

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



**FY 2010 Budget Support Congressional Review Emergency Act of 2009**  
*Tax Law Changes*

The following tax law changes were required by the provisions of the Fiscal Year 2010 Budget Support Congressional Review Emergency Act (Bill #18-583; Act #18-260 which was signed by the Mayor on January 4, 2010.

Tax Category	Description of Change	Applicability Date
<b>Real Property Tax</b>	<p><b>Homestead Deduction</b> The homestead deduction remains at its current level of \$67,500 until modified by cost of living adjustments beginning October 1, 2012.</p> <p><b>Owner Occupied Residential Tax Credit</b> A taxable assessment floor has been added to ensure that all properties will be taxed on at least 40 percent of their assessed value.</p> <p><b>Shares in Cooperative Housing Units</b> Transferring an economic interest includes transferring shares in a cooperative housing association for purposes of the recordation tax.</p>	<p>10/1/2009</p> <p>Tax periods beginning after 9/30/2009</p> <p>8/26/2009</p>
<b>Income Tax</b>	<p><b>Standard Deduction and Personal Exemption</b> 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.</p> <ul style="list-style-type: none"> <li>• <b>Standard Deduction</b> – 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.</li> <li>• <b>Personal Exemption</b> – For tax year 2009, the personal exemption will remain at \$1,675.</li> </ul> <p><b>Recovery Act Decoupling</b> Individuals will not be able to deduct the District of Columbia excise taxes on the purchase of motor vehicles whether they itemize or take the standard deduction.</p> <p style="text-align: center;"><i>-continued-</i></p>	<p>1/1/2009</p> <p>1/1/2009</p>

Tax Category	Description of Change	Applicability Date
Franchise Tax	<p><b>Expenses Paid to Related Parties</b> The current rules relating to the deduction of royalty payments, are repealed and replaced by new rules relating to the deduction of certain interest and intangible expenses, including royalty expenses, paid to related parties either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><b>Recovery Act Decoupling</b> 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><b>Combined Reporting</b> The Act provides that the Council of the District of Columbia will enact legislation to 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><b>Sales Tax Rate Changes</b> The general sales and use tax rate increased 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><b>Ballpark Sales Tax Rates</b> 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><b>Entertainment Venues and Legitimate Theater Sales Tax Rates</b> While the basic sales tax rate was raised as of October 1, 2009 to 6%, the base rate for entertainment venues with over 10,000 seats and legitimate theaters that are not funded by tax exempt bonds remains at 5.75%. This results in the Verizon Center sales tax rates remaining at 10%, the base rate plus the 4.25% Verizon Center sales tax. The sales tax rates for merchandise taxed at the base sales tax rates at other entertainment venues with over 10,000 seats and legitimate theaters remains at 5.75%.</p> <p style="text-align: center;"><i>-continued-</i></p>	<p>10/1/2009</p> <p>10/1/2009</p> <p>10/1/2009</p>

Tax Category	Description of Change	Applicability Date
Excise Tax	<b>Tobacco Products</b> <ul style="list-style-type: none"> <li>• <b>Cigarette tax</b> will increase by \$.025 per cigarette which raises the tax per pack of 20 cigarettes to \$2.50.</li> <li>• <b>Little cigars</b> will be taxed \$.125 per little cigar.</li> <li>• <b>Moist snuff</b> will be taxed at \$.30 per ounce.</li> </ul>	10/1/2009
	<b>Other Tobacco</b> <ul style="list-style-type: none"> <li>• “Little cigars” are now defined as cigarettes and taxed accordingly.</li> <li>• Other tobacco products are defined as any tobacco products other than cigarettes, cigars, premium cigars or pipe tobacco and an excise tax of 75¢ per ounce is imposed on them as of January 1, 2010.</li> </ul>	1/1/2010
	<b>Motor Fuel</b> The motor fuel taxes will increase from \$.20 to \$.235 per gallon.	10/1/2009
General Applicability	<b>Tax Amnesty</b> 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>	8/26/2009
	<b>Electronic Payment Mandates</b> Non-individual taxpayers are now required to pay electronically if payment is equal to or greater than \$10,000.	8/26/2009