  
Councilmember Zachary Parker

AN AMENDMENT

#1

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

Date: July 28, 2025

Offered by: Councilmember Zachary Parker

To: B26-0265, the Fiscal Year 2026 Budget Support Act of 2025

Version: ☐ Introduced  
☐ Committee Report  
☐ Committee Print  
☐ First Reading  
☒ Engrossed  
☐ Enrolled  
☐ Amendment in the Nature of Substitute

In Title VII, Subtitle G. CHILD TAX CREDIT on page 3469 is amended as follows:

(a) Section 7062 is amended to read as follows:

“Sec. 7062. Section 47-1806.17 of the District of Columbia Official Code is amended as follows:

“(a) Subsection (b) is amended as follows:

“(1) Paragraph (1) is amended as follows:

“(A) Subparagraph (A) is amended as follows:

“(i) Strike the figure “\$420” and insert the figure “\$500” in its place.

“(ii) Strike the phrase “December 31, 2025, up to a maximum of 3 qualifying children; and” and insert the phrase “December 31, 2025; and” in its place.

“(B) Subparagraph (B) is amended as follows:

“(i) Strike the figure “\$420” and insert the figure “\$1000” in its place.

“(ii) Strike the phrase “December 31 of the taxable year, up to a maximum of 3 qualifying children,” and insert the phrase “December 31 of the taxable year,” in its place.

“(2) Paragraph (2) is amended by striking the figure “\$20” and inserting the figure “\$50” in its place.

“(b) Subsection (e) is amended as follows

“(1) Paragraph (5) is amended as follows:

“(A) Subparagraph (A) is amended as follows:

“(i) Sub-subparagraph (i) is amended by striking the figure “\$160,000” and inserting the figure “25,000” in its place.

“(ii) Sub-subparagraph (ii) is amended by striking the figure “\$240,000” and inserting the figure “40,000” in its place.

“(iii) Sub-subparagraph (iii) is amended by striking the figure “\$120,000” and inserting the figure “20,000” in its place.

“(B) Subparagraph (B) is amended as follows:

“(i) Sub-subparagraph (i) is amended by striking the figure “\$160,000” and inserting the figure “25,000” in its place.

“(ii) Sub-subparagraph (ii) is amended by striking the figure “\$240,000” and inserting the figure “40,000” in its place.

“(iii) Sub-subparagraph (iii) is amended by striking the figure “\$120,000” and inserting the figure “20,000” in its place.

“(2) Paragraph 6 is amended by striking the phrase “section 24(c)(1) of the Internal Revenue Code of 1986” and inserting the phrase “section 152(c) of the Internal Revenue Code of 1986 in its place.””

(b) Strike section 7063.

In Title VII, insert the following new subtitle to read as follows:

**“SUBTITLE XX. CAPITAL GAINS SURCHARGE AND CLOSING  
UNINCORPORATED BUSINESS LOOPHOLE**

“Sec. xxx1. Short title.

“This subtitle may be cited as the “Capital Gains Surcharge and Closing Unincorporated Business Loophole Amendment Act of 2025”.

“Sec. xxx2. Chapter 18 of Title 47 of the District of Columbia Official Code is amended as follows:

“(a) A new Section 47-1806.03a is added to read as follows:

“§ 47-1806.03a. Additional tax on capital gains and dividends.

“(a) A tax, separate from, and in addition to, the tax imposed pursuant to this subchapter is imposed on the following income included in every resident’s District gross income:

“(1) Net capital gain, as defined and determined under the Internal Revenue Code § 1222(11); and

“(2) Qualified dividend income, as under the Internal Revenue Code §1(h)(11).

“(b) In the case of taxable years beginning after December 31, 2025, there is imposed on the total of the net capital gain and qualified dividends of every resident an additional tax determined in accordance with the following table:

Not over \$150,000	0%
Over \$150,000 but not over \$350,000	\$0, plus 1% of the excess over \$150,000
Over \$350,000 but not over \$500,000	\$2,000, plus 2% of the excess over \$350,000
Over \$500,000	\$5,000, plus 3% of the excess over \$500,000

“(c) Notwithstanding subsection (a), any amount of net capital gain from the sale or exchange of the following assets is exempt from the additional tax under this section:

“(1) Any real property or interest in a cooperative unit that is transferred by the resident for consideration of less than \$1,500,000 that was, at the time of transfer:

“(A) The resident's primary residence; and

“(B) Classified as Class 1A or Class 1B Property for real property tax purposes.

