



# Tax Practitioner News

Winter/Spring 2000, Volume IV

## Message from the Deputy Chief Financial Officer

Dear Tax Practitioner:

Welcome to the Winter/Spring 2000 edition of *Tax Practitioner News*. I was very pleased with the turnout for our first annual Tax Practitioner Institute in January. It was a great opportunity to share our progress and goals for the future while obtaining feedback on our efforts so far. This area's tax practitioners have been an invaluable resource as we improve tax administration in the District, and we are committed to extending and strengthening that partnership. As we introduce new services, such as the tax practitioner help line, I encourage you to keep the lines of communication open. Help us help you better.

As we reach the middle of tax-filing season 2000, the Office of Tax and Revenue (OTR) has much to showcase as it continues its transformation into a premier tax administration. On March 1, OTR celebrated the one-year anniversary of its walk-in Customer Service Center. From its first day, the center has exemplified our more customer-friendly attitude. This year, we built on that success by introducing and expanding several initiatives, such as file by telephone, electronic filing, and pay by credit card, in order to make filing taxes an even easier process. We understand that ease of use is key to raising the level of voluntary compliance with the District's tax laws.

Of course, another key to voluntary compliance is effective enforcement of those laws. While we want to give taxpayers every available tool to satisfy their tax obligations, we want to ensure that those who ignore these obligations are held responsible. OTR is stepping up its compliance efforts, which have recently led to several tax fraud sentencings and District employee wage garnishments. Such tax scofflaws not only cheat OTR, they also cheat the community that depends on a stable tax revenue base to support its citizens and its needs.

As always, I welcome your feedback. Please contact **Clarice Nassif Ransom**, director of Communications for the Office of Tax and Revenue, at 202-442-6483, or by e-mail at [ClariceN@otrtax.dcgov.org](mailto:ClariceN@otrtax.dcgov.org), to share your comments.

Sincerely,

Natwar M. Gandhi  
Deputy Chief Financial Officer  
For Tax and Revenue

## OTR Hosts First Annual Tax Practitioner Institute

The 2000 tax-filing season is already filled with several firsts for the Office of Tax and Revenue (OTR) – such as the introduction of telefiling and tax payments by credit card. With such changes, it is important to reach out and help District taxpayers learn how to make the best use of them. That is where the first annual Tax Practitioner Institute comes in. Organized by **Dianne Williams**, analyst for the Returns Processing Administration (RPA), the two-day seminar was held Jan. 12-13 as an opportunity to facilitate

see *Tax Practitioner Institute* page 2

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**Tax Practitioner Institute** from page 1 better communications with OTR and the tax practitioner community.

“The Institute is a wonderful way to report on the Office of Tax and Revenue’s progress and discuss the upcoming tax season with tax professionals who work hand-in-hand with the District’s taxpayers,” says **Richard Sella**, director of RPA.

Chief Financial Officer **Valerie Holt** and Deputy Chief Financial Officer for Tax and Revenue **Dr. Natwar M. Gandhi** kicked-off the Institute by sharing their vision of making OTR

the best tax administration in the nation, which starts with open communications with tax practitioners. More than 90 tax practitioners signed up for the Institute, and nearly every administration had an opportunity to discuss and receive feedback on issues ranging from public outreach initiatives and the new tax fraud hotline to the implementation of the Tax Parity Act and the Integrated Tax System.

“Although I was able to attend the first day only, I thought the Tax Practitioner Institute was quite beneficial,” remarked one participant. “It

was apparent a great deal of planning was given to assuring the success of the first Institute.” Another participant commented, “I am primarily involved in income tax and am happy to learn of new programs. I like the ‘new, improved OTR.’”

Said another participant, “I was very impressed [with] the forthrightness of the speakers and am looking forward to a future Institute.” Sella concluded that this is the first of many tax practitioner institutes and that next year will be even “bigger and better.”

