



Mayor Muriel Bowser

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Office of Tax and Revenue

Cold Emergency -The District's Cold Emergency Plan is currently active.

[Cold Emergency Plan, Which Will Remain Activated Until Tuesday, January 2, Guarantees Shelter Beds for Individuals in Need](#)

Office of Tax and Revenue



Office Hours

Monday to Friday, 8:15 am to 5:30 pm, except District holidays

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[Ask the Chief Financial Officer](#)



Audit Division - Frequently Asked Questions

1. What is the meaning of statutory residency?

Statutory residency is the residency requirement imposed by DC law(s) for tax-filing purpose(s).

Section 47-1801.04(17) of the DC Official Code describes a statutory resident as any individual who maintains a place of abode within the District for an aggregate of 183 days or more during the taxable year, whether or not such individual is domiciled in the District.

An individual is a resident of the District if the individual is domiciled within the District at any time during the taxable year. DC Official Code, 2001 Ed. §47-1801.04(17).

2. Who is required to file?

Please see the provision(s) of § 47-1805.02(1) of the DC Official Code and § 47-1801.04(17).

3. What financial instruments are not taxable for the purpose of filing individual income tax?

Section 47-1803.02(2) of the DC Official Code lists the items that shall be excluded from the computation of District gross income; among which are "... interest and dividend income on obligations or securities of the United States, or its agencies or instrumentalities, to the extent that this income is included in federal gross income." D.C. Official Code, 2001 Ed. § 47-1803.02(2)(A).

Also, for the purpose of filing individual and fiduciary income taxes, municipal bonds interest are not taxable.

Please refer to the above-referenced Code section for a complete listing of all items excluded from gross income.

4. Why was my return adjusted?

The return could be adjusted due to numerous reasons. The Office of Tax and Revenue (OTR) usually sends a notice of adjustment to taxpayers explaining why their return is being adjusted.

5. Why did I receive a tax assessment notice?

The reasons why a particular taxpayer may receive an assessment notice vary, and are usually fact-specific to that taxpayer. You may have received an assessment notice due to an error in the computation of your tax liability to the District, or due to a missing document, under-reporting of income etc. However, prior to receiving an assessment notice, a taxpayer would have received a notice/letter of proposed adjustment from OTR.

6. How do I correctly file a "married filing separately" return with the District after filing a joint federal return?

Usually, a married taxpayer is required to file a joint-return pursuant to the provision(s) of § 47-1805.01(e). However, we recognize that there may be instances where a taxpayer may have to file as "married filing separately".

In such a case, taxpayer may file "married filing separately" if the taxpayer is married or have a registered domestic partner and both spouses/partners had income. Taxpayer should include the spouse's domestic partner's name and social security number in the Personal Information section. Also, each spouse should report only that spouse's income, exemptions, deductions and credits. Each spouse will report one-half of the income from any securities, bank accounts, real estate, etc. that are registered or titled in both names.

A taxpayer must file using this status if –

You and your spouse/registered domestic partner were part-year residents of the District during different periods of 2007.

You were a District resident and your spouse/registered domestic partner was one of the following:

- A member of the armed forces and not considered a District resident;
- A member of the U.S. Congress or an employee on the personal staff of a member of Congress who is considered a resident of the member's state of residency;
- An officer of the U.S. Executive Branch whose primary residence was not in the District, who is appointed by the President, confirmed by the U.S. Senate and serves at the pleasure of the President; or
- A justice of the U.S. Supreme Court whose primary residence was not in the District.

7. How is the 183 days residency rule applied to tax returns?

Every day that a taxpayer is in the District of Columbia and maintains a place of residency for an aggregate of 183 days or more, including days of temporary absence is counted towards the 183 days residency rule. However, if a taxpayer is not domiciled within the District and only lived in the District for less than 183 days during the taxable year, then the taxpayer must indicate on his/her tax return in the "Filing Status" section.

Please see also the provision(s) of § 47-1805.02(1) of the DC Official Code (2001 Ed.).

