

## **Prominent D.C. nonprofit fights for life after city yanks 50-year tax exemption**

[Michael Neibauer](#), Staff Reporter- *Washington Business Journal*

The Meridian International Center, a prominent D.C.-based nonprofit, was first approved for a property tax exemption in 1962. Then, poof: 50 years later, it was gone.

The Office of Tax and Revenue, having concluded that Meridian's mission does not directly benefit residents of D.C. as the law requires, revoked the tax break as of Oct. 1, 2012, saddling the organization with an estimated \$516,000 annual tax bill for its property at 1630 Crescent Place NW. Meridian's real estate has an assessed value that tops \$35 million.

Meridian responded by taking the District to court. The D.C. Council has responded with legislation to return the exemption in perpetuity. And the Office of the Chief Financial Officer is resolute, arguing that exempting Meridian "could encourage other non-profit organizations to ask for similar exemptions."

The tax office pulled the exemption following a review of Meridian's tax status, spurred by a relatively innocuous development transaction involving several parking spaces on its property. Meridian's Cafritz art gallery, located in the White-Meyer House, retained its tax-free status, but everything else was revoked.

"In general, Meridian's activities primarily focus on international affairs and strengthening international understanding through the exchange of people, ideas and culture between the United States and foreign countries," CFO [Jeffrey DeWitt](#) wrote in a recent memo to the council explaining why tax exempt status is not justified. "Based on a review of Meridian's activities, OTR determined that Meridian did not meet the requirements for exemption as a public charity or school."

In its tax abatement fiscal analysis, the District's CFO estimates the property tax, which Meridian has never had to pay, will amount to roughly 5 percent of its total expenses. The analysis also notes that Meridian has experienced an operating deficit in five of the last six years and the organization will likely have to cut programs or dip into reserves to pay its bill.

It will be a hardship, the CFO concludes, but it is "unlikely to cause Meridian to cease operations."

But Meridian's CEO recently told a council committee the tax bill amounts to a crushing blow. The money D.C. now expects in taxes, said Ambassador [Stuart Holliday](#), is "material to our continued functioning."

"We think the city used that opportunity to take a look as a result of their desire to increase revenue and effectively mounted a campaign to ultimately, after five decades, decide that Meridian is not worthy of continued property tax exemption," Holliday said.

[John Ross](#), senior advisor to the CFO for economic development finance, said the tax office "doesn't go looking for these cases." But case law, D.C. officials say, is on their side.

In 2003, the D.C. Court of Appeals overturned a lower court ruling that exempted the Cato Institute, a local think tank that focuses primarily on the impact of the federal government's policies on the economy, education, and society, from property taxes.

"While this focus tangentially impacts the District, the residents of the District are clearly not principally impacted by Cato's work," the court found. "The simple fact that the activities occur within the District does not mean they have a substantial impact within the District."

But unlike Cato, Holliday said, Meridian is a place — it's not just a building. It works with D.C. school children. It works with the D.C. government on international outreach. Its museum is open to the people. It receives grant money from the city. It was chartered as an educational and cultural institution.

"We just think this has gone a little too far," he said.

The council's finance and revenue committee, chaired by Councilman [Jack Evans](#), D-Ward 2, has not yet scheduled a vote on the Meridian bill. It is costly — the CFO estimates its fiscal impact will top \$26 million over the next 30 years. But Evans, who co-introduced the measure, said he is inclined to move ahead. If the bill passes, Meridian's active court case against the District will be dismissed.

OTR, the councilman said, has undertaken a "systematic effort" to revoke longstanding tax exemptions for nonprofits "if the nonprofits have a national or international component to their work." While the tax office is encouraged to be aggressive in its collection efforts, Evans said, sometimes it's the council's job to rein it in.

"These same nonprofits provide many services to our local community however," Evans said, "and should continue to enjoy the real property tax exemption they have been entitled to for decades."