



Roundtable on Evaluating  
Economic Development Tax Incentives:  
Alternative Evaluation Approaches

October 24, 2019

Lori Metcalf  
Office of Revenue Analysis  
Office of the Chief Financial Officer  
District of Columbia

*The information provided in this presentation does not represent the views of the Office of the Chief Financial Officer nor the District of Columbia.  
They are personal views on the topic presented.*



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# Qualified High Technology Company Incentives

- Stated goals: “to encourage high-technology firms to locate, expand, and stay in the District of Columbia, thereby strengthening the employment and economic base.”
- Definition: A high-technology company is considered “qualified” if it (1) has two or more employees in the District, and (2) derives at least 51 percent of gross revenues earned in the District from technology-related goods and services
- Tax provisions include:
  - QHTC business income (franchise) tax exemption, and tax rate reduction;
  - three franchise tax credits for wages paid, with 10-year carryforward;
  - 5-year real property tax abatement;
  - 10- year personal property tax exemption;
  - sales tax exemption on goods sold in DC, and certain technology purchases.



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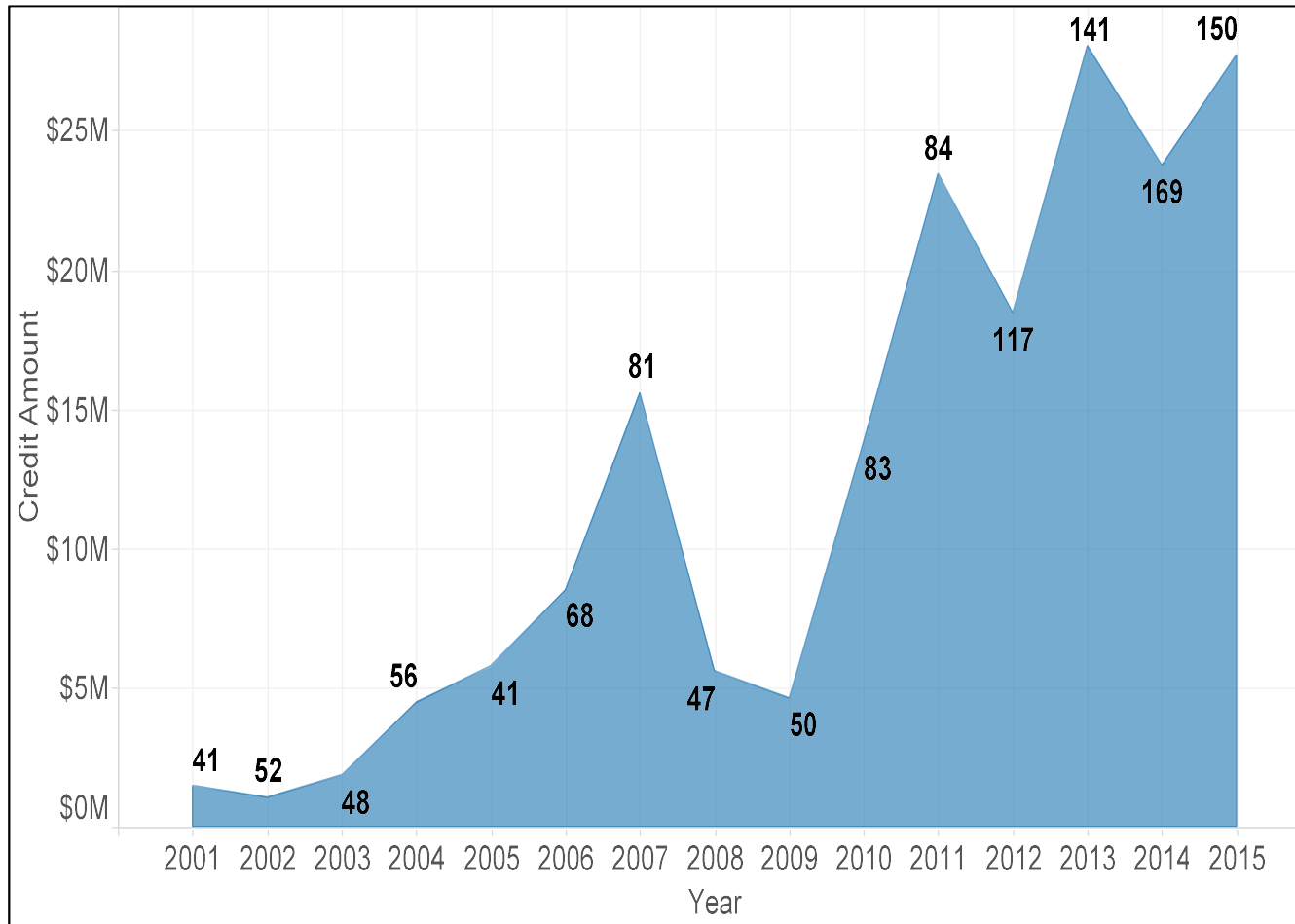
## Total QHTC Franchise Tax Credit Amounts, 2001 – 2015