8. What is the District's capital gains tax rate for individuals?

District individual tax rates are based on the income level of the taxpayer. Moreover, the capital gains tax rates would have been included in the calculation of the Adjusted Gross Income (AGI) on a taxpayer's federal tax return.

9. Where is my tax refund? How can I find out its status?

You may check on the status of your refund by visiting www.taxpayerservicecenter.com, or you may contact the Customer Service Center (CSC) at (202) 727-4829.

10. Do I need to file a District tax return if my office is located in another state?

You will have to file a DC franchise tax return regardless of where your office is located, if your business "... is engaging in or carrying on of any trade, business, profession, vocation or calling, or commercial activity in the District of Columbia, including activities in the District that benefit an affiliated entity of the taxpayer, the performance of the functions of a public office and the leasing of real or personal property in the District of Columbia by any person whether or not the property is leased directly by such person or through an agent, and whether or not such person or agent performs any services in connection with the property; provided, however, that the term 'trade or business' shall not include, for the purposes of this chapter, sales of tangible personal property whereby title to such property passes within or without the District, by a corporation or unincorporated business which does not physically have or maintain an office, warehouse, or other place of business in the District, and which has no officer, agent, or representative having an office or other place of business in the District, during the taxable year. (DC Official Code, 2001 Ed. § 47-1801.04).

11. What are District's income tax rates for senior citizens and are there any income tax deductions and exemptions for senior citizens?

The District's income tax rates for its senior citizens are the same as those for other citizens of the District as enumerated under the provisions of §47-1806.03(7)(A) of the DC Official Code. However, some senior citizens may be entitled to other tax deductions, exemptions, and credits. Senior citizens 65 years or older are allowed additional exemption amount. Please refer to the provisions of § 47-1806.06, etc.

12. Does the District allow credit to a taxpayer for income tax paid to another state?

The District allows credit on income and fiduciary tax returns for taxes paid to other states on incomes taxed by the District. However, the amount of the credit may not be equal to the amount of the tax paid by the taxpayer to the other states. For an explanation of the computation of the credit, see the instructions on Form D-40.

13. Is design work for magazines and mailings done out of District for a District company in which no material comes into the District subject to sales or use tax?

The transaction is not subject to District sales or use tax since the master copy does not come into the District, since both the printing and mailings are not done in the District.

14. How does a taxpayer obtain a copy of his/her tax return?

A taxpayer may obtain a copy of his/her tax return at the Office of Tax and Revenue's (OTR) Customer Service Center (CSC) located at 1101 4th Street, SW, Suite W270, Washington, DC 20024 or contact the CSC by phone at (202) 727-4829 for instructions on how to obtain a copy.

15. Is a foreign corporation taxpayer out of California and which does not conduct business in the District, but is registered and has an agent in the District required to file DC's form D-20 for Corporation Franchise Tax?

No, unless they conduct business within the District of Columbia. Please see the provisions of § 47-1801(04)(6)(A) of the DC Official Code.

16. What are DC's guidelines for determining whether a corporate taxpayer has nexus to the District for the purpose of filing franchise tax?

The District's guidelines are enumerated under the provisions of § 47-1801(04)(6)(A) D.C. Official Code and Public Law 86-272.

17. What form(s) should a partnership, sole-proprietorship and other business taxpayers; other than a corporation file?

They must file Form D-30, (unless they are specifically excluded from filing by the Code) if their gross income is more than \$12,000 from District sources.

18. What forms should I file for a deceased person in the District?

The personal representative of the decedent's estate such as the executor, executrix, administrator, etc. must file an individual income tax return for income received by the decedent from January 1 until the date of death for the taxable year.

Fiduciary returns (Form D-41) must be filed from the date of death to the end of the calendar year; unless an election is made to file until the end of the fiscal year.

Form FR-147 (Statement of Person Claiming Refund Due a Deceased Taxpayer) must also be filed for a claim of any tax refunds due the deceased taxpayer.

19. Where do I find these forms?

These forms can be found online at the [taxpayer service center](#).

20. How do I calculate the estate tax due?

There is an estate tax computation sheet at the rear of the booklet for IRS Form 706 (federal returns) and instructions provided. Please see the form on the District's website.

