AUDIT DIVISION

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OVERVIEW

Mission

To obtain, maintain and achieve tax compliance with all District of Columbia tax laws, except real property taxes, through the examination of filed tax returns, identification of non-filers, and unreported tax revenue.

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Audit Division Units

- Office Audit Unit
- Field Units
- Review and Conference Unit

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Types of Audits Administered

- Sales and Use Tax
- Corporation Franchise & Unincorporated Franchise Tax
- Individual Income Tax
- Partnership Tax
- Fiduciary Tax
- Employee Withholding Tax
- Personal Property Tax
- Hotel Occupancy Tax
- Gross Receipts Tax
- Wholesaler’s Alcoholic Beverage Tax
- Cigarette Tax
- Other Tobacco Products Tax
- Motor Fuel Tax
- Inheritance and Estate Tax
- Toll Communication Tax

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Selection of Audits

The audit selection process is implemented through a variety of approaches. Listed below are some of the audit selection approaches used to select a single or combined audit:

- Review of prior productive audits
- Other selection methods like pre-audit, adjustment review, and kick-out refund requests
- Personal observation
- Random selection
- Leads from other jurisdictions' audits
- Leads from newspapers, magazines, trade publications
- Leads from informers
- Industrial segment audits

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Required Documents If Selected For An Audit

Documents required to be provided by a taxpayer selected for an audit are normally based on the type(s) and scope of the audit to be performed. However, the following are some general documents that a taxpayer may be expected to provide:

- All purchases and invoices for the applicable audit period(s)
- All purchase invoices for capital assets for the applicable audit period(s)
- General ledgers for sales and purchases for the entire audit period(s)
- A copy of filed Personal Property tax returns
- Copies of sales report/sales journal and/or worksheets used to compute the sales and use for the period under audit
- Copies of exemption certificates, etc
- Copies of canceled checks
- Evidence of the deductions claimed on their income tax schedules

Taxpayer Appeal Rights

Informal Conference

- There are occasions when a taxpayer may disagree with a decision rendered by the Office of Tax and Revenue's Audit Division. Decisions may include a proposed audit change on a return, denial of a refund request, denial of penalty and/or interest, or a rejection of an offer in compromise.
- The taxpayer has the right to appeal the decisions of OTR.

Taxpayer Appeal Rights

- To appeal a decision made by OTR, a written request must be filed within 30 days from the date of the notice.
- Requests must be mailed to:

The Office of Tax and Revenue

Audit Division

PO Box 556

Washington, DC 20044

Taxpayer Appeal Rights

- Taxpayer will be notified of the time and place of the informal conference within 30 days from the receipt of the request
- The date set for the informal conference may be postponed once at the request of the taxpayer and once at the request of the Review and Conference unit

If you disagree with the findings in the informal conference, you may

- Petition the Office of Administrative Hearings (“OAH”) or
- Petition the District of Columbia Superior Court (“Superior Court”)

Taxpayer Appeal Rights

Administrative Appeal

- To request an administrative appeal, you must file a Notice of Intent to petition for appeal with the OAH within 30 days of the informal conference decision.

- Or alternatively, a taxpayer may choose to appeal OTR's decision regarding any assessment of a deficiency in tax or the denial of any claim for refund directly to the Superior Court within six (6) months of receiving the Notice. However, the taxpayer must first pay the base tax, penalty, and interest prior to petitioning Superior Court. §§ 2-1831.03, 47-1815.01; 47-3303; and 47-4312. of the Official Code of the District of Columbia ("DC Code").

VOLUNTARY DISCLOSURE PROGRAM

- To encourage individuals and businesses that are not current in filing their District tax returns to come forward voluntarily to bring their accounts into compliance.

- If a taxpayer or business has failed to pay District taxes or has underreported income on which taxes should be paid, the taxpayer may contact OTR to make satisfactory arrangements to clear their tax record.

GUIDELINES FOR ANY VOLUNTARY DISCLOSURE APPLICANT

- Any taxpayer can apply to remedy any tax obligation under voluntary disclosure except for tax liability under the authority of the Real Property Tax Administration.

- In most cases, OTR will agree to limit the look-back period to the lesser of three years or the date when the taxpayer established nexus in the District of Columbia. In egregious situations, however, OTR may require a five-year look-back period.

GUIDELINES FOR ANY VOLUNTARY DISCLOSURE APPLICANT

- For sales or gross receipts tax cases, if the taxpayer collected sales tax or reimbursement for gross receipts tax from their customers, but did not remit the tax to the District of Columbia, the look-back period imposed will be the greater of five years or the date nexus was established in the District of Columbia.

GUIDELINES FOR ANY VOLUNTARY DISCLOSURE APPLICANT

- If the tax liability in certain cases is a substantial amount, OTR may agree to establish a payment agreement if an adequate amount is paid up-front. However, if the taxpayer fails to make any scheduled payments in a timely manner, the agreement could be considered as null and void. OTR reserves the right to assess additional penalty and interest on the remaining balance of tax due at that time.

GUIDELINES FOR ANY VOLUNTARY DISCLOSURE APPLICANT

- For nonprofit organizations that already have their tax-exempt status approved by OTR, voluntary disclosure may be used to cover unreported Unrelated Business Income (UBI) from prior years. Corporations report UBI to the District of Columbia using Form D-20; all others use Form D-30.

GUIDELINES FOR ANY VOLUNTARY DISCLOSURE APPLICANT

- If a nonprofit does not already have their tax-exempt status approved by OTR, they must file Form FR-164, Application for Exemption, and report any prior-year UBI. Nonprofits can also use the voluntary disclosure process to report any prior-year taxes (i.e. franchise, personal property, sales, use, arena, etc.) that should have been paid.

Benefits of participating in the program

- Taxpayers can remain anonymous while investigating whether this program is right for them or their business;
- In most cases, OTR will agree to limit the “look-back” period to the lesser of three years or the date when the taxpayer established business in the District;
- Waiver of penalties if the tax and interest is paid in full;
- OTR may agree to establish a payment agreement if an adequate amount is paid in full; and
- The ability to file returns in a spreadsheet format instead of filing a return for each period involved.

WHO IS NOT ELIGIBLE?

The taxpayer is not eligible for the voluntary disclosure program if:

- the taxpayer has been contacted by OTR or its representatives, Multistate Commission, or
- if there is any collection action or an open audit case.