

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF TAX AND REVENUE



FY 2010 Budget Support Emergency Act
Tax Law Changes

The following tax law changes were required by the provisions of the Fiscal Year 2010 Budget Support Emergency Act (Bill #18-409; Act #18-0187), which was signed by the Mayor on August 26, 2009.

Tax Category	Description of Change	Applicability Date
Real Property Tax	Homestead Deduction The homestead deduction shall remain at its current level of \$67,500 until modified by cost of living adjustments beginning October 1, 2012.	10/1/2009
	Owner Occupied Residential Tax Credit A taxable assessment floor will be added to ensure that all properties will be taxed on at least 40 percent of their assessed value.	Tax periods beginning after 9/30/2009
	Shares in Cooperative Housing Units Transferring an economic interest includes transferring shares in a cooperative housing association for purposes of the recordation tax.	8/26/2009
Income Tax	Standard Deduction and Personal Exemption The cost of living increase in the standard deduction and the personal exemption originally planned for January 1, 2009, has been postponed until January 1, 2013. <ul style="list-style-type: none"> • Standard Deduction – For tax year 2009, the standard deduction will remain at \$2,000 for married or registered domestic partners filing separately and \$4,000 for other filing statuses. • Personal Exemption – For tax year 2009, the personal exemption will remain at \$1,675. 	1/1/2009
	Recovery Act Decoupling Individuals will be able to deduct the District of Columbia excise taxes on the purchase of motor vehicles only if they claim	1/1/2009

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Tax Category	Description of Change	Applicability Date
	itemize deductions (not if they take the standard deduction) and if they elect to take the sales tax deduction in lieu of the state and local income tax deduction.	
Franchise Tax	<p>Expenses Paid to Related Parties The current rules relating to the deduction of royalty payments, are repealed and replaced by new rules relating to the deduction of certain interest and intangible expenses, including royalty expenses, paid to related parties either directly or indirectly.</p> <p>The payments are allowed as a deduction if 1) the principal purpose of the payment was not the avoidance of tax; 2) the payments were made at arm's length; and 3) the related party paid income tax equal to or greater than 4.5 percent of the amount of interest or intangible expense in another jurisdiction.</p> <p>Recovery Act Decoupling Gross income for the District of Columbia will include in the year of the discharged debt, the full amount of the discharged debt, regardless of the special treatment at the federal income tax level.</p> <p>Combined Reporting The District of Columbia will implement combined reporting for affiliated corporations taxable in the District.</p>	<p>Tax Years Beginning after 12/31/2008</p> <p>1/1/2009</p> <p>1/1/2011</p>
Sales and Use Tax	<p>Sales Tax Rate Changes The general sales and use tax rate will increase from 5.75 percent to 6 percent.</p> <p>Special rates for sales of liquor (9 percent), food and beverages for immediate consumption (10 percent), parking (12 percent), other tobacco products (12 percent) and transient accommodations (14.5 percent) have NOT changed.</p> <p>Sales Tax Holiday The sales tax holiday in November is repealed.</p> <p>Ballpark and Verizon Center Sales Tax Rates The increase in the base sales tax rate will result in an increase in sales tax for the tangible personal property and services (excluding food and beverages for immediate consumption and parking services) and ticket sales currently being taxed at 10 percent. They will be increased to 10.25 percent.</p>	<p>10/1/2009</p> <p>8/26/2009</p> <p>10/1/2009</p>
Excise Tax	<p>Tobacco Products</p> <ul style="list-style-type: none"> • Cigarette tax will increase by \$.025 per cigarette which raises the tax per pack of 20 cigarettes to \$2.50. <p style="text-align: center;">-continued-</p>	10/1/2009

Tax Category	Description of Change	Applicability Date
	<ul style="list-style-type: none"> • Little cigars will be taxed \$.125 per little cigar. • Moist snuff will be taxed at \$.30 per ounce. <p>Motor Fuel The motor fuel taxes will increase from \$.20 to \$.235 per gallon.</p>	10/1/2009
General Applicability	<p>Tax Amnesty Authority is provided for a tax amnesty, from collection fees, fines and civil and criminal penalties for failure to file or pay a tax due, for taxpayers who voluntarily file overdue returns or reports or make overdue tax payments of certain taxes. <i>Real property taxes and ballpark fees are not included in this amnesty.</i></p> <p>Electronic Payment Mandates Non-individual taxpayers are now required to pay electronically if payment is equal to or greater than \$10,000.</p>	8/26/2009 8/26/2009