“(2) Assets held in:

“(A) A cash or deferred arrangement plan under § 401(K) of the Internal Revenue Code;

“(B) A tax-sheltered annuity or custodial account under § 403(B) of the Internal Revenue Code;

“(C) A deferred compensation plan under § 457(B) of the Internal Revenue Code;

“(D) An individual retirement account, individual retirement annuity, or Roth individual retirement account under § 408 or § 408A of the Internal Revenue Code;

“(E) A defined contribution plan, a defined benefit plan, or a similar retirement savings plan;

“(F) Property used in a trade or business, the cost of which is deductible under § 179 of the Internal Revenue Code; or

“(G) A tax-advantaged savings program for eligible people with disabilities under § 529(A) of the Internal Revenue Code.

“Sec. xxx3. Title 47 of the District of Columbia Official Code is amended as follows:

“(a) Chapter 18 is amended as follows:

“(1) Section 47-1803.02(a)(2) is amended as follows:

“(A) Subparagraph (D) is amended by striking the phrase “In the case of any person” and inserting the phrase “For taxable years ending before January 1, 2026, in the case of any person”.

“(B) Subparagraph (P) is amended by striking the phrase “In the case of any person” and inserting the phrase “For taxable years ending before January 1, 2026, in the case of any person”.

“(2) Section 47-1806.04(a) is amended as follows:

“(A) The existing text is designated paragraph (1); and

“(B) By striking the sentences “The credit provided by this subsection shall not be allowed against any tax imposed under §§ 47-1808.01 through 47-1808.06. Beginning with any taxable year after December 31, 1990, no franchise tax, license tax, excise tax, unincorporated business tax, occupation tax, or any tax characterized as such by the other taxing jurisdiction, even if applied to earned or business income, shall qualify as a credit under this section.”

“(C) By adding a new paragraph (2) that reads as follows:

“(2) The credit provided by this subsection shall not be allowed against the following taxes:

“(A) Any tax imposed under §§ 47-1808.01 through 47-1808.06; or

“(B) Except for the credits provided under §§ 47-1806.17 and 47-1809.11, no franchise tax, license tax, excise tax, unincorporated business tax, occupation tax, or any tax characterized as such by the other taxing jurisdiction, even if applied to earned or business income, shall qualify as a credit under this section.”

“(3) A new Section 47-1806.17 is added to read as follows:

**“§ 47-1806.17. Credit for unincorporated business taxes paid.**

“(a) For taxable years beginning after December 31, 2025, there shall be allowed a non-refundable credit against the taxes imposed by this subchapter for any resident whose adjusted gross income includes gross income, directly or indirectly, from:

“(1) A distributive share of an unincorporated business as defined under § 47-1808.01.01; or

“(2) A share in the income of any corporation which is an S corporation as defined in section 1361(a) of the Internal Revenue Code of 1986.

“(b) The amount of the credit shall be computed as follows, as the case may be, by multiplying:

“(1) The percentage of the resident’s distributive share of income from the unincorporated business by the total amount of taxes imposed on and paid for that taxable year by the unincorporated business under subchapter VIII of this subtitle; or

“(2) The percentage of the resident’s share of income from the S corporation as defined in section 1361(a) of the Internal Revenue Code of 1986 by the total amount of taxes imposed on and paid for that taxable year by the S corporation under subchapter VII of this subtitle.

“(c) No credit shall be allowed under this section:

“(1) Unless the unincorporated business or S corporation filed a return and paid the unincorporated business franchise tax under subchapter VIII or corporation franchise tax under subchapter VII of this subtitle for that taxable year; or

“(2) If a resident estate or resident trust claimed a credit pursuant to § 47-1809.11 for taxes imposed under subchapter IX of this subtitle on the income derived from the same distributive share of an unincorporated business or share of an S corporation for that taxable year.

“(d) In the case of a return made for a fractional part of a taxable year, the credit allowable under this section shall be reduced to an amount that bears the same ratio to the full credit provided as the number of months in the period for which the return is made to 12 months.”

“(b) Chapter 37 is amended as follows:

**“§ 47-1809.11 Taxes estate and trust - Credit for unincorporated business taxes paid.**

“(a) For taxable years beginning after December 31, 2025, there shall be allowed a non-refundable credit against the taxes imposed by this subchapter for any resident estate, and income from any kind of property held in a resident trust whose income includes gross income, directly or indirectly, from:

“(1) A distributive share of an unincorporated business as defined under § 47-1808.01; or

“(2) A share in the income of any corporation which is an S corporation as defined in section 1361(a) of the Internal Revenue Code of 1986.