Tax Year	Total Franchise Tax Revenue (all DC corporations) (\$)	Number of Companies Claiming QHTC Eligibility	Number of QHTCs Receiving Credit > \$0	Total QHTC Credit Amount (\$)	Median Credit Amount (\$)	QHTC Credit as a % of Total Franchise Tax Revenue
2001	\$233,237,000	41	41	\$1,479,569	\$3,393	0.63%
2002	\$142,647,000	52	52	\$1,051,260	\$1,642	0.74%
2003	\$156,777,000	539	48	\$1,853,446	\$6,541	1.18%
2004	\$168,353,000	112	56	\$4,461,028	\$15,386	2.65%
2005	\$195,492,000	61	41	\$5,778,522	\$24,088	2.96%
2006	\$215,283,000	83	68	\$8,504,262	\$7,713	3.95%
2007	\$255,511,000	123	81	\$15,580,051	\$3,098	6.10%
2008	\$286,204,000	108	47	\$5,592,239	\$10,598	1.95%
2009	\$221,882,000	114	50	\$4,617,924	\$19,884	2.08%
2010	\$207,292,000	142	83	\$13,836,739	\$16,739	6.67%
2011	\$216,280,000	191	84	\$23,460,563	\$29,648	10.85%
2012	\$302,924,000	292	117	\$18,469,291	\$27,026	6.10%
2013	\$298,993,000	244	141	\$28,050,770	\$23,260	9.38%
2014	\$280,186,000	272	169	\$23,756,483	\$27,590	8.48%
2015	\$308,027,000	249	150	\$27,722,902	\$33,699	9.00%
<b>Total</b>	<b>\$3,489,088,000</b>	--	--	<b>\$184,215,049</b>	--	<b>5.28%</b>



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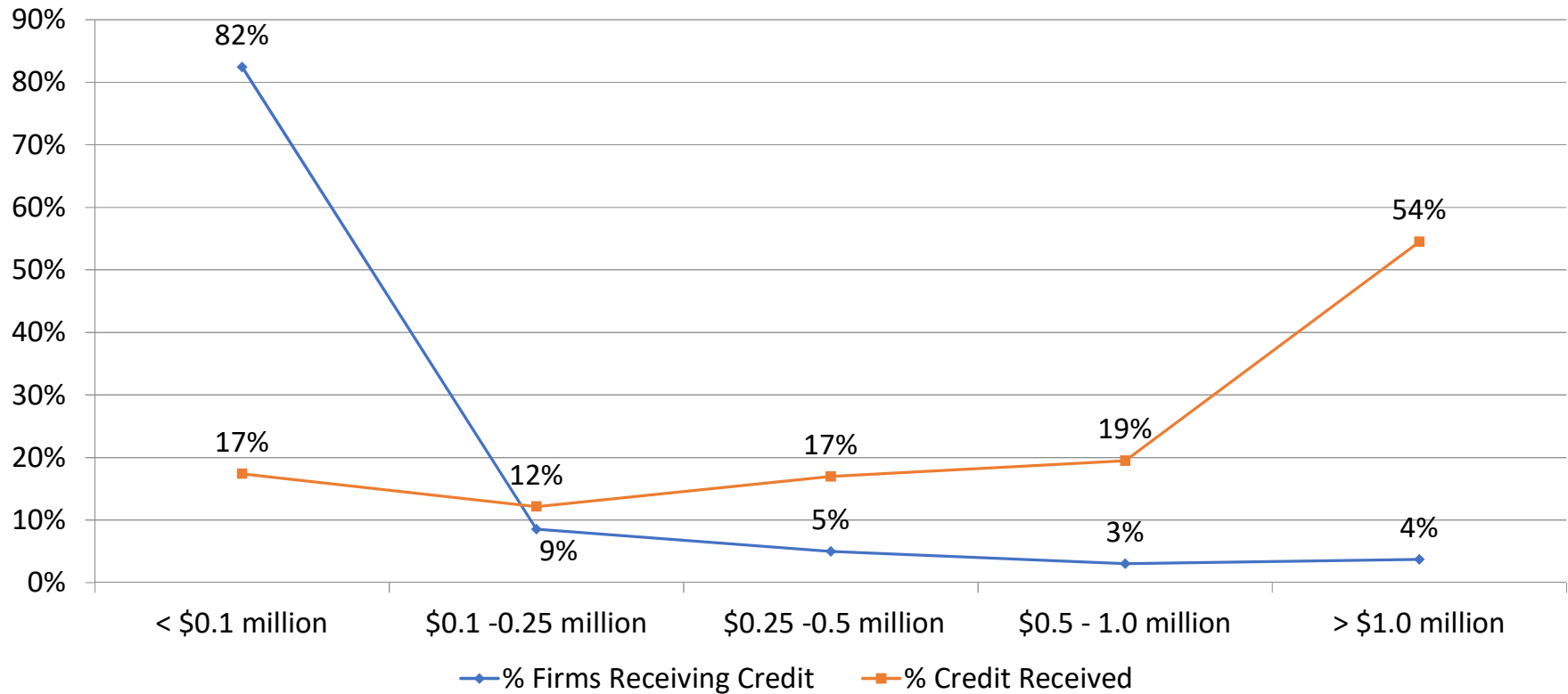
# Qualified High Technology Company Incentives