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## You’ve Got Questions - We’ve Got Answers

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During the Office of Tax and Revenue’s first annual Tax Practitioners Institute, a number of important issues were raised during the question and answer sessions. For the convenience of those who were not able to attend, the information shared is printed below.

### Appeals/Problem Resolution

**Q.** If the system appears to be stagnant or uncooperative in resolving a problem, what alternatives do I have to ensure my case is not lost or overlooked?

**A.** The purpose of the Problem Resolution Office is to aid those customers that have been unable to get their problems satisfactorily resolved within a reasonable amount of time through normal contacts within the organization. After contacting **Minnetta Coles**, the problem resolution officer, at (202) 442-6348, you can expect a telephone call within one (1) business day upon receipt of your case. Generally, you can expect to have your problem resolved in 5 to 10 business days. Complex issues may take longer. Ms. Coles will be your point of contact, and you can expect a written notification that either the problem has been resolved or additional efforts may be necessary to reach a resolution.

**Q.** If I disagree with an audit or collection action by the Office of Tax and Revenue, what right of appeal do I have?

**A.** If you or your client does not agree with the results of an audit or a collection action, you have the option of requesting an informal meeting with the appropriate supervisor to discuss the matter in an effort to arrive at a mutually agreed upon settlement. A decision will then be made on the issue within 10 days. If you cannot resolve your differences with the supervisor or would rather not have any further involvement with the audit or collection division, you can request an independent review of your situation within 30 days of the decision by submitting a written request explaining your position to:

Director of the Office of Tax Appeals  
Office of Tax and Revenue  
941 N. Capitol Street, N.E., 1<sup>st</sup> Floor  
Washington, DC 20002  
Or call:  
**Ed Blick** at (202) 442-6945  
Fax (202) 442-6948

A hearing will then be arranged to discuss the disputed issues. Within 30 days of the conclusion of the hearing, the Office of Tax Appeals will issue a decision either ordering the audit or collection division to grant the relief the taxpayer was seeking or affirming the examination or collection determination. This decision is binding on the Office of Tax and Revenue; however, the taxpayer can appeal the decision to D.C. Superior Court.

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# D.C. Office of Tax and Revenue Expands Taxpayer Services

*Telefiling; Electronic Filing/Direct Deposit; Credit Card Payment Options*

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## **Introducing Telefile to D.C. Residents: Single, No Dependents, Income less than \$100,000**

The Office of Tax and Revenue is introducing telefiling, allowing taxpayers to use a touch-tone telephone to file their taxes. The telefile phone number is 1-800-743-3320. To qualify, taxpayers must be single, have no dependents; have income that is less than \$100,000; and have been a resident of the District from Jan. 1 through Dec. 31. Conditions that preclude a person from telefiling include itemized deductions; filing federal business schedules; making estimated payments; having withholdings from any state other than D.C.; claiming an exemption for being 65 or older or for being legally blind; filing Schedule H or claiming the Low Income Credit; and having had income from other than the following sources: wages, salaries, tips (no more than five Form W-2s); taxable scholarship or fellowship grants; interest and dividends (\$400 maximum); or unemployment compensation.

## **Electronic Filing/Direct Deposit**

The District of Columbia is offering a full Federal/State Electronic Filing

(E-File) program for individual income tax returns. There are two ways in which taxpayers can file electronically— through a tax practitioner or through a commercial online filing service, which allows taxpayers to transmit their D.C. and federal returns electronically from their home PC for a fee. D.C. taxpayers can access the four participating on-line filing services – Intuit ([www.turbotax.com/turbotax99](http://www.turbotax.com/turbotax99)), TaxSlayer ([www.taxslayer.com/order2.htm](http://www.taxslayer.com/order2.htm)), Tax and Accounting Software ([www.preptax.com](http://www.preptax.com)), and H.D. Vest ([www.hdvest.com](http://www.hdvest.com)) – via the Internet. The Quicken Tax Freedom Project (a service by Intuit) will also offer taxpayers with income less than \$20,000 the opportunity to file their D.C. and federal taxes online for free. The D.C. E-File program had an error rate of less than one percent last year. The Office of Tax and Revenue is committed to maintaining this level of efficiency as our program expands.