“(b) The amount of the credit shall be computed as follows, as the case may be, by multiplying:

“(1) The percentage of the resident’s distributive share of income from the unincorporated business by the total amount of taxes imposed on and paid for that taxable year by the unincorporated business under subchapter VIII of this subtitle; or

“(2) The percentage of the resident’s share of income from the S corporation as defined in section 1361(a) of the Internal Revenue Code of 1986 by the total amount of taxes imposed on and paid for that taxable year by the S corporation under subchapter VII of this subtitle.

“(c) No credit shall be allowed under this section unless the unincorporated business or S corporation filed a return and paid the unincorporated business franchise tax or corporation franchise tax due for that taxable year.

“(d) In the case of a return made for a fractional part of a taxable year, the credit allowable under this section shall be reduced to an amount that bears the same ratio to the full credit provided as the number of months in the period for which the return is made to 12 months.”

“Sec. xxx4. This subtitle shall apply as of January 1, 2026.”

## **“SUBTITLE XX. REVENUE AND EXPENDITURE COMMISSION**

““Sec. xxx1. Short title.

““This subtitle may be cited as the “Revenue and Expenditure Commission Establishment Amendment Act of 2025”.

““Sec. xxx2. A new Subchapter VII of Chapter 4 of Title 47 of the District of Columbia Official Code is inserted to read as follows:

“§47-471. Revenue and Expenditure Revision Commission – Established.

“(a) The Revenue and Expenditure Revision Commission (“Commission”) is established as an independent agency, as that term is defined in § 1-603.01(13).”.

“(b) The purpose of the Commission is to serve as an expert standing body to provide recommendations to the Mayor and Council on revisions to the District’s tax code and other significant non-tax revenue sources; revisions to agency operations, contracts, and capital investments that could achieve existing results or policy objectives with reduced expenditures; and revisions to the District’s contracting and procurement processes that could improve the value and longevity of District assets and services or better protect the District from fraud, waste, and abuse by contractors.

“(c) The Commission’s duties are to:

“(1) Provide for fairness and equity in the apportionment of taxes and promote progressivity in combined tax obligations;

“(2) Broaden the tax base;

“(3) Assess the impact of fines, fees, and other non-tax revenue source;

“(4) Encourage business growth and job creation;

“(5) Modernize, simplify, and increase transparency in the District’s tax code;

“(6) Identify and promote efficiencies in the administration and delivery of District services;

“(7) Improve the District’s procurement processes to reduce costs and delays or to improve value.; and

“(8) Evaluate existing contracts for over-spending, waste, fraud, and abuse.

“(d) Specific functions of the Commission shall include the following:

“(1) To analyze the District’s current tax system in terms of revenue productivity and stability, efficiency, equity, simplicity of administration, and effect upon the District’s residents and economy;

“(2) To propose innovative solutions for meeting the District’s projected revenue needs while recommending potential modifications to tax rates;

“(3) To identify economic activities which are either beneficial or detrimental to the District’s economy and which should be either encouraged or discouraged through tax policy;

“(4) To recommend changes in the District’s current tax policies and laws;

“(5) To establish or revise criteria and a conceptual framework for evaluating current and future taxes, including racial equity impacts and impacts on wealth inequality;

“(6) To identify unused and duplicative tax credits and tax abatements and recommend policy changes to improve the way the District utilizes tax expenditures; and

“(7) To analyze the specific changes to the District's tax system since the Commission's most recent recommendations to determine the extent to which such changes are consistent with the principles identified in this section.

“(8) To identify redundant functions within or across district agencies;

“(9) To identify efficiencies that are scalable across District government;

“(10) To improve cross agency collaboration and coordination, including by creating standard language for data-sharing agreements, joint purchasing agreements, and asset-sharing agreements;

“(11) To reduce delays and other obstacles to hiring for long or frequently-vacant positions;

“(12) To reduce agency use of overtime, agency overspending, and reliance on vacancy savings;

“(13) To benchmark expensive or frequently contracted goods and services;

“(14) To improve quality control and loss recovery for deficient services;

“(15) To reduce delays in procurement, including those caused by Council and Mayoral review timelines; and

“(16) To improve competition for District contracting, including review of District laws and regulations governing certified business enterprises, the District supply schedule, and similar programs.

“(d) In preparing revenue recommendations required by this subchapter, the Commission shall consult with the Advisory Group established pursuant to § 47-463a.”.

“(e) In preparing expenditure recommendations required by this subchapter, the Commission shall consult with the Advisory Group established pursuant to § 47-463b.”.