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## Credit Distribution by # of Firms Taking Credits and \$ Amount of Franchise Tax Credit Received, Average from 2001 - 2015





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## Distribution of QHTC Credit Dollars Claimed by Location of Headquarters

Year	Total QHTC Credit Amount Claimed (\$)	\$ Credits Claimed by DC HQ	DC %	\$ Credits Claimed by MD HQ	MD %	\$ Credits Claimed by VA HQ	VA %	\$ Credits Claimed by Another HQ	Other %
2007	15,580,051	703,477	4.5	120,463	0.8	12,838,738	82.4	1,917,373	12.3
2008	5,592,239	720,364	12.9	1,787,840	32.0	1,819,564	32.5	1,264,471	22.6
2009	4,617,924	747,135	16.2	1,428,822	30.9	2,189,387	47.4	252,580	5.5
2010	13,836,739	7,385,833	53.4	826,191	6.0	2,460,804	17.8	3,163,911	22.9
2011	23,460,563	5,940,256	25.3	1,170,454	5.0	7,061,554	30.1	9,288,299	39.6
2012	18,469,292	10,613,612	57.5	1,904,194	10.3	4,177,500	22.6	1,773,986	9.6
2013	28,050,770	4,372,563	15.6	1,565,860	5.6	4,802,910	17.1	17,309,437	61.7
2014	23,756,484	3,955,531	16.7	1,898,776	8.0	4,710,973	19.8	13,191,204	55.5
2015	27,722,903	4,918,591	17.7	2,041,977	7.4	12,833,534	46.3	7,928,801	28.6



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## Distribution of QHTC Firms Claiming Credit by Location of Headquarters

Year	Total Number of Firms Claiming Credits >\$0	# of Firms with DC HQ	DC %	# of Firms with MD HQ	MD %	# of Firms with VA HQ	VA %	# of Firms with Another HQ	Other %
2007	81	45	56%	8	10%	14	17%	14	17%
2008	47	26	55%	5	11%	8	17%	8	17%
2009	50	32	64%	6	12%	9	18%	3	6%
2010	83	47	57%	7	8%	18	22%	11	13%
2011	84	37	44%	9	11%	22	26%	16	19%
2012	117	52	44%	14	12%	34	29%	17	15%
2013	141	61	43%	16	11%	44	31%	20	14%
2014	169	64	38%	19	11%	56	33%	30	18%
2015	150	75	50%	15	10%	42	28%	18	12%



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## Descriptions Using QHTC's Gross Receipts

Amount of QHTC Credit Received \$	Median Gross Receipts (\$) and # of Firms Claiming			
	2007		2015	
Firms Claiming:				
< \$0.1 m	\$3,776,352	73	\$7,851,341	110
\$0.1 - 0.25 m	\$49,720,980	5	\$21,252,107	19
\$0.25 – 0.5 m	0	0	\$105,931,281	9
\$0.5 – 1 m	*	1	\$1,138,125,100	4
> \$1m	*	2	\$4,392,415,761	8

