

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Chief Financial Officer  
Office of Tax and Revenue



NOTICE  
July 2002

**FILING REQUIREMENTS**  
**DISTRICT TAXPAYERS OWNING RESIDENTIAL RENTAL UNITS**

The District Tax Laws classify the activity of renting a dwelling unit by an individual taxpayer or partnership or some other unincorporated entity as an “unincorporated business” for District tax purposes. A dwelling unit includes but is not limited to an apartment house, hotel, dwelling, boarding house or other building or part of a building, including a part of the taxpayer’s residence. All unincorporated businesses are required to file an annual Form D-30, Unincorporated Business Franchise Tax Return, by the 15<sup>th</sup> day of the fourth month after the close of the business’ tax year (April 15) and pay the tax due. This includes those businesses with residential rental units in the District with a gross income for the tax year in excess of \$12,000.



## **INSTRUCTIONS FOR INDIVIDUAL TAXPAYERS WITH RESIDENTIAL RENTAL INCOME**

The starting point in preparing the District Individual Tax Return, *D-40*, is Federal Adjusted Gross Income. Federal Adjusted Gross Income includes the income and loss from residential rental that is carried over from page 1 of the IRS Schedule E to line 17 of the IRS Form 1040. To arrive at District Adjusted Gross Income for the purposes of the *D-40*, the IRS Schedule E income that is taxed on the District Unincorporated Franchise Tax Return must be eliminated from Federal Adjusted Gross. Losses are ignored.

**FOR DISTRICT TAXPAYERS WITH RESIDENTIAL RENTALS LOCATED SOLELY IN THE DISTRICT, THE FOLLOWING INSTRUCTIONS ARE BASED ON THE DISTRICT TAX FORMS FOR TAX YEAR 2001.**

### **STEP 1: Prepare District Unincorporated Business Franchise Tax Return, Form *D-30*:**

1. Prepare the *D-30* by carrying over the total income and expenses reported on the IRS Schedule E of Federal Individual Income Tax return, Form 1040 to page 1 of the *D-30*.
2. Deduct line 22, total deductions, from line 10, total gross income, to arrive net income. Record this amount on Line 23 and Line 31.
3. 30% of Line 31 is allowed for a salary allowance of the owners or members of the rental activity business. Multiply Line 31 by 30% and record the amount on Line 32.
4. Record \$5,000.00 on Line 33 for an exemption allowance if the rental activity was operated a full twelve months. If rental activity was not operated for a full year, the exemption must be prorated on a daily basis.
5. Subtract Lines 32 and 33 from Line 31 to arrive at Total Taxable Income and record this amount on Lines 34 and 36.
6. Complete the Form *D-30*.

### **STEP 2: Prepare District Individual Income Tax Return, Form *D-40*:**

1. On Line 12 of Page 1 of the *D-40*, record Federal Adjusted Gross Income.
2. Go to Calculation A on page 9 of the instructions for the *D-40*. On Line "f" record the Total Taxable Income from Line 36 of the *D-30*.
3. Total the Calculation A Subtractions and record this amount on Line 13 of Page 1 of the *D-40*.
4. Complete the *D-40*.

If you have any questions regarding this matter, please contact Ed Blick at (202) 442-6509 or via email at [Edward.Blick@dc.gov](mailto:Edward.Blick@dc.gov).