## **Pay Taxes by Credit Card**

In an effort to make paying taxes more convenient, the Office of Tax and Revenue has introduced the use of credit cards to pay individual income

taxes owed for the 2000 tax-filing season or for past-due income taxes owed to the District.

Taxpayers will be able to pay their taxes using a Discover/NOVUS, MasterCard, or American Express card. To do this, the taxpayer will be able to call the toll-free number, available seven-days-a-week, 24-hours-a-day, at 1-888-2PAY-TAX, then enter 6000, the District of Columbia's jurisdiction code, and complete the telephone transaction directly with the credit card processing vendor, Official Payments Corporation. The Office of Tax and Revenue will receive the credit card transaction from the vendor and immediately apply it to the taxpayer's account. Official Payments Corporation will charge taxpayers a fee for this service based on a sliding scale. Taxpayers should remember to use exactly the same name and Social Security number as on their tax return when using the payment by credit card system.

## **New Help line Serves Tax Practitioner Community**

On Jan. 31, the Office of Tax and Revenue (OTR) unveiled its latest service initiative — the tax practitioner help line. The help line provides OTR with another tool to better respond to its customers' needs.

Many of the callers into OTR's main customer service number (202-727-4TAX) seek basic assistance with their tax filing. Tax practitioners, however, have less need for these tax facts. When they contact OTR, they seek information specific to their client's needs. The new help line (202-727-1435) provides a direct way for the practitioners to do this. **Antoine Perry** heads a team of four senior Telephone Information Center employees who are responsible for answering the practitioners' questions, such as why an adjustment was made to their client's return, what further information might be needed to clarify the situation, who is handling their client's case, and what is the status of a refund.

Breaking down barriers to information is an important part of becoming an effective customer service organization, and the new tax practitioner help line is another step in that direction.

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# D.C. Office of Tax and Revenue's Stepped Up Compliance Efforts Lead to Tax Fraud Sentences and D.C. Employee Wage Garnishment

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—Friendly, Yet Aggressive Tax Agency—

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The District of Columbia Office of Tax and Revenue has rebuilt its image over the last three years, becoming a role model agency for customer service and efficiency in the District. This year alone, the agency offers several alternative filing methods, including electronic and telephone filing and the ability to use credit cards to pay taxes; a one-stop Customer Service Center; extended hours; and numerous outreach programs. Yet, at the same time, **Dr. Natwar M. Gandhi**, Deputy Chief Financial Officer for Tax and Revenue, believes in strong enforcement to deal with tax cheats who do not pay their fair share of taxes.

Most recently, the agency worked with the Office of Corporation Counsel to prosecute two people who were sentenced on various counts of District tax fraud; garnished District employees' wages for failure to file and failure to pay taxes; and awarded a contract to help the District identify and collect taxes from delinquent taxpayers.

"The honest taxpayer deserves to know that the District's tax agency is working hard to create a level playing field between those who pay taxes and those who try to escape paying taxes," said Dr. Gandhi. "We make it as easy as possible for people to comply with our tax laws. Nevertheless, we are also aggressively pursuing tax scofflaws who cheat the city out of its revenue base."

## Two People Sentenced for D.C. Tax Fraud on Feb. 28

On Feb. 28, two people were sentenced in District of Columbia Super-

ior Court on various counts of District tax fraud. **Maisha Hyman** pled guilty to failure to file and pay taxes for tax year 1996. She was ordered to make restitution to the District of Columbia in the amount of \$3,372 within three years. Hyman was also sentenced to two consecutive

**"We make it as easy as possible for people to comply with our tax laws. Nevertheless, we are also aggressively pursuing tax scofflaws who cheat the city out of its revenue base."**

**- Dr. Natwar M. Gandhi**  
*Deputy Chief Financial Officer*

terms of 30 days incarceration, which were suspended on the condition she serve three years of probation and perform 50 hours of community service.

