Government of the District of Columbia
Office of the Chief Financial Officer
Office of Tax and Revenue

2006 D-2220 Underpayment of Estimated Franchise Tax By Businesses

IMPORTANT: Please read the instructions on the reverse before completing this form

Business Name (from your D-20 or D-30 return)

Your Federal Employer Identification Number (FEIN) or

Person to contact in case of questions

Social Security Number (SSN)

Daytime phone number

No penalty is due and this form should not be filed if:

A. Your tax liability on taxable income after deducting DC applicable credits and estimated tax payments is less than $1000, or

B. You have made quarterly DC estimated tax payments as required and the total is equal to or more than 100% of last year's taxes or 90% of the current year's taxes. Note: you must have filed a DC tax return last year in order to use this exception.

Computation of Underpayment

1 2006 DC franchise tax liability *from Forms D-20, Line 37 or D-30, Line 37* $

2 Multiply the amount on Line 1 by 90% (.90)

3 2005 DC franchise tax liability *from Forms D-20, Line 37 or D-30, Line 37*

4 Minimum estimated tax requirement for tax year 2006 *(lesser of lines 2 or 3).*

5 Multiply the amount on Line 4 by 25% (.25)
Note: If your income was not evenly received over 4 quarters, see instructions on the reverse side of this form on how to use the "Annualized Income" method.

Due dates shown are for calendar year; for fiscal year, use the 15th day of the 4th, 6th, 9th and 12th months after the end of the fiscal year ending.	Due date of Installments 1st Period 04/15/06	 2nd Period 06/15/06	 3rd Period 09/15/06	 4th Period 12/15/06
6 Enter the amount from Line 5 or the annualized amount in each period *(the 2nd period includes the 1st Period amount, 3rd Period includes the 1st and 2nd amounts, the 4th Period includes all amounts)*				
Check here ☐ if you use the "Annualized Income" method.				
7 DC estimated taxes paid each period *(the 2nd period includes the 1st Period amount, 3rd Period includes 1st and 2nd amounts, the 4th Period includes all amounts)*				
8 Underpayment each period *(Line 6 minus Line 7)*				
9 Penalty Factors	.0175	.0265	.0262	.0348
10 Line 8 multiplied by Line 9				

11 Penalty - Total of amounts from Line 10. Pay this amount. *(See instructions)* $

Instructions for Underpayment of Estimated Tax by D-20 or D-30 Filers

Estimated Tax Penalty

What is the DC law regarding payment of Estimated Tax by franchise tax businesses?

DC law requires any business that expects its DC franchise tax liability to exceed $1000 for the tax year to file a declaration of estimated franchise tax using the payment vouchers in:

- D-20ES – Declaration of Estimated Franchise Tax for Corporations; or
- D-30ES – Declaration of Estimated Franchise Tax for Unincorporated Businesses.

The law states that anyone required to file and pay estimated tax who fails to pay the amount required by the due date is subject to an underpayment of estimated income tax penalty and interest.

When is a penalty for Underpayment of Estimated Franchise Tax assessed?

A 10% penalty, compounded daily, is assessed if your total DC estimated income tax payments compared to your DC franchise tax do not equal at least the smaller of:

- 90% of the tax due (Line 37) on your 2006 return, or
- 100% of the tax due (Line 37) on your 2005 DC tax return.

You must have filed a 2005 DC tax return to use this exception.

You will also be assessed a penalty if any statement made on an estimated tax payment voucher is not true and accurate to the best of the signatory's knowledge.

Are there any exceptions?

You are not subject to the penalty for underpayment of estimated tax if:

- You had no DC franchise tax liability for the tax year 2005 and in that year, you did business in DC the entire 12 months,
- The tax due for 2006, minus any estimated tax payments, is less than $1000,
- Your total DC estimated tax payments equal or are greater than your 2005 DC franchise tax liability, or
- The total due on your DC return (Line 40) is not more than 10% of your 2006 DC tax (Line 37); and your estimated tax payments were paid on time.

Who needs to file the Underpayment of Estimated Franchise Tax form?

- You can use this form to calculate your penalty. If you do, attach it to your tax return and add the penalty and any interest you calculate to the amount on Line 40 of Forms D-20 or D-30. If you do not wish to calculate the penalty and interest, we will do it when your return is processed and will notify you of the amount due.
- You may also complete this form if you believe the penalty amount assessed for Underpayment of Estimated Franchise Tax is incorrect. **NOTE:** Use the annualized income installment method if your income was earned disproportionately later in the year.

Where do you send this form?

Attach it to your return If you complete it before filing your tax return. If you complete it after receiving notice of a penalty assessment, send it to:

Office of Tax and Revenue
941 N Capitol St NE 6th Floor
Washington DC 20002-4265
Attn: Estimated Tax Penalty Adjustment

Completing this form

Line 1

Enter the amount from your 2006 D-20 or D-30 (Line 37)

Line 2

Multiply the amount on Line 1 by 90% (.90). Your estimated tax payments must be equal to or greater than this amount.

Line 3

Enter the amount from your 2005 DC Forms D-20 or D-30, Line 37. If your 2005 return was amended or corrected, be sure to show the corrected amount.

Line 4

Enter the lesser of Line 2 or Line 3. If you did not file a DC tax return for 2005, you may use only Line 2. This is your minimum estimated tax payment amount for 2006.

Line 5

Multiply the amount on Line 4 by 25% (.25). This gives you an even distribution of your liability over the four quarters of the tax year.

Line 6

Enter the amount from Line 5 under each of the columns for installments. For example, If Line 5 is $2,000, you would enter $2000 for the 1st period, $4000 for the 2nd Period, $6,000 for the 3rd Period and $8,000 for the 4th Period.

Annualized income method: If your income was different for each period, determine the percentage for each period (divide the period amount by full year's income). Multiply Line 4 by each period's percentage and enter the amounts earned by period on Line 6. Accumulate the period amounts as shown above. Check the "Annualized Income" box.

Line 7

Enter the amount of estimated payments made in each period. Include the amounts from the previous period with the 2nd, 3rd and 4th periods. For example, If your estimated payment amount is $1,000 in each period, you would enter $1,000 in the 1st Period, $2,000 in the 2nd Period, $3000 in the 3rd Period and $4000 in the 4th Period.

Line 8 Underpayment each period

For each column, subtract Line 7 from Line 6. If Line 7 exceeds Line 6, you have no penalty. If there is an amount remaining, this is your quarterly underpayment amount.

Line 9 Penalty Factors

These are the penalty factors by period. They are the penalty percentage based on the number of days between periods.

Line 10

For each column, multiply the amount on Line 8 by the factor on Line 9. This is your penalty by period.

Line 11 Penalty

Add the amounts from each column on Line 10. This is your total Underpayment of Estimated Tax Penalty.

- If you are filing this with your form, include it in the amount you owe and pay the total amount with the return.
- If you are filing this form separately, pay the amount you owe. Make the check or money order out to the **DC Treasurer.**