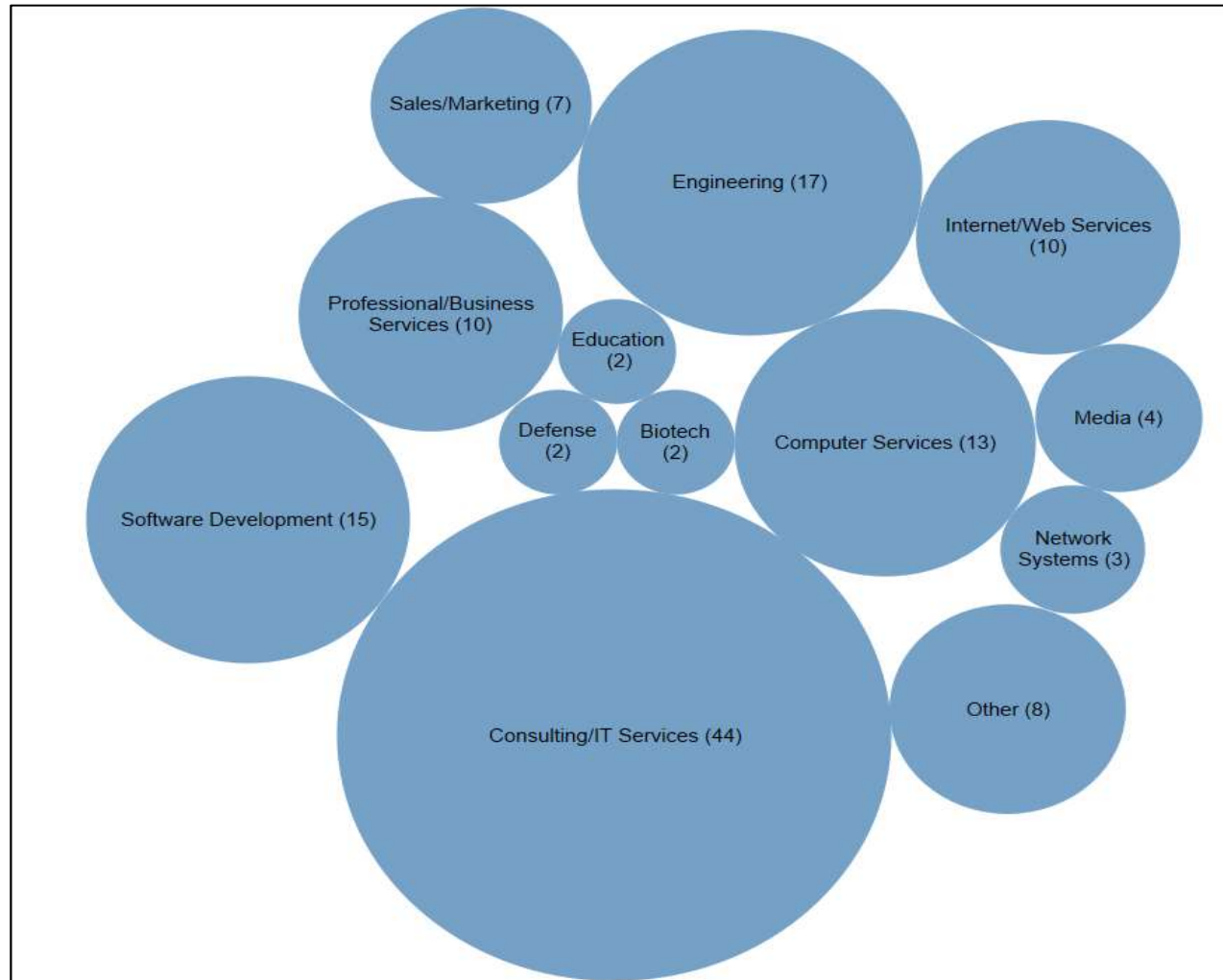
Firms' Headquarters Location	Median Gross Receipts (\$) and # of Firms Claiming			
	2007		2015	
D.C.	\$1,424,053	45	\$4,351,956	75
MD	\$3,241,994	8	\$18,648,786	15
VA	\$30,520,772	14	\$55,698,873	42
Other	\$35,304,020	14	\$158,193,764	18





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## Principal Activities of QHTCs in 2015





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## Legislative Changes to QHTC Incentives

The Downloading Lost Revenues Amendment Act of 2019, effective October 1<sup>st</sup>, 2019:

- Reduces the credit for each qualified employee hired after December 31, 2019 to 5% of wages not exceeding \$3,000 per taxable year (from 10% of wages up to \$5,000)
- Eliminates the 10-year carry-forward for the wage credits
- Limits the franchise tax rate reduction (from 8.25% to 6%) to no more than five years
- Caps the total amount of credit a QHTC may receive to \$250,000 a year