

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



**2011 Sales Tax Law Change
OTR TAX NOTICE 2011-03**

September 1, 2011

Effective October 1, 2011, the DC Sales and Use Tax Applies to the Sale of, or Charges for, Armored Car, Private Investigation and Security Services

The District of Columbia sales and use tax has been made applicable to sales of armored car, private investigation and security services at the general rate of 6 percent, effective October 1, 2011. The DC tax is patterned after the sales and use tax imposed on these services in the State of Maryland since 1992. Affected DC providers of these services who have been collecting the Maryland tax can apply Maryland's existing rules and guidance to determine transactions taxable in the District on and after October 1, 2011.

Definitions of Services Subject to Tax

Armored car service means picking up and delivering money, receipts, or other valuable items with personnel and equipment to protect the properties while in transit. The term "armored car service" shall not include separately-stated charges for coin rolling or change room services.

Private investigation service means an investigation being conducted for purposes of providing information related to (A) a crime or wrong committed, assumed to have been committed, or threatened to be committed; (B) the identity, habits, conduct, movement, location, affiliations, associations, transactions, reputation, or character of any person; (C) the credibility of a witness or of any other individual; (D) the location of a missing individual; (E) the location or recovery of lost or stolen property; (F) the origin, cause of, or responsibility for a fire, accident, damage to or loss of property, or injury to an individual, regardless of who conducts the investigation; (G) the affiliation, connection, or relation of any person with an organization or other person; (H) the activities, conduct, efficiency, loyalty, or honesty of any employee, agent, contractor, or subcontractor; (I) the financial standing, creditworthiness, or financial responsibility of any person; (J) securing evidence for use before any investigating committee, board of award, or board of arbitration, or for use in a trial of any civil or criminal cause; (K) providing uniformed or non-uniformed personal protection; (L) conducting polygraph testing; (M) conducting background checks on prospective employees or tenants; or (N) conducting background checks on individuals by or at the request of an insurance company for worker's compensation purposes.

The term "private investigation service" shall not include private process service unless the service goes beyond service of process to a missing person investigation.

-Continued-

Security Service means any activity that is performed for compensation as a security guard to protect any individual or property and provided on the premises of a person's residential or commercial property, the service of monitoring an electronically controlled burglar or fire alarm system for any residential or commercial property located in the District, or responding to a distress call or an alarm sounding from a security system. It does not include (A) installing a burglar or fire alarm system in commercial or residential property; (B) maintaining or repairing a security system for a customer; (C) monitoring property located entirely outside of the District even if the equipment used to perform the monitoring service is located in the District; or (D) providing a medical response system used by individuals to summon medical aid.

Sourcing of the Tax

In general, the tax is applicable to services delivered to customers within the District of Columbia. The providers of armored car services may reasonably apportion charges on the basis of distance, time, or number of stops within and outside the District. Charges for private investigation services provided to customers within the District are subject to the tax regardless of where the investigative services may have been performed. Charges for investigative services provided to customers outside the District are not subject to tax even if some or all of the investigative work was performed within the District. The application of the tax for security services is controlled by location of the persons or property being protected.

Existing Contracts

The tax is applicable to charges for services rendered under existing contracts for ongoing services for any billing periods beginning on or after October 1, 2011, regardless of the length of the contract or the date it was signed. Accordingly, providers of taxable services billing in advance for services to be provided on or after October 1, 2011 must include the 6% tax.

Exemptions

The DC sales and uses tax does not apply to sales to the United States and its agencies and instrumentalities, the District of Columbia Government and its agencies and instrumentalities, embassies and diplomatic personnel issued exemption certificates by the U.S. State Department's Office of Foreign Missions, The American Institute in Taiwan and nonprofit educational, religious and charitable organizations provided with exemption determinations by the office of Tax and Revenue. Affected vendors should determine whether any of their customers are entitled to exemption.

Registration

Affected vendors who are not now registered to collect the sales and use tax will need to register with OTR for that purpose. Registration may be accomplished online at www.taxpayerservicecenter.com or by filing a Form FR-500 available online or from Customer Service. Upon registration instructions and forms for remitting the tax will be provided.

For additional information, please contact OTR's Customer Service Center at (202) 727-4TAX.