21. What forms or paperwork do I need to close an estate in the District? Also, what do I need to do in order to get a closing letter from the District?

Please provide a Letter of Administration, copy of the death certificate, and all applicable tax forms due to the District must be filed (forms D-40, D-41 or D-76 and D-76A, if necessary). You must also submit a copy of the federal closing letter. Upon the receipt of all these documents, OTR will issue a District closing letter. Any outstanding tax liabilities have to be satisfied.

22. Do I have to file an estate tax return with the District if most of the decedent's properties are in another state?

If the value of the decedent's estate is greater than \$1 million, then an estate tax return would have to be filed with the District. Please contact other jurisdictions for their filing requirements; however, in most cases, a return of some sort must be filed to close out an estate.

23. Do I have to file a form D-30 for a rental property?

Yes. You must file form D-30 if the gross receipt on the rental property from District sources is greater than \$12,000.

24. Who can file Voluntary Disclosure?

Any taxpayer with an undisclosed tax liability may apply to remedy any tax obligation under voluntary disclosure, except for tax liability under the authority of the Real Property Tax Administration. You must not have been contacted by the District's tax office or any of its agents regarding collection.

25. How many years can I look back?

Generally, OTR will agree to limit the look-back period to the lesser of three years or the date when the taxpayer established nexus with the District of Columbia. In certain circumstances, however, OTR may require a five-year, look-back period.

For sales, withholding, gross receipts tax cases, and any other trust fund, the look-back period imposed will be five years or the date nexus was established with the District of Columbia.

26. Do I have to pay all taxes owed immediately?

Yes. However, there may be instances where OTR may agree to a payment arrangement with the taxpayer, depending on the facts of the specific case.

27. Can nonprofits organizations use Voluntary Disclosure?

For nonprofit organizations that already have their tax-exempt status approved by OTR, voluntary disclosure may be used to cover unreported Unrelated Business Income (UBI) from prior years. The UBI reported to the District of Columbia should be the same as the UBI reported or required to be reported to the US Internal Revenue Service (IRS). Corporations report UBI to the District of Columbia using form D-20; all others use form D-30.

If a nonprofit does not already have their tax-exempt status approved by OTR, they must file form FR-164 (Application for Exemption), and report any prior-year UBI. Nonprofits can also use the voluntary disclosure process to report any prior-year taxes (i.e. franchise, personal property, sales, use, arena, etc.) that should have been paid.

28. Who must file and pay the Ballpark Fee?

Except as provided below, any entity that derived at least \$5 million in annual District gross receipts and who was subject to any of the following at any given point during that entity's most recent calendar or fiscal year ending on or before June 15, must pay the Ballpark Fee:

- DC Corporation Franchise Tax (D-20);
- DC Unincorporated Business Franchise Tax (D-30); or
- The DC Unemployment Compensation Act.
- 29. What are Tax-Exempt Organizations?
- Tax-exempt organizations are entities granted exemption from the DC Franchise Tax pursuant to DC Official Code §47-1802.01, unless they have Unrelated Business Taxable Income (UBTI). A tax-exempt entity with UBTI must pay the Ballpark Fee, if \$5 million or more of its annual DC Gross Receipts are attributable to any UBTI for its most recent calendar or fiscal year.

30. How and when should I file the Ballpark Fee?

All Ballpark Fee returns must be filed electronically through the electronic Taxpayer Service Center (eTSC). If you have not registered for eTSC, call (202) 727-4TAX(4829). The eTSC application for the Ballpark fee will walk you through the calculation. Each person or entity subject to the Ballpark Fee must file and pay on or before June 15 each year.

31. What are my payment options?

All payments must be made electronically. Payment options are ACH debit, ACH credit, e-Check, and credit card.

32. How is my fee calculated?

Please see the instructions on the Form FR-1500.

33. How can an organization be recognized as tax-exempt from the District's franchise tax, sales tax or personal property tax?

The responsibility for establishing tax-exempt status with the District shall rest upon the organization. An organization recognized as tax-exempt by the Internal Revenue Service is not automatically recognized and accorded tax-exempt status under the laws of the District of Columbia. In order to establish a tax-exempt status with the District, an organization shall file a Form FR 164 (Application for Exemption) with the Office of Tax and Revenue, Exempt Organizations, PO Box 556, Washington, D.C. 20044.

