follows: 14

"(18) Expensing for Qualified High Technology Companies. 15

In the case of a Qualified High Technology Company certified pursuant to Title 16
I of the New E-Conomy Transformation Act of 2000, there shall be allowed a deduction 17
equal to an amount which is the lesser of \$40,000 or the actual cost of the property for 18
property described in § 179(d)(1) of the Internal Revenue Code of 1986 (26 U.S.C. 19
§179)." 20

Sec. 405. Unincorporated Business Franchise Tax Exemption. 21

Title 47 of the District of Columbia Code is amended by adding a new section 22
47-1808.1a to read as follows: 23

"§ 47-1808.1a. Same.----Supplemental definition of "unincorporated business". 1
For purposes of this chapter (not alone of this subchapter), including, but not limited to, 2
the tax imposed on unincorporated businesses pursuant to § 47-1810.1(a)(2), the term 3
"unincorporated business" shall not include a Qualified High Technology Company 4
certified pursuant to Title I of the New E-Conomy Transformation Act of 2000." 5

TITLE V. IMPLEMENTATION. 6

Sec. 501. Rules. The Mayor, pursuant to Title I of the District of Columbia 7
Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1204; D.C. Code § 8
1-1501 *et seq.*) shall issue rules to implement the provisions of this act. The proposed 9
rules shall be submitted to the Council for a 45-day period of review, excluding 10
Saturdays, Sundays, legal holidays and days of Council recess. If the Council does not 11
approve or disapprove the proposed rules, in whole or in part, by resolution within this 12
45-day review period, the proposed rules shall be deemed approved. Nothing in this 13
section shall affect any requirements imposed upon the Mayor by Title I of the District 14
of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1204; 15
D.C. Code § 1-1501 *et seq.*) . 16

Sec. 502. Fiscal impact statement. The Council adopts the fiscal impact 17
statement in the Committee Report as the fiscal impact statement required by section 18
602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 19
Stat. 813; D.C. Code § 1-233(c)(3). 20

Sec. 503. Effective date. This act shall take effect following approval by the 21
Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), 22

approval by the Financial Responsibility and Management Assistance Authority as
provided in section 203(a) of the District of Columbia Financial Responsibility and
Management Assistance Act of 1995, approved April 17, 1995 (109 Stat. 116; D.C.
Code § 47-392.3(a)), 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. 831; D.C. Code § 1-233(c)(1)), and publication in the District of Columbia
Register.

1
2
3
4
5
6
7
8
9