

Small Retailer Property Tax Relief Credit (FAQs)

1. What is the Small Retailer Property Tax Relief Credit?

The Small Retailer Property Tax Relief Credit (SR Credit) is a refundable franchise tax credit that was enacted in the [Fiscal Year 2019 Budget Support Act, effective October 30, 2018 \(D.C. Law 22-0168\)](#) and is codified in D.C. Official Code §§ 47-1807.14 and 47-1808.14. The SR Credit is available to qualified businesses based on either the amount of real property taxes or a percentage of rent paid on a qualified retail location. The amount of the SR Credit is the lesser of \$5,000 or (a) the real property taxes paid by the qualified business or (b) 10% of the rent or paid by the qualified business.

2. What businesses are qualified to receive the SR Credit?

A qualified business can either be a corporation or an unincorporated business. The **federal** gross receipts of the qualified business cannot exceed \$2.5 million per year. The qualified business must be engaged in making sales at retail, must have a sales tax account with the Office of Tax and Revenue (OTR) and must file District sales tax returns reflecting its retail sales. The qualified business also must be current on all District tax filings and payments for all tax types.

3. What does it mean for my business to be “engaged in the business of making sales at retail”?

Your business is engaged in the business of making sales at retail if your sales are “retail sales” as defined under D.C. Official Code § 47-2001(n1). Those sales include, but are not limited to, sales or charges for following:

- All tangible personal property.
- Food, drink and alcoholic beverages.
- [Digital goods](#).
- Hotel room or any other transient lodgings or accommodations.

- Admission to public events (except live performances of ballet, dance, or choral performances, concerts (instrumental and vocal), plays (with and without music), operas and readings and exhibitions of paintings, sculpture, photography, graphic and craft arts).
- Parking and motor vehicle storage services.
- Real property maintenance services.
- Landscaping services.
- Health club services.
- Tanning studio services.
- Data processing and information services.
- Newspapers or publications.
- Job seeking services.
- Armored car, private investigation and security services.
- Bottled water delivery services.
- The storage of household goods.
- Carpet and upholstery cleaning services.
- Car washing services.
- Bowling alley or billiard parlor services.

4. What types of business are *not* eligible to claim the SR Credit?

Business that are not engaged in making sales at retail are not eligible to claim the SR Credit. Examples of businesses that are not engaged in making sales at retail are medical offices, law firms, accounting firms, insurance agents, tax preparation, engineering firms, architects, tattoo parlors, dry cleaners, consultants and other service providers.

5. The gross receipts of my business are not subject to District sales tax. Can my business claim the SR Credit?

No. In order to qualify for the SR Credit, your business must be engaged in the business of making sales at retail and file District sales tax returns.

6. What is a qualified retail location?

A qualified retail location can either be a building or part of building in the District of Columbia that is either leased or owned by the business. The qualified retail location must be classified as Class 2 Property and must have obtained a Certificate of Occupancy for commercial use and must be the primary place of the retail business of the qualified business. If the qualified retail location is rented by the qualified business, it also must be where the qualified business is engaged in selling tangible personal property or a service subject to District sales and use tax.

7. Does my business have to apply for the SR Credit with OTR or another District agency?

No. Your business may claim the SR Credit by completing the Small Retailer Property Tax Relief Credit (Schedule SR) and filing with either your Corporation Business Franchise Tax Return (D-20) or Unincorporated Business Franchise Tax Return (D-30). (Your business, however, must register with OTR for a sales tax account if it does not already have one.)

8. How can my business register for a sales tax account with OTR?

To register for a sales tax account, visit MyTax.DC.gov. If you have any questions regarding how to register, please contact OTR's e-Service's Unit Monday through Friday from 8:15 a.m. to 5:30 p.m. by utilizing the secured web message feature available once logged in to MyTax.DC.gov. You may also call (202) 759-1946 or send an email to e-services.otr@dc.gov.

9. When can my business claim the SR Credit?

Businesses that are eligible for the SR Credit can claim it on either their Corporation Business Franchise Tax Return (D-20) or Unincorporated Business Franchise Tax Return (D-30) beginning for tax year 2018.

10. I am the sole proprietor of a retail business with less than \$12,000 in District gross sales. Can I claim the SR Credit on my District individual tax return (Form D-40)?

No. In order to claim the SR Credit, your business must file an Unincorporated Business Franchise Tax Return (D-30).

11. How is the SR Credit calculated?

If your business **owns** its retail location, the amount of the SR Credit will be the lesser of \$5,000 or the Class 2 real property taxes paid by your business for the retail location. If your business **leases** its retail location, the amount of the SR Credit will be the lesser of \$5,000 or 10% of the rent paid by your business for the retail location.