**Lloyd W. Lamont** was convicted and sentenced on one count of tax fraud for attempting to inflate a tax refund for tax year 1996. He was ordered to make restitution to the District of Columbia in the amount of \$5,785 within five years. Also, he was sentenced to the maximum term of one year of incarceration, which was suspended on the condition he serve five years of probation.

## District Employees' Wages Garnished for Failure to File and Pay Taxes

The Office of Tax and Revenue has uncovered 2,213 cases in which District employees have either filed but not paid taxes or failed to file and pay taxes for tax years 1995 through

1997, amounting to \$5.5 million in taxes owed. As a result, some of these employees have come forward to satisfy their tax bills or make payment arrangements. Other employees, however, have had their wages garnished or are in the process of having their wages garnished.

## District to Implement Contract to Uncover Delinquent Taxpayers

Each year, it is estimated that the District loses millions of dollars in potential revenue because many individuals and businesses fail to file and pay District taxes or do not report all activities on a tax return. To help close this tax gap, the Office of Tax and Revenue will begin implementing a contract in April with MBIA MuniServices.

MBIA MuniServices is a revenue enhancement company that assists municipal governments in identifying businesses and individuals who fail to fully comply with the local tax code. Operating under strict security and confidentiality requirements, the company will contact delinquent taxpayers and provide the necessary assistance and direction on how to file and pay their liabilities.



**OR CONTACT THE OFFICE OF TAX AND REVENUE'S FORM CENTER @ 202-442-6546**

# Tax Cheats Beware - OTR Unveils Tax Fraud Hotline

The District of Columbia Office of Tax and Revenue recently unveiled a toll-free tax fraud hotline. The public can now anonymously report anything from a person's failure to file taxes, to unreported income, to falsifying information on tax returns, to real property tax fraud, to the sale of Social Security numbers, by calling 1-800-380-3495, or via e-mail at [Taxfraudhotline@dcgov.org](mailto:Taxfraudhotline@dcgov.org). All allegations will be kept confidential and will be investigated by the Office of Tax and Revenue or referred to the D.C. Office of Inspector General.

"Paying taxes is a civic responsibility," said **Dr. Natwar Gandhi**, Deputy Chief Financial Officer for Tax and Revenue. "The District depends on the collection of taxes to pay for everything from public safety initiatives, better education programs, and economic development, to feeding the hungry, helping senior citizens, and youth development. We developed the tax fraud hotline as an opportunity for the honest taxpayer to balance the scorecard with tax cheats, and to assure them that the District of Columbia is serious about pursuing tax cheats."

When a person contacts the hotline, he or she can expect the hotline staff to conduct a thorough evaluation of the details of the allegation. If deemed necessary, a civil or criminal investigation will be launched. If a call is viewed as frivolous or the information provided proves to be inaccurate, then the matter will be closed.

Many individuals who have information about illegal activities may not call for fear of retaliatory actions by the alleged tax abuser. However, the public can be assured that all caller identities will be kept confidential.

"We hope the tax fraud hotline will serve as a safe source for taxpayers to

turn to when they are faced with the dilemma of keeping quiet or reporting fraudulent activities related to tax fraud or tax evasion," said **Wilma Matthias**, director of the Office of Tax and Revenue's Internal Audit/Internal Security Administration, which has jurisdiction over the hotline. "Anyone who has information about tax fraud or evasion should contact the hotline immediately. With the information received, further tax fraud and abuse can be averted."

