TO: DC Tax Software Developers
DATE: April 13, 2016
RE: Application of Personal Exemption Phase-Out Provision, Version 2

ISSUE
The DC Office of Tax and Revenue has identified an error with regard to the application of the Personal Exemption Phase-out Provision for certain taxpayers filing a 2015 DC Form D-40 Individual Income Tax Return.

ACTION
The Office of Tax and Revenue can automatically identify the affected taxpayers and will generate refunds or credits to these taxpayers. The following correction has been put in place and will be visible in our 2015 D-40 Individual Income Tax Book (Web version only)
- Form Schedule S, Calculation J, Line g has been changed to read:
*If AGI from either column exceeds $150,000, see instructions, page 27.

Please adjust your programs accordingly. We will continue to accept returns filed for the April 18th, 2016 due date without the correction. However all extension of time to file returns which are due by October 18, 2016 must be corrected. Non corrected returns will suspend and cause delayed refunds.

BACKGROUND
For tax years beginning after December 31, 2014, D.C. Code Ann. § 47-1806.02(h-1) provides for a phase-out of the allowed personal exemption. Under this provision, the amount of an individual's personal exemption is reduced by 2% for every $2,500 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $150,000. The personal exemption is entirely phased out for individuals with an adjusted gross income in excess of $275,000. If taxpayers choose to file as married filing separately on the same return or as registered domestic partners filing separately on the same return, the phase-out of the personal exemption will apply separately to each individual person.

FUTURE DIRECTION
The Office of Tax and Revenue **has made** necessary adjustments to the instructions for the 2015 D-40, Individual Income Tax Book (Web version only)

A copy of OTR NOTICE 2016-02 is available on http://otr.cfo.dc.gov/node/400702