12. My business pays possessory interest tax for my retail location. Can I include the amount of that possessory interest tax in calculating the SR Credit?

No. Possessory interest tax is a separate tax imposed pursuant to D.C. Code § 47-1005.01 on certain individuals and businesses that lease or otherwise use real property that is immune from real property taxation by the District.

13. My business operated at a loss and had no District taxable income. Can my business still claim the SR Credit?

Yes. To the extent the amount of the SR Credit exceeds your business's franchise tax liability for that tax year, including the minimum tax due under § 47-1807.02(b), the credit will be refunded to your business less the amount of any tax, including minimum tax, due. For example, if your business is entitled to an SR credit in the amount of \$5,000 and your business's minimum franchise tax liability is \$250 for that tax year, your business will receive a refund of \$4,750.

14. My business operates in Maryland, Virginia and the District of Columbia and its total federal gross receipts is \$3 million per year. The gross receipts generated from my business in the District are \$500,000. Can my business claim the SR Credit for its primary retail location in the District?

No. Your business is not eligible to receive the SR Credit if its total federal gross receipts are more than \$2.5 million per year.

15. How do I determine what the federal gross receipts are for my business?

Your business's federal gross receipts for purposes of the SR Credit are the amount that your business reported on Line 1 of its U.S. Corporation Income Tax Return (Form 1120), Line 1 of its U.S. Return of Partnership Income (Form 1165), or Line 1 of its Schedule C, U.S. Individual Income Tax Return (Form 1040).

16. I am a street vendor in the District and conduct my retail business in the District solely from a food truck. Can I claim the SR Credit?

No. In order to claim the SR Credit, your business must either own or lease a building or part of a building that is classified, in whole or in part, as Class 2 Property as defined in D.C. Code § 47-813 and have obtained a Certificate of Occupancy for commercial use.

17. Can I claim taxes that I pay on a residential property that I rent on Airbnb or other similar company?

No. You may only claim the SR Credit for a building or part of a building that is classified, in whole or in part, as Class 2 Property as defined in D.C. Code § 47-813 and have obtained a certificate of occupancy for commercial use.

18. How can I determine if my business's retail location is classified as Class 2 Property?

You may search the assessment database maintained by OTR at https://www.taxpayerservicecenter.com/RP_Search.jsp?search_type=Assessment or call the Customer Service Center at (202) 727-4TAX (727-4829) Monday through Friday from 8:15 a.m. to 5:30 p.m..

19. How can I obtain a Certificate of Occupancy for my business' retail location?

You may call the Department of Consumer and Regulatory Affairs (DCRA) at (202) 442-4400 or visit <https://dcra.dc.gov/service/get-certificate-occupancy>

20. How can I determine if the retail location that my business leases or owns is exempt from property tax or received property tax credits?

You may call the Customer Service Center at (202) 727- 4TAX (727-4829) Monday through Friday from 8:15 a.m. to 5:30 p.m. or search the assessment database maintained by OTR. https://www.taxpayerservicecenter.com/RP_Search.jsp?search_type=Assessment

21. My business has two retail locations in the District. Can it claim an SR Credit for both locations?

No. You may only claim the SR Credit for a building, or part of a building, that is the **primary** place of your retail business.

22. The retail location that my business leases is exempt from District real property tax or received real property tax credits. Can my business claim the SR Credit?

No. Since the intent of the SR Credit is to provide real property tax relief, your business is not eligible to claim the SR Credit for taxes or rent paid for a retail location that is already receiving real property tax relief.

23. Can my business claim taxes or rent that I pay on my home office?

No. You may only claim the SR Credit for a building or part of a building that is classified, in whole or in part, as Class 2 Property as defined in D.C. Code § 47-813 and have obtained a certificate of occupancy for commercial use.

24. My business went out of business and closed its sales tax account with OTR on July 1. Is my business eligible to claim the SR Credit based on the rent (or real property taxes) my business paid before it went out of business?

Yes. If your business was otherwise qualified to receive the SR Credit and paid taxes or rent on the retail location before July 1, your business can claim the SR Credit based on the amount of taxes or rent paid from January 1 through June 30. In this instance, your business cannot claim the SR Credit based on the amount of taxes or rent you paid after your business went out of business and closed its sales tax account.

25. My business is delinquent in filing returns with OTR for franchise tax, sales tax, personal property tax and employee withholding. Can my business claim the SR Credit?

No. Your business must be current on **all** required District tax filing and payments to be eligible for the SR Credit.

26. I still have questions about the SR Credit. How can I get more information?

You may contact OTR 's Customer Service Center by calling (202) 727- 4TAX (727-4829) or by visiting the Walk-In Center at 1101 4th Street, SW, Suite W270, Washington, DC 20024 between the hours of 8:15 a.m. and 5:30 p.m.