“§ 47-472. Revenue and Expenditure Revision Commission — Selection of director.

“(a) The Commission shall be composed of the Executive Director and such staff as necessary to complete the work of the Commission.”.

“(b) The Executive Director shall be appointed by the Chairman of the Council, subject to the approval of a majority of the Council.

“(c) The Executive Director shall receive an annual salary consistent with the District of Columbia Government Salary Schedule for Excepted Service (ES) employees, at no lower than Grade 14, exclusive of fringe benefits.

“(d) The Executive Director shall be responsible for and oversee the daily operations of the Commission; supervise Commission staff, and develop and institute internal policies, procedures, and processes to ensure efficient operations.

“(e) All employees of the Commission shall be, or shall become no later than 180 days after hire, District residents.”.

“§ 47-473. Revenue Revision Commission – Advisory Group.

“(a) There is established an Advisory Group to review and provide information and suggestions on revenue proposals prepared by the Commission. The Advisory Group shall consist of 7 voting members and up to 8 nonvoting members as follows:

“(1) The voting members of the Advisory Group shall consist of the following:

“(A) Three members appointed by the Mayor, who shall be experts in the field of taxation, such as tax lawyers or public finance economists; and,

“(B) Three members appointed by the Chairman of the Council, who shall

be experts in the field of taxation, such as tax lawyers or public finance economists.

“(C) The Executive Director of the Commission.

“(2) The non-voting members of the Advisory Group shall consist of the following:

“(A) The Chief Financial Officer, or his or her designee;

“(B) The Council Budget Director, or his or her designee;

“(C) Two members appointed by the Mayor:

“(i) One shall be a community representative, such as a leader of a public-interest group, labor union, civic association, or a tenant or housing association; and

“(ii) One shall be a representative of one or more important sectors of the business community, such as real estate, banking, retail, or high technology.

“(D) Two members appointed by the Chairman of the Council:

“(i) One shall be a community representative, such as a leader of a public-interest group, labor union, civic association, or a tenant or housing association; and

“(ii) One shall be a representative of one or more important sectors of the business community, such as real estate, banking, retail, or high technology.”

“(E) Temporary members appointed pursuant to § 47-466.

“(b) Notwithstanding subsection (c) of this section, members shall serve for a term of 3 years. Each member may serve beyond the end of their term until reappointed or replaced by the appropriate appointing authority.

“(c) Members of the Tax Revision Commission appointed as of the effective date of this act shall continue to serve in their current capacity until 60 days after the submission of the report required pursuant to § 47-465(b).

“(d) Meetings of the Advisory Group shall be conducted by the Commission's Executive Director, with meetings scheduled by the Executive Director as necessary to fulfill the statutory responsibilities of the Commission.

“(e) The Commission shall provide drafts of its recommended reforms to the Advisory Group in the form of reports. Advisory Group members may provide to the Commission written comments in response to those recommendations within a reasonable period of time, to be determined by the Executive Director, but not less than one month.

“(f) The Commission shall consider all written comments that are timely received from Advisory Group members under subsection (c) of this section and propose all final recommendations to the Council based on the comments received.

“(g) The voting members of the Advisory Group shall vote to approve the final recommendations proposed by the Commission, with a majority of voting members necessary to approve the recommendations, before their submittal to the Council.

“(h) The Commission shall compile and make publicly available a record of all written comments received from Advisory Group members under subsection (c) of this section.”.

“§ 47-474. Expenditure Revision Commission – Advisory Group.

“(a) There is established an Advisory Group to review and provide information and suggestions on expenditure proposals prepared by the Commission. The Advisory Group shall consist of 7 voting members and up to 8 nonvoting members as follows:

“(1) The voting members of the Advisory Group shall consist of the following:

“(A) Three members appointed by the Mayor, who shall be experts in the field of government administration; and,

“(B) Three members appointed by the Chairman of the Council, who shall

be experts in the field of government administration.

“(C) The Executive Director of the Commission.

“(2) The non-voting members of the Advisory Group shall consist of the following:

“(A) The Chief Financial Officer, or his or her designee;

“(B) The Council Budget Director, or his or her designee;

“(C) Two members appointed by the Mayor:

“(i) One shall be a community representative, such as a leader of a public-interest group, labor union, civic association, or a tenant or housing association; and

“(ii) One shall be a representative of one or more important sectors of government contracting, such as construction, housing, or case management.

