

**Office of General Counsel  
District of Columbia Office of Tax and Revenue**

# **DC Tax Update**

**Practitioner's Institute  
January 7, 2016**

# What We'll Talk About Today

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- ❑ Tax Law changes for tax year 2015
  - ❑ TY2016 Updates
    - Changes due to revenue estimates
    - Changes due to legislation and regulations
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# Tax Law Updates

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- Franchise Tax
  - Tobacco & Excise Tax
  - Estate Tax
  - Individual Income Tax
  - Real Property
  - Other Updates
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# Franchise Tax Updates

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- Lower Franchise Tax Rate for 2015
- Lower Franchise Tax Rate for 2016

Changing due to available revenue - DC Code 47-181

For TYBA 12/31/2015, tax rate decreased from 9.4% to 9.2%

- Franchise Tax FAQs
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# Tobacco Excise Tax Updates

## **Expansion of Other Tobacco Excise Tax to vapor products (E-Cigarettes)**

Enacted by § 7071-2 of DC FY16 Budget Support Act (BSA) A 21-148

- Tax is imposed on the first person to possess or sell the vapor products in the District.
- Vapor products no longer subject to sales tax effective October 1, 2015.

## **Other Tobacco Excise Tax Rate decrease for FY 16**

- Rate decreased from 70% to 67% effective October 1, 2015.
- Imposed on other tobacco wholesalers except as noted above for vapor products.

# Estate Tax Updates - 2016

(Enacted by § 7045 of DC FY16 Budget Support Act A21-148)

- Goal of Federal estate tax conformance
  - Increase in exemption amount subject to budgetary constraints – Current exemption amount remains at \$1million.
  
- New tax rates applicable for deaths occurring on or after 1/1/16
  - Incrementally increasing from 6.4% for taxable estates  $> \$1M \leq \$1.5M$  upto 16% for taxable estates over \$10M.

# Individual Income Tax Changes – TY2015

- Personal Exemption COLA Increase to from 1725 to 1775

Legislation Enacted by § 7012 of DC FY15 Budget Support Act (BSA) L20-155

- Increase in standard deduction by filing status:
  - \$5200 Single & Married Filing Separately
  - **\$6500 Head of Household**
  - \$8350 Married Filing Jointly, Surviving Spouse & Married Filing Separately on same return
- New middle income tax bracket
  - 7% rate for taxable income between \$40,000 - \$60,000

# Individual Income Tax Changes-TY2015, cont.

Enacted by § 7012-3 of DC FY15 Budget Support Act (BSA) L20-155

- Expand DC EITC for single workers
- Phase-out of personal exemptions for incomes above \$150,000
- Eliminate DC Homebuyer Credit
- Eliminate long term care insurance deduction
- Eliminate \$3000 income exclusion for DC and federal government retirees. 100% Exclusion for survivors of DC and federal government retirees remains.

# Individuals Income Tax Updates

- **Limitations on Low Income Tax Credit**
  - Enacted by Title VII of DC FY16 Budget Support Act A21-148
  - Applicable to tax years beginning after(TYBA) 12/31/2015
  - “Net Federal AGI” < applicable federal filing requirement
  - If partial year resident, must annualize income to determine if income is exceeded.
  
- **Changing due to available revenue - DC Code 47-181**
  - For TYBA 12/31/2015:
    - New individual tax rate brackets of \$350,000 to \$1M at 8.75% and >\$1M at 8.95%
    - Reduce rate in middle \$40,000 to \$60,000 bracket from 7% to 6.5%

# Other Updates

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- Suspension of running of statutory period of limitations
  - Statutory requirement for issuance of the proposed audit changes notice
  - Medical marijuana
  - Bulk sales
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# Real Property Updates

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- I. Tax exemptions
  - II. G-4 Visas and the Homestead Deduction
  - III. Real Property Tax Deferrals because of Death of Owner
  - IV. Office of the Real Property Tax Ombudsman
  - V. Tax Sale Regulations
  - VI. Discount Sale
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# Other TY 2015 items to note

Noteworthy items from last year to keep in mind :

- **Estimated Tax Penalty → Interest** (Enacted by § 7122 of DC FY15 Budget Support Act (BSA) L20-155)
- **QHTC clarifications** (Enacted by § 7172 of DC FY15 Budget Support Act (BSA) L20-155)
- **Tax incentives for Alternative Fuel Vehicles** (Enacted by § 7072 of DC FY15 Budget Support Act (BSA) L20-155)