



## GENERAL INFORMATION FOR BUSINESSES – Sales and Use Taxes

### Part I – Sales Tax

**A. Registration:** Before making taxable sales in the District of Columbia (the “District”) you must file a Combined Business Tax Registration Application (Form FR-500) with the Office of Tax and Revenue (OTR). There is no charge for registering. (See item I. for information on sales by street vendors.) You may obtain the FR-500 from our website: [www.taxpayerservicecenter.com](http://www.taxpayerservicecenter.com) or you may call 202-442-6546. The form is also available at the OTR Customer Service Center, 1101 4th Street, SW, 2nd floor.

Mail, fax or file on-line the completed Form FR-500 to the Office of Tax and Revenue, Customer Service Administration, PO Box 470, Washington, DC 20044-0470 or deliver it to the Customer Service Center, 1101 4th Street, SW, 2nd floor, Open Monday – Friday from 8:15 A.M. to 4:30 P.M.

**NOTE:** Special Event promoters must file Form FR-500B, Special Event Registration Application, with the OTR.

**B. Certificate of Registration:** List on the FR-500 all locations in the District from which you will be making taxable sales. The OTR will issue a Certificate of Registration for each location listed. Each location must display its own Certificate of Registration.

If you make taxable sales without a Certificate of Registration you may be fined up to \$50 for each day you do business in the District without a certificate.

**C. Forms:** The OTR will mail Sales and Use Tax Return Forms (FR-800 series) to each taxpayer who files a Form FR-500.

**D. Returns and Payments:** If your sales and use tax liability is less than or equal to \$200 per period, you must file an annual return, FR-800A. The annual sales and use tax return (FR-800A) is due by January 20th of the subsequent year. If your sales and use tax liability is greater than or equal to \$201 but less than or equal to \$1200 per period, you must file a quarterly return, FR-800Q. The quarterly sales and use tax return (FR-800Q) is due by the 20th of the month after the quarter being reported. If your sales and use tax liability is greater than or equal to \$1201 per period, you must file a monthly return FR-800M. The

monthly sales and use tax return (FR-800M) is due by the 20th day of each calendar month.

If you do not expect to incur a sales tax liability as defined above, contact Customer Service Center at (202) 727-4829 (4TAX), and request a change in filing frequency. If your tax liability is \$10,000 per period, you may file electronically. Visit [www.taxpayerservicecenter.com](http://www.taxpayerservicecenter.com) for additional details.

**E. Imposition of Sales Tax:** A person doing business in the District must collect District sales tax from the purchaser on:

1. Sales of tangible personal property delivered to a customer in the District;
2. Certain services;
3. Renting or leasing tangible personal property used in the District;
4. Charges for rooms, lodging or accommodations located in the District that are furnished to transients;
5. Admissions to certain public events in the District;
6. Charges for parking, storing or keeping motor vehicles or trailers in the District; and
7. Sales of certain tobacco products.

**F. Calculation of Sales Tax:** Sales tax is calculated by multiplying the sales price of a taxable item by the applicable tax rate and rounding off to the nearest cent.

You can obtain tax tables of the different District sales tax rates from the OTR Customer Service Center, 2nd floor, 1101 4th Street, SW, Washington, DC 20024 or by calling 202-442-6546.

The tax is based on the sales price. Sales price is the total amount paid by a purchaser to a vendor for a taxable item without deducting the cost of the item sold. Sales price does not include: (1) cash discounts allowed and taken on sales; (2) separately stated installation charges; and (3) sales tax collected by the vendor from the purchaser.

**G. Sales Tax Rates Applicable to Taxable Sales:**

- A **2% rate** applies to sales of prepaid wireless communication services.

- Recent enacted legislation authorizes sellers to collect from consumers a charge of 2% of the sales price of prepaid wireless telecommunication services. This charge will be in addition to the 10% sales tax already being charged on telecommunication retail transactions and must be separately stated on the invoice, receipt or other similar document given to the consumer.

The additional 2% charge will apply as of October 1, 2010. Under the new law, the 2% charge will be for prepaid wireless services that allow a caller to dial 911. This is the equivalent of the 911 fee charged to non prepaid cell phone users by the wireless service providers. The charge will apply to wireless telecommunication services whether they are provided on a card, via remote sales such as internet or telephone purchases, or by other means, such as an authorization code on a receipt.

### ***Exemptions***

The charge will not apply to:

- The purchase of wireless telecommunication services which are made for purposes of being resold; and
- An amount of service of 10 minutes or less, or valued at \$5 or less when the service is sold with a prepaid wireless device for a single, non-itemized price.

### ***Procedures for Remitting Collected Funds***

The prepaid wireless 911 charge is the liability of the consumer but the seller is liable for remitting the prepaid wireless 911 charges collected to the OTR. The seller is entitled to retain 3% of the total prepaid wireless 911 charges collected. The Form 800 series, sales tax return, is the vehicle for submitting the collected fees.