The Office of Tax and Revenue also has established a Voluntary Disclosure Program, which invites taxpayers who are not in full compliance with the District's tax laws to come forward on their own. If a taxpayer wants to participate in the Voluntary Disclosure Program, he or she must first contact **Thomas Kerwin**, assistant audit manager, by telephone at (202) 442-6578 or by facsimile at (202) 442-6883. The taxpayer must then file all returns that are due and pay any taxes and interest due. The Office of Tax and Revenue will waive civil penalties, which may be up to 25 percent of the amount of taxes owed. It is important to note that the taxpayer must have come forward on his or her own free will – without first having been contacted by the Office of Tax and Revenue or any other federal, state, or local tax administration or law enforcement agency – to participate in this program.

The Office of Tax and Revenue collects nearly \$2.7 billion in taxes annually and is the main source of revenue generation for the District of Columbia.

## What Should Be Reported To The Hotline?

- ✓ Failure to file tax returns
- ✓ Failure to pay or correctly report taxes
- ✓ False Schedule H returns
- ✓ Claiming of false dependents
- ✓ Fraudulent D.C. employee withholding Allowance Certificate (Form D-4)
- ✓ Fraudulent employer withholding tax statement (Form W-2)
- ✓ Unlicensed businesses
- ✓ Real property tax fraud

### **Collections/Compliance**

**Q.** Does OTR allow installment payment plans for collection actions?

**A.** Yes. Installment plans are available for individual income tax debts when the taxpayer has demonstrated an inability to borrow or pay by credit card. If the amount owed exceeds \$5,000, or if the payment plan will extend beyond one year, OTR requires the taxpayer to submit a financial statement, which is used to determine ability to pay. Installment plans are rare for active businesses, because most of their tax is trust fund money (withholding and sales taxes), and they accrue new tax obligations monthly.

**Q.** Is there a process for ‘offer in compromise’?

**A.** Yes. It is similar to the IRS process. The Office of Tax and Revenue uses Form OTR-10, which comes with an instruction package. Taxpayers, including responsible corporate officers, are required to submit with Form OTR-10 their latest business and personal financial statements and their latest Federal and District income tax returns.

**Q.** What penalties exist for underpayment of taxes?

**A.** The underpayment penalty is combined with the late filing penalty. If either (or both) applies, the charge is 5% per month or fraction thereof, up to a maximum of 25%. In addition, on occasion, a substantial underpayment penalty of 20% is added when an auditor judges that a taxpayer intentionally underreported a substantial amount of tax.

**Q.** What penalties exist for underpayment of estimated taxes?

**A.** The underpayment of estimated taxes penalty, for individuals as well as corporations, financial institutions, or unincorporated businesses, is 1% of the underpaid amount per month for the period of underpayment (18% maximum).

**Q.** What information can OTR access on a taxpayer from the Federal/State data sharing program?

**A.** OTR has access to Federal tax returns, both individual and business, and Federal Information Return reporting, such as Forms W-2 and 1099.

### **Customer Service**

**Q.** How can I access information in Spanish?

**A.** The one-stop, walk-in Customer Service Center at 941 N. Capitol Street, N.E., provides Spanish-language brochures on topics covering customer service offerings, collection actions, problem resolution, and the office of tax appeals. Additionally, a staff member in the Center is available to assist Spanish-speaking taxpayers.

### **Real Property**

**Q.** How are property assessments made?

**A.** An assessment is the market value of the property, indicating the most probable price for which you can sell a property. An assessor does not try to estimate the highest possible price you might conceivably receive. Most probable means the “likely” price. The three accepted approaches to value are 1) sale comparison, 2) cost of replacement, and 3) income capitalization. Income capitalization is typically only used for commercial properties. A trending analysis is sometimes undertaken. The assessor’s staff studies the prices for which properties are currently selling and compares those prices to the assessed value of the property. Using statistical techniques, the assessor can then determine a trend factor for a particular neighborhood. Neighborhoods are sometimes broken down into sub-neighborhoods, and there are factors for the various property types. For example, townhouses are studied independent from single-family detached houses.