“(D) Two members appointed by the Chairman of the Council:

“(i) One shall be a community representative, such as a leader of a public-interest group, labor union, civic association, or a tenant or housing association; and

“(ii) One shall be a representative of one or more important sectors of government contracting, such as construction, housing, or case management.”

“(d) Meetings of the Advisory Group shall be conducted by the Commission's Executive Director, with meetings scheduled by the Executive Director as necessary to fulfill the statutory responsibilities of the Commission.

“(e) The Commission shall provide drafts of its recommended reforms to the Advisory Group in the form of reports. Advisory Group members may provide to the Commission written comments in response to those recommendations within a reasonable period of time, to be determined by the Executive Director, but not less than one month.

“(f) The Commission shall consider all written comments that are timely received from Advisory Group members under subsection (c) of this section and propose all final recommendations to the Council based on the comments received.

“(g) The voting members of the Advisory Group shall vote to approve the final recommendations proposed by the Commission, with a majority of voting members necessary to approve the recommendations, before their submittal to the Council.

“(h) The Commission shall compile and make publicly available a record of all written comments received from Advisory Group members under subsection (c) of this section.”

“§ 47-475 Authority.

“(a) The Commission and Advisory Group shall create and operate under its own rules of procedure, consistent with this subchapter and the Administrative Procedure Act, approved October 21, 1968 (D.C. Law 1-92, D.C. Official Code § 2-501 et seq.). Such rules shall not require a consensus vote of the Advisory Group in order to issue recommendations of the Commission.

“(b) All recommendations and reports prepared and submitted by the Commission shall be a matter of public record.

“(c) The Commission, or committees thereof, may, for the purpose of carrying out the provisions of this subchapter, hold hearings, and shall sit and act at such times and places and administer oaths as required.

“(d) The Commission shall have the authority to request directly from each department, agency, or instrumentality of the District Government, and each department, agency, or instrumentality is hereby authorized to furnish directly to the Commission upon its request, any information reasonably considered necessary by the Commission to carry out its functions under

this subchapter.

“(e) The Commission is authorized to use space and supplies owned or rented by the District government. The Commission is further authorized to use staff loaned from the Council or detailed by the Mayor for such purposes consistent with this subchapter as the Commission may determine.

“(f) The Commission’s operations shall be funded by annual appropriations, private sector assistance, or both.

“(g) If a special fund is established by the Commission for the receipt of operating donations from non-government sources, the fund shall be administered in accordance with established funding and auditing procedures of the District government. The expenditure of such donations shall not be subject to appropriation. The Commission shall keep a record, available to the public for inspection, of all such donations and any substantial non-government in-kind contributions received. The record shall include the full name, address, and occupation or type of business of each donor. “Substantial non-government in-kind contributions” shall include any service reasonably valued at more than \$5,000 which is received from any source other than the District or federal government.

“§ 47-476. Revenue and Expenditure Revision Commission – Comprehensive update cycles.

“(a) (1) No later than February 12, 2026, and every 10 years thereafter, the Commission shall submit to the Council and the Mayor a package of recommendations, draft legislation, regulations, amendments to existing regulations, and other specific steps for implementing the recommendations constituting:

“(A) a comprehensive update to the entirety of the District’s tax code and

other non-tax revenue sources;

“(B) a comprehensive set of recommendations to address inefficient expenditures and to improve the value of goods or services obtained through expenditures.

“(2) No later than one year prior to the due date of a 10-year comprehensive update as described in this subsection, Council may adopt, by resolution, priorities for the Commission’s subsequent comprehensive review cycle.

“(b) For the comprehensive update recommendations due to Council by February 12, 2026, the Commission shall include the following:

“(1)(A) Apportionment and tax preparation procedures necessary to enact a Business Activity Tax on gross receipts minus the sum of purchases from other businesses, rent, and capital expenditures;

“(B) Recommendations for Business Activity Tax rates necessary to serve as a revenue replacement for the business franchise tax, corporate franchise tax, unincorporated business franchise tax, and other taxes and fees levied on businesses;

“(2) An implementation plan for a split rate approach to real property taxation, both residential and commercial, to tax land and improvements at different rates. This shall include procedures for revising the District’s property assessment procedures to accurately assess the value of land minus improvements;

“(3) (A) Analysis of vehicle tolls and other transportation demand management policies such as parking fees, as future revenue sources, and recommended topics of further research and analysis, including the potential for such revenue to offset other revenue sources or be redistributed to residents.