34. What type of exempt organizations may qualify for personal property tax exemption?

Semipublic institutions under the provisions of IRC § 501(c) (3) may qualify for personal property tax exemption.

35. What is the effective date of a personal property tax exemption?

The effective date for a personal property tax exemption shall be the July 1st following the date of the initial application request with the District.

36. What type of exempt organizations may qualify for sales tax exemption?

Semipublic institutions may qualify for sales tax exemption provided the organization has a location/office in the District of Columbia. The effective date for a sales tax exemption shall be the date the OTR issues the certificate of exemption.

37. What is a semipublic institution?

Semipublic institution means any corporation, community chest, fund or foundation, organized exclusively for religious, scientific, charitable, or educational purposes, including hospitals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

38. What type of exempt organizations may qualify for franchise tax exemption?

Generally, most organizations recognized as tax exempt by the Internal Revenue Service, except social clubs (IRC § 501(c) (7)).

39. What is the effective date of a franchise/income tax exemption?

The effective date for a franchise/income tax exemption shall be the date that OTR issues a letter of exemption.

40. What returns for tax-exempt organizations are to be filed with the District of Columbia?

If you file a form 990 or form 990-PF with the Internal Revenue Service, you are required to file a copy of the form with the District of Columbia. If you have unrelated business income and are required to file federal form 990-T, you must file Corporation Franchise Tax form D-20 on your unrelated business income. If you are required to file federal form 1120POL, you must file Corporation Franchise Tax Form D-20 on your taxable IRC Section 527 income. If you are subject to the DC personal property tax, you are required to file Personal Property Tax form FP-31.

Mail all exempt organization forms to District of Columbia, OTR, Exempt Organizations, PO Box 556, Washington, DC 20044.

41. Are exempt organizations required to collect the District's sales tax on sales of tangible personal property?

Yes, even though the exempt organization is exempt from DC Sales and Use Tax on purchases of tangible personal property or services used in the promotion of their exempt activities.

42. If a LLC from Maryland or Delaware sells and delivers sod into the District, is it reportable to the District on its income tax return? Or since the entity is an agricultural entity, is it not subject to the reporting requirement or is there a threshold that it must fit under?

Unincorporated businesses are subject to tax for the privilege of carrying on or engaging in any trade or business with the District and of receiving income from sources within the District. Thus, an unincorporated business which has gross income over \$12,000 is required to file a form D-30: Unincorporated Business Franchise Return. Based on the description of the business activity, the nonresident LLC is receiving income from sources within the District and has physical presence in the District (delivery of sod to the District via company truck). Therefore, these activities are not protected by PL 86-272. Thus, the nonresident LLC would be subject to franchise tax in the District.

43. What are the requirements for a company to qualify as a Qualified High Technology Company (QHTC)? What are some of the District's tax credits and benefits available to a QHTC? How does a company obtain the applicable Certificate of Exemption as a QHTC?

Please refer to the District's Publication FR-399.

44. Taxpayer sold a condo located in the District in 2006, he lives in Virginia and the condo was not rented or purchased as an investment – he used it as a "second home." The condo was purchased in 1999. Does he have to report the capital gain on this condo as District income? If so, which return does he use?

Since the owner of the condo is a resident of Virginia and used the property for his personal use; and did not use it as a rental property, the owner would report any gain or loss from the sale of the condo on his Virginia tax return. Federal rules apply to the treatment of gains or losses on the sale of real property.

45. I am a foreigner from another country residing in the District, do I need to file a District return?

If you are required to file federal income tax Return, then, you should file a District return.

46. How can I determine if my parents, children, grandchildren, aunt, uncle, etc. are my dependents?

The District follows federal rules per the Internal Revenue Code (IRC) of 1986.

47. Doesn't the District follow the same tax law(s) as Maryland and Virginia?

The District follows the District of Columbia Official Tax Code. In some instances, the results of the application of the various tax codes are the same.

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