

DC Tax Exemptions Start to Expire in 2019

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In early December, the District of Columbia Office of Tax and Revenue (OTR) started sending letters to DC exempt entities advising them that they needed to renew their tax exemptions. The exemptions will start to expire in 2019 and OTR will require all exempt entities to renew their exemptions every five years or be reclassified as fully taxable.

This renewal requirement applies to all DC organizations exempt from DC personal property, income/franchise and sales/use taxes, including nonprofits, unions, benefit plans, PACs, funds/foundations etc. Each exempt entity has its own credentials to log onto its account via OTR's online tax portal, MyTax.DC.gov. Therefore, clients will need to go online to complete the renewal process, as OTR will reportedly not accept paper reapplications. It remains unclear as to whether exempt entities who have not yet received a renewal notice from OTR are able to go ahead and renew now if they wish.

Renewal Application

OTR states that each exempt entity with offices in DC will need to log onto its MyTax.DC.gov account and complete the new online [FR-164 Application for Exemption](#), including all entities with existing exempt accounts. The OTR website offers a tutorial that provides step-by-step instructions on how to request an exemption certificate via MyTax.DC.gov, "[User Guide: How to Request an Exemption to File \(FR-164\)](#)."

Supporting documents can be added to the application as PDF files. Required information and supporting documents for filing a DC exemption application may include:

- A copy of the latest determination or ruling letter you have received from the Internal Revenue Service, which approves your organization's exemption from Federal income tax.



- If incorporated in DC, a copy of your Certificate of Incorporation issued by the DC Department of Consumer and Regulatory Affairs, Corporate Division, or if not incorporated, a copy of your constitution, articles of association, declaration of trust, or other documents whereby you were created setting forth your aims and purposes, a copy of all amendments thereto, and any changes presently proposed.
- If not incorporated in DC, a photocopy of a Certificate of Authority or Certificate of Registration issued by the DC Department Consumer and of Regulatory Affairs, Corporate Division, must be submitted to OTR with the Application for Exemption.
- If your organization has ever been recognized as tax exempt by the District, based on a previous application, please provide a copy of your DC letter of exemption or certificate of exemption.
- A copy of a lease, District of Columbia Occupancy Permit issued to the organization or other documentation should accompany a request by a semi-public institution (501(c)(3) organization) for sales tax exemption to satisfy the physically located requirement.

- An organization should file Form FR-500 Combined Business Tax Registration Application with Form FR-164 Application for Exemption if not previously registered with OTR.

Upon successful renewal, the exempt entity will receive a new exemption certificate with an expiration date requiring recertification prior to five years from the issuance date. Failure to reregister in a timely manner will result in the exempt entity being placed in fully taxable status effective on the date of expiration.

Action Items for Clients

Each exempt organization will be notified by OTR to renew their exempt status at least 30 days prior to the expiration date. However, some clients may not receive the 30-day courtesy notice because their current address is not on file with OTR. It is important that exempt organizations with offices in DC verify that OTR has their current mailing address, as they will still need to renew their exemption even if they do not receive a notice from OTR.

Moreover, if a client's Federal determination letter is more than four years old, OTR will require that the client request an Affirmation letter from the IRS before it will recertify an exemption, which could take more than 30 days for the client to obtain. Therefore, we recommend that, in such cases, the client preemptively request an Affirmation Letter as soon as possible to avoid possible delay in the renewal of its exemption certificate. [Affirmation letters can be requested by phone, letter or fax from Customer Account Services at the IRS.](#)

Please contact us with any questions or concerns regarding this new exemption renewal process, or if you would like our assistance requesting an Affirmation Letter. If you are in need of assistance with the new online FR-164 exemption application, OTR's e-Services Unit is also available by calling (202) 759-1946 or emailing e-services.otr@dc.gov.