“(B) In providing such recommendations, the Commission is authorized,

pursuant to § 47-464(e), to acquire and utilize draft materials from District agencies and contractors produced pursuant to the “Congestion Pricing Study Amendment Act of 2019”, effective September 11, 2019 (D.C. Law 23-16, D.C. Official Code § 50-921.21);

“(4) A revenue-neutral proposal for tax brackets and rates that improves progressivity in the District’s income tax;

“(5) An initial list of redundant functions or offices within and across District government;

“(6) An analysis of expenditure growth in the District’s fifteen largest agencies according to total budget and recommendations for slowing or reducing those expenditures;

“(7) Proposed revisions to the District’s contracting and procurement laws, regulations and practices to reduce delays, lower costs, and increase competition associated with District contracts; and

“(8) Amendments to the District code to improve agency financial controls, including specific protections against agency overspending;

“(9) Proposed revisions to the District’s tax code to decouple it from the federal tax code; and

“(10) An analysis of expenditure implications for the District of changes to Medicaid and the Supplemental Nutrition Assistance Program in recently enacted federal reconciliation legislation.”

“§ 47-477. Revenue and Expenditure Revision Commission – Yearly report on recommendations and technical updates.

“(a) For all years outside of a decennial comprehensive update as described in § 47-465, the Commission shall provide to the Mayor and Council a report with recommendations for

improvements and technical updates to the District’s code and regulations. Notwithstanding subsection (b) of this section, such recommendations shall be limited to one or more closely related revenue sources, expenditure reforms, or specific issue area.

“(b) (1) The Council may adopt, by resolution, requests for the Commission’s subsequent yearly report pursuant to this section.

“(2) A resolution may include appointment of no more than two temporary non-voting members of the Advisory Group, as described in § 47-464a, to serve as a subject matter expert for the subject of the requested yearly report. Such appointments shall expire 60 days after the issuance of the requested report.”

““Sec. xxx3. Subchapter VI of Title 47 is repealed.”

At page XX, lines XX-YY, Section 7204 is amended to read as follows:

“Sec. 7204. Section 7 of the Recidivism Reduction at DYRS Amendment Act of 2024, effective Mar 28, 2025 (D.C. Law 25-321; 72 DCR 1117), is repealed.”

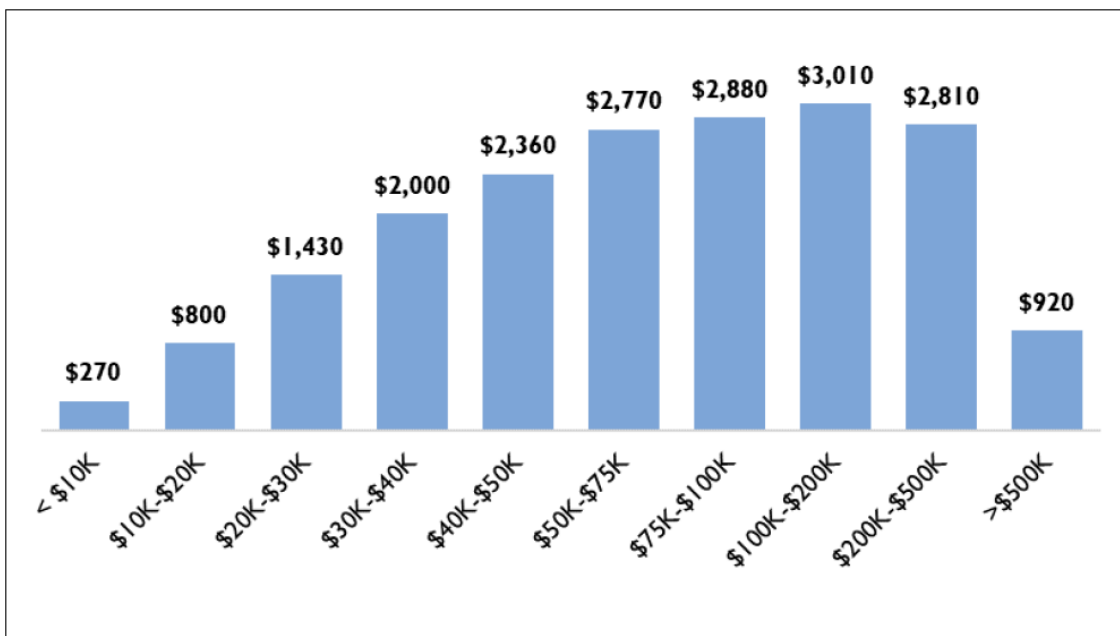
### Rationale:

This amendment accomplishes six things:

**First, this amendment strikes the Mayor’s proposed repeal of the District Child Tax Credit and repositions it to focus on families and children excluded from the full benefit of the federal child tax credit.**

The full benefit of the federal child tax credit only accrues to taxpayers with an adjusted gross income of between approximately \$75,000 and \$500,000 because a portion of the benefit is nonrefundable and federal law reduces the refundable benefit available for taxpayers with low income.<sup>1</sup> Accordingly, there are stark differences in the average federal child tax credit claimed by taxpayers across different income bands:

**Figure 5. Average Child Tax Credit for Taxpayers with Children by Income, 2022**



**Source:** Tax Policy Center Model T22-0241.

**Notes:** Taxpayers include both filers and nonfilers. Income is defined as expanded cash income (ECI), which equals cash income plus certain other tax-exempt forms of income and benefits like food stamps. These estimates include the \$500 credit for non-child-tax-credit-eligible dependents. Taxpayers with children are those claiming an exemption for children at home or away from home or with children qualifying for the child tax credit or earned income tax credit (EITC).

This disparity will likely increase slightly with the enactment of Public Law No: 119-21 (2025), which establishes a permanent federal child tax credit of \$2,200 but leaves in place existing restrictions on benefits to taxpayers with lower incomes and establishes additional requirements for claiming the benefit.<sup>2</sup>

<sup>1</sup> Congressional Research Service, The Child Tax Credit: How It Works and Who Receives It, Updated April 24, 2025, available at <https://www.congress.gov/crs-product/R41873>.

<sup>2</sup> See <https://www.congress.gov/bill/119th-congress/house-bill/1/text>; 26 U.S.C § 24.

**Second, the amendment raises revenue by implementing a surcharge on capital gains and closing a tax loophole that incentivizes high income taxpayers to claim income through unincorporated pass-through businesses to avoid paying their proper personal income tax rate.**

Capital Gains and qualified dividends (wealth-generated income) are taxed favorably on the federal level. For the highest incomes, work-income is taxed around 35% or 37%, while wealth-generated income is taxed at 20%. This is a 15%+ advantage for wealth-generated income. This proposal is a way to marginally offset this advantage towards wealth-generated income, but only for those with significant amounts of it within a tax year. Additionally, this proposal closes the loophole where wealth and wealth-generated income can effectively lower their tax rate by routing their personal income through an unincorporated business (UB), also known as a pass-through business. The proposal closes this loophole by converting the existing personal income deduction on UB income into an income tax credit for any UB tax paid.

Given rising wealth inequality and its detrimental effects on economic growth, as well as the federal context increasing the structural advantages of wealth and functionally increasing taxes on the poor, our city needs to balance our tax code in small ways to help make sure we are taking care of our most vulnerable children and families.

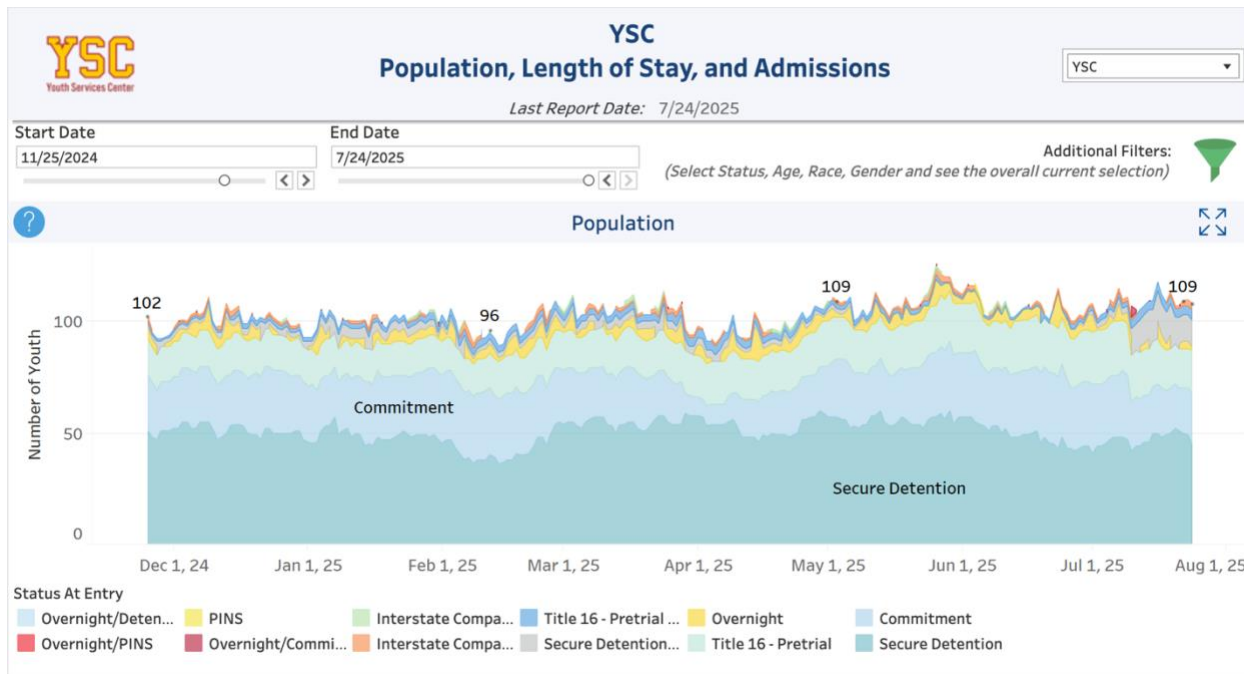
**Third, the amendment establishes a permanent revenue and expenditure commission.**