### **Real Property (con.)**

**Q.** Are there any changes to real property tax penalties this year?

**A.** The penalty for late payment of real property tax is 10% of the tax, and the interest for late payment is 1.5% per month. There have been no changes to this penalty or interest.

**Q.** How do I qualify for the senior citizen deduction for real property?

**A.** To qualify, a property owner must be 65 years of age or older. When the owner becomes 65, they may file an application immediately for senior citizen property tax relief. Other qualifications include:

- The property must be occupied by the senior owner.
- The senior property owner(s) must own 50% or more of the property.
- The total adjusted gross income of everyone living in the property, excluding tenants, must be less than \$100,000 for the prior calendar year.

A properly completed application must be filed with the Office of Tax and Revenue. The tax relief, if approved, will be provided the first full month following the date a properly completed application is filed.

**Q.** Is there a list of subsidized housing (for Schedule H purposes)?

**A.** Subsidized housing projects are being identified for the Office of Tax and Revenue's Compliance Operations. HUD is supplying this information to Compliance, along with confidential data about voucher recipients. OTR will not be able to provide the voucher data because it is confidential. Residents of such housing represent only a small portion of the recipients of Schedule H.

**Q.** Can the information on tax certificates be relied upon? Can settlement companies get tax certificates?

**A.** Settlement companies are the requestors of tax certificates. The tax certificate process is well established. If a tax is not on the certificate or is not referenced on it, it is not due, unless a lien for the tax is filed in the land records at the Recorder of Deeds.

### **Returns Processing**

**Q.** Is there a fee for E-file?

**A.** No. However, taxpayers who wish to file electronically must do so either through a tax practitioner or a commercial online filing service, which allows taxpayers to transmit their D.C. and federal returns electronically from their home computer. Practitioners and online services generally charge a fee for this service. The handbook for electronic filers of individual income tax returns can be downloaded from the Internet at [www.dccfo.com](http://www.dccfo.com), under the "Taxpayers" section.

**Q.** Are federal schedules required when using E-file?

**A.** Yes, federal schedules are required when using E-file. Returns will be rejected if federal schedules are not attached.

**Q.** Does D.C. send an acknowledgement for E-file returns that is separate from the federal acknowledgement?

**A.** Yes. The acknowledgments are sent through the State Acknowledgment System.

**Q.** Will there be direct deposit for paper returns?

**A.** Currently, only taxpayers using D.C. E-File can make use of the direct deposit option when receiving refunds. The refund will be electronically deposited into the taxpayer's account within two weeks of receipt of their tax return. OTR is examining implementation of direct deposit for paper return filers.

# Tax Return Information

**January 1, 2000 through March 7, 2000**

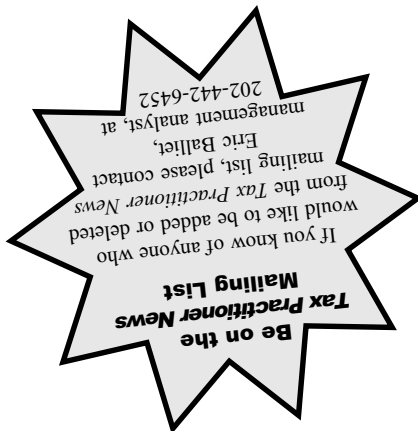
Individual Income Tax	2000	1999
Cumulative Receipts All Income Tax Returns	* 66,293	64,618
Cumulative Refunds Issued	38,837	33,506
Average Refund to Date	\$442.73	\$419.74

\* Includes 1,808 Telefile and 12,420 E-File returns

**2000 Average Cycle Time - 11 Days from Receipt to Check in the Mail**

**1999 Average Cycle Time - 11 Days from Receipt to Check in the Mail**

	2000	1999
Zero-Day Deposit Items	20,949	27,391
Zero-Day Deposit Amount	\$67,101,341.27	\$54,017,769.80
Revenue Protection	\$1,357,667.60	\$1,476,676.00



**Government of the  
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