While the additional 2% charge will apply as of October 1, 2010, sales tax returns are not being modified to accommodate the 911 charge until returns due on or after January 20, 2011. The first due date for submitting the collected fees will be:

- For annual filers, January 20, 2011 – This will include the sales tax collected for the year and the 911 charges collected between October 1, 2010 and December 31, 2010;
- For quarterly filers, April 20, 2011 – This will include the sales tax collected for the quarter ending March 31, 2011 and the 911 charges collected between October 1, 2010 and March 31, 2011.
- For monthly filers, February 20, 2011 – This will include the sales tax collected for the month ending January 31, 2011 and the 911 charges collected between October 1, 2010 and January 31, 2011.

Subsequent sales tax returns will include the fees collected for the specific return period – month, quarter or year.

- A **6% rate** applies to sales of certain tangible per-

sonal property and selected services delivered in DC such as:

- Rentals or leases of tangible personal property, except rentals of textiles to residential users;
- Sales of non-alcoholic soft drinks; “Soft drink” means a non-alcoholic beverage with natural or artificial sweeteners. The term “soft drink” shall not include a beverage that:
  - (1) Contains:
    - (a) milk or milk products
    - (b) soy, rice, or similar milk substitutes
    - (c) fruit or vegetable juice, unless the beverage is carbonated; or
  - (2) is prepared for immediate consumption, as defined in subsection (g-1) of Section 47-2001;
- Sales of newspapers and publications;
- Sales of food or drinks sold through vending machines;
- Sales of certain services: real property maintenance, landscaping, employment, personnel placement, data processing, information, production, fabrication or printing, repairs or alterations of tangible personal property, copying, photocopying, duplicating, or mailing, delivery and laundering, dry cleaning, or pressing, unless the service is performed by coin-operated equipment;
- Sales of stationary two-way radio services, telegraph services, teletypewriter services, teleconferencing services, “900,” “976,” “915,” and other “900” type telecommunication services, telephone answering services, and coin-operated telephone services. These services are exempt from sales tax if charges to the end-user are subject to the DC gross receipts tax or the toll telecommunication tax;
- Admissions to certain public events;
- Sales of local telephone service, gas, oil and electricity for commercial use; and
- Sales of solid fuel or steam.
- Gross receipts from sales contracts on the date the sale is made, regardless of the time of payment or delivery. If the sale is made on or after October 1, 2009, it is taxed at 6%. If the sale is made by a vendor located outside DC, the tax on the purchase – the use tax – whether collected by the vendor or remitted by the purchaser is due at the 6% rate if possession is taken in the District on or after October 1, 2009.
- If tax due on rental or lease payments for rentals or leases of tangible personal property applies to each rental or lease period, regardless of the length of the lease or the date the lease agreement was signed. Payments for lease periods beginning on or after October 1, 2009, for leases of other than motor vehicles, are subject to the 6% rate.

- A **9% rate** applies to sales of alcoholic beverages sold for consumption off the premises.
- A **10% rate** applies to:
  - All sales of food and drink served or prepared for immediate consumption or sold in or by restaurants, lunch counters, cafeterias, hotels, caterers, boarding houses, carry-out shops and similar places of business. This includes food or drink in a heated state, cold drinks dispensed on a self-service basis into a container; and frozen yogurt, ice cream, ice milk or sherbet sold in quantities of less than one pint;
  - Rentals of motor vehicles and utility trailers, except those registered for commercial purposes;
  - Sales of alcoholic beverages sold for consumption on the premises; and
  - Sales of prepaid telephone calling cards.
- A **12% rate** applies to:
  - Parking, storing or keeping motor vehicles or trailers;
  - Tobacco products, other than cigarettes or premium cigars or pipe tobacco. This includes any product made primarily from tobacco that is intended for consumption by smoking, by chewing or as snuff. **NOTE:** A premium cigar means an individual cigar with a retail cost of \$2 or more or a packaged unit of cigars with an average cost of \$2 or more per cigar.
- A **14.5% rate** applies to charges for rooms, lodgings, or accommodations furnished to transients.

**H. Exempt and Nontaxable Sales include the following:**

1. Sales to the United States, the District, or any instrumentality thereof, except sales to national banks and Federal savings and loan associations.
2. Sales to a state, territory or possession of the United States or their political subdivisions, if they grant a similar exemption to the District.
3. Sales to foreign embassies and diplomats, provided the purchaser presents the seller with an exemption card issued by the U.S. State Department.
4. Sales to organizations exempted from the payment of sales tax by federal statute or treaty.
5. Sales of natural or artificial gas, oil, electricity, solid fuel or steam, used directly in processing or refining, manufacturing or assembling, if the purchaser presents the seller with a specific exemption certificate.
6. Sales of property which the purchaser acquires for resale in the same form as when acquired, or to be incorporated as a material part of a product to be produced by processing or refining, manufacturing or assembling, if the purchaser presents the seller with a District of Columbia Certificate of Resale.
7. Certain sales to a public utility or telecommunications company.