As many Councilmembers have spoken to in recent budget work sessions, there is a need to ramp up the District's efforts to control spending and rationalize our tax policy debate. Unfortunately, the mechanisms to accomplish both have faltered. A permanent revenue and expenditure commission would serve as an expert standing body to provide recommendations to the Mayor and Council on revisions to the District's tax code and other significant non-tax revenue sources; revisions to agency operations, contracts, and capital investments that could achieve existing results or policy objectives with reduced expenditures; and revisions to the District's contracting and procurement processes that could improve the value and longevity of District assets and services or better protect the District from fraud, waste, and abuse by contractors.

**Fourth, this amendment (along with a corresponding LBA amendment) will fund the Auditor components of the Recidivism Reduction at DYRS Amendment Act of 2024, effective Mar 28, 2025 (D.C. Law 25-321; 72 DCR 1117).**

Although the Committee on Youth Affairs funded components of the Recidivism Reduction, Oversight, and Accountability for DYRS Act of 2024 (ROAD Act) in committee, there remains an urgent need to fund the oversight functions this legislation places at the Office of the Auditor for the District of Columbia. Funding for the Office of Independent Juvenile Justice Facilities Oversight (OIJJFO) is expiring at the end of this fiscal year, which would leave the District's secure juvenile facilities without an independent monitor for the first time since the settlement of the *Jerry M.* litigation.

This could scarcely be a worse time for the Council to defund oversight of the Department of Youth Rehabilitation Services. Youth Services Center (YSC), DYRS's 98-bed facility that houses youth detained pretrial and those charged as adults (as well as those committed to DYRS custody and awaiting placement) [has been at or over capacity](#) for most of 2025.



When the facility is over capacity, youth are detained in parts of the facility that are not designed for multi-day use; time outside, services, and other activities are limited; staff are overburdened; and risks to youth increase. This month alone, two teenagers in DYRS custody were hospitalized after being assaulted at YSC. One of them, a transgender girl housed in a boys' unit, suffered a fractured jaw.

By funding the Auditor components of the ROAD Act, the Council can ensure that the legislation has the intended effect of reducing time spent at YSC (and by extension reducing the population of juveniles detained there) and provided much needed oversight of YSC.

**Fifth, this amendment (along with a corresponding LBA amendment) funds 102 additional permanent supportive housing vouchers for individuals as well as the additional staff at the Department of Human Services that are required to process those vouchers.**

One of the most acute gaps in the FY 26 budget is the lack of investment in housing supports for individuals who are chronically homeless and at imminent risk of becoming homeless. There are currently approximately 200 individuals in rapid re-housing for individuals who could lease in place if they received a voucher, which means the additional vouchers funded via these amendments can be put to immediate use.

**Sixth, the amendment (along with a corresponding LBA amendment) restores full funding for CHAMPS (the Child and Adolescent Mobile Psychiatric Service).**

ChAMPS plays an essential role in providing immediate, around-the-clock crisis intervention and mental health support for youth and families throughout the District. The program meets youth in crisis wherever they are, at home, school, or anywhere in our community. The program serves as a vital lifeline for children experiencing psychiatric emergencies, helping to stabilize crises, reduce unnecessary hospitalizations, and provide trauma-informed care in the community. The budget for the Department of Behavioral Health currently cuts funding for ChAMPS in half, which means that service will either only be available for four hours a day or (more likely) discontinued entirely because the provider and its employees cannot sustain the service on a part-time basis.