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December 4, 2013

BY HAND

The Honorable Anthony A. Williams, Chairman
D.C. Tax Revision Commission
1101 Fourth Street, SW, Suite W770
Washington, DC 20024

Re: Virginia Bar Reciprocity Changes Could Negatively Impact District Commercial Property

Dear Mayor Williams:

We respectfully submit this letter to bring to the attention of the D.C. Tax Revision Commission (Commission) a recent change in the rules related to the admission of attorneys to practice in the Commonwealth of Virginia. We believe this change could have a direct impact on our members. We understand that the Commission has nearly completed its work to recommend amendments to the District's tax code based on a vast array of factors that determine sound tax policy. We wish to bring to your attention an important change in Virginia policy that warrants the Commission's review.

The District of Columbia Building Industry Association (DCBIA) represents nearly 500 organizations and thousands of real estate professionals in the District of Columbia and Metropolitan area. Our membership comprises professionals in all aspects of real estate development. DCBIA members contribute millions of dollars annually to the District's bottom line in the form of public space rental fees, construction permitting fees, real property taxes, deed and transfer taxes and sales tax.

Law firms make up a significant portion of the District's commercial leaseholds and the District is in jeopardy of losing these important tenants. In early November, the Supreme Court of Virginia announced a significant change in its admission policy for lawyers seeking to practice in the Commonwealth. This change could make it easier for law firms to relocate their District offices to nearby Arlington, Alexandria and Fairfax.

Previously, an attorney to be admitted to practice in Virginia by motion without taking the Virginia attorney's examination had to commit to practice

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full-time in Virginia. This restriction often proved to be a hindrance to law firms, often populated with many attorneys not licensed to practice in Virginia, from considering Virginia as the site of their Washington, D.C. area offices. Effective February 1, 2014, that requirement will be dropped. Attorneys, not licensed by Virginia examination, but licensed in one or more other jurisdictions by examination, will now be able to practice in Virginia, without facing suspension for failing to comply with the present full time commitment requirement. While there are other conditions on an attorney being able to become licensed in Virginia without examination, the changes made by the Supreme Court of Virginia to admission to the Virginia bar without examination substantially eliminate many of the hurdles that made it difficult for District based law firms to locate their principal offices in nearby Virginia.

Starting in February, a firm with offices in both Virginia and DC can downsize and allow its attorneys to practice in both jurisdictions, eliminating the need for a significant, if any physical presence in the District. The District's tax policies and competitiveness with Virginia will play a major role in a law firm's decision to renew or reduce commercial office space leases in the District.

DCBIA's members are directly impacted by the Supreme Court's decision and look to the Commission to review and seriously consider this new issue. If the decision could be seen as encouraging District law firms to relocate to the nearby Virginia communities, there would be a direct loss of tax revenue from corporate franchise taxes. Also, we would like to note the significant secondary tax losses from the loss of law firms including: income tax, prepared food sales tax, franchise tax from service providers and parking garage taxes, just to name a few. If the law firms were to relocate, our members will try to innovate to fill the vast commercial space they will vacate, but the District is just bouncing back in commercial occupancy and we are not close to full occupancy.

However, at DCBIA we see a positive side to this new rule. With a competitive tax structure, including the corporate franchise tax, the District has the opportunity to lure law firms away from Virginia and encourage growth within the District. This will only happen where the District's taxes have the same or less impact than Virginia's on a firm's bottom line.

In conclusion, the Virginia Supreme Court's decision needs to be turned into a positive for the District by reducing the business tax burden on law firms with offices in the District to be on par with or less than Virginia's. We appreciate you taking the time to consider our concerns and wish the Commission the best in its final deliberations.

Sincerely yours

District of Columbia Building Industry Association

A handwritten signature in cursive script that reads "Ernest Jarvis".

Ernest D. Jarvis
President