8. Sales of insurance, professional or personal service transactions which involve sales of tangible personal property as inconsequential elements for which no separate charges are made.
9. Sales of transportation and communication services other than data processing services, information services, commercial local telephone services and selected telecommunication services.
10. Sales of motor vehicles and trailers subject to the District's Motor Vehicle Excise Tax.
11. Sales of motor vehicle fuels subject to the District's Motor Vehicle Fuel Tax.
12. Sales of medicines, drugs and pharmaceuticals.
13. Sales of food or beverages on a train, airline or other form of transportation operating in interstate commerce.
14. Casual and isolated sales, except that sales by churches, religious, scientific, educational, social, fraternal, benevolent and other organizations and institutions of the same nature are not considered to be casual and isolated sales.
15. Sales to a semipublic institution, if the semipublic institution presents the seller with a District of Columbia Certificate of Exemption (Form FR-551).
16. Charges for printing a newspaper that is distributed free of charge in the District, if the purchaser presents the seller with a District of Columbia Free Newspaper Certificate of Exemption (Form FR-554).
17. Sales of food or drink, (including snack food) but not including food or drink prepared for immediate consumption, or food or drink sold through vending machines.
18. Charges for postage, provided the charges are stated separately.
19. Sales which, under the U.S. Constitution, may not be taxed by a State.
20. Sales of residential public utility services and commodities by a gas, electric, or telephone company and sales of residential heating oil by any person.
21. Sales of residential cable television services and commodities by a cable television company.
22. Access to the Internet.

**I. Payment in Lieu of Sales Tax by Street Vendors.**

Every street vendor must make payments in lieu of collecting and remitting sales tax. Street vendors must file a vendor payment coupon with the District. They should not file a sales and use tax return for their sales; however, they should file the FR-800Q to remit the Disposable Bag Fee. Payment coupons are made available to street vendors after they file Form FR-500.

## PART II – Use Tax

**A. Imposition of the Tax:** A use tax is imposed on the use, storage, or consumption of taxable tangible personal property and services in the District, unless the purchaser has paid a sales tax on the purchase of the taxable tangible personal property or service to the District, or another tax jurisdiction in the U.S. or to a U.S. territory.

**B. Calculation of the Tax:** Multiply the purchase price of the taxable tangible personal property or taxable service by the applicable use tax rate and round off to the nearest cent.

**C. Purchases Subject to Use Tax:** For purchases subject to sales tax on which a sales tax has not been paid to the District or another tax jurisdiction in the U.S. or to a U.S. territory – see the rates in Part I, Section G on page one.

**D. Use Tax Rates:** The use tax rates are the same as the sales tax rates – see Part I, Section G on page one.

**E. Exemptions:** The use tax exemptions are the same as the sales tax exemptions – see Part I, Section H on page three. Also exempt are purchases on which a sales tax has been paid to the District, or another tax jurisdiction in the U.S. or to a U.S. territory.

**F. Returns and Payments:** Businesses should file a Form FR-800A (annual return), Form FR-800Q (quarterly) or FR-800M (monthly return) to report and pay sales and use tax on purchases and rentals.

Send all Use tax payments to the Office of Tax and

Revenue, Sales and Use Tax, PO Box 96384, Washington, DC, 20090-6384.

**Doing business in the District** includes the selling, delivering or furnishing in the District, or any activity performed in the District in connection with the selling, delivering or furnishing of tangible personal property or services sold at retail. This term includes but is not limited to the following acts or methods of transacting business.

- (1) Maintaining, occupying or using, permanently or temporarily, directly or indirectly, or through a subsidiary or agent, by whatever name called, of any office, place of distribution, sales or sample room or place, warehouse or storage place, or other place of business; and
- (2) Having any representative, agent, salesman, canvasser, or solicitor operating in the District for the purpose of making sales at retail or the taking of orders for such sales

**The information furnished in this pamphlet is not all-encompassing. For specific information regarding District sales and use taxes, please refer to sections 47-2001 et seq. and 47-2201 et seq. of the District of Columbia Code and to Chapter 4 of Title 9 of the District of Columbia Municipal Regulations. You may also contact the Office of Tax and Revenue’s Review & Conference Section by mail at: Office of Tax and Revenue, PO Box 556, Washington, DC 20044-0556, or by calling (202) 727-4829.**

## PART III – Sales and Use Tax Rate Tables

Tax tables for the various sales and use tax rates may be obtained from the Office of Tax and Revenue, Customer Service Center, 1101 4th Street, SW, 2nd floor, Washington, DC 20024 or by calling 202-442-6546.