



Councilmember Matthew Frumin



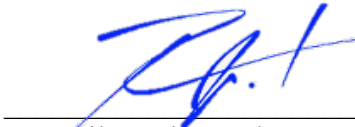
Councilmember Zachary Parker



Councilmember Brooke Pinto



Councilmember Brianne K. Nadeau



Councilmember Robert C. White, Jr.



Councilmember Wendell Felder



Councilmember Trayon White, Sr.



Councilmember Anita Bonds



Councilmember Janeese Lewis George



Councilmember Charles Allen

#### AN AMENDMENT

#### IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

Date: November 4, 2025

Offered by: Councilmembers Zachary Parker, Matthew Frumin, Brooke Pinto, Brianne K. Nadeau, Robert C. White, Jr., Wendell Felder, Trayon White, Sr., Anita Bonds, and Janeese Lewis George

To: B26-0457, the D.C. Income and Franchise Tax Conformity and Revision Emergency Amendment Act of 2025

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

On page 5, line 104, Section 2(c) is amended to read as follows:

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

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

“(A) Sub-sub-subparagraph (I) is amended by striking the phrase "of the District of Columbia" and inserting the phrase "of the State of Maryland or Commonwealth of Virginia, or any political subdivision of either, the District of Columbia," in its place.

“(B) Sub-sub-subparagraph (II) is amended by striking the phrase "of the District of Columbia" and inserting the phrase "of the State of Maryland or Commonwealth of Virginia, or any political subdivision of either, the District of Columbia," in its place.

“(C) A new sub-sub-subparagraph (III) is added to read as follows:

“(III) Shall not, and shall not have been required to, include interest on the obligations of a state, a territory of the United States, or any political subdivision thereof, or of a fund made up entirely of such bonds, acquired by the taxpayer before January 1, 2025, in the computation of District gross income, except that the exclusion shall not exceed \$40,000 during the taxable year.”.

“(2) New paragraphs (1B) and (1C) are added to read as follows:

“(1B) For taxable years beginning after December 31, 2024, individuals, estates and trusts who did not elect to itemize shall include any income deducted or otherwise excluded pursuant to § 170(p) of the Internal Revenue Code of 1986 for that taxable year.

“(1C) For taxable years beginning after December 31, 2024, individuals, estates and trusts shall include any income or gain excluded from their federal gross income pursuant to § 1202(a) of the Internal Revenue Code of 1986 for that taxable year.”.

On page 5, line 112, insert new subsections (d) and (e) to read as follows:

“(d) Section 47-1806.04(f)(1) is amended as follows:

“(1) Subparagraph (B-2) is amended by striking the number “85%” and inserting in its place the number “100%.

“(2) Subparagraph (B-3) is repealed.””

“(e) Section 47-1806.17 is revived as of October 1, 2024 and is amended to read as follows:

““§ 47-1806.17. Child tax credit.

“(a) For taxable years beginning after December 31, 2025, there shall be allowed a credit against the tax imposed by this chapter for each qualifying child of the taxpayer for which the taxpayer is allowed a deduction under section 151 of the Internal Revenue Code of 1986.

“(b)(1) The amount of the credit shall be calculated as follows:

“(A) For the taxable year beginning January 1, 2026, \$1000 for each qualifying child who has not reached the age of 18 years by December 31, 2025; and

“(B) For taxable years beginning after December 31, 2026, \$1000 for each qualifying child who has not reached the age of 18 years by December 31 of the taxable year, increased annually pursuant to the cost-of-living adjustment (if the adjustment does not result in a multiple of \$5, rounded down to the next multiple of \$5).

“(2) The amount of the credit shall be reduced by \$50 for each \$1,000 (or fraction thereof) by which the taxpayer's adjusted gross income exceeds the threshold amount; except, that the reductions cannot reduce the credit below zero.

“(3) 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.

“(c) The credit claimed under this section in a taxable year may exceed the taxpayer's tax liability under this subchapter for that taxable year and shall be refundable to the taxpayer claiming the credit. Any refunds paid to the taxpayer pursuant to this section shall not be considered income for the purpose of determining eligibility for or benefit amount of public assistance.

“(d) Notwithstanding any other provision of this section, a taxpayer shall not be eligible to receive a credit if:

“(1) The taxpayer does not claim the qualifying child as a dependent on the taxpayer's federal and District income tax returns for that taxable year; or

“(2) The taxpayer was not a resident of the District for the entire calendar year preceding the year in which a claim for this credit is filed.

“(e) For the purposes of this section, the term:

“(1) “Base year” means the calendar year beginning January 1, 2026, or the calendar year beginning one calendar year before the calendar year in which the new dollar amount of the credit amount or eligibility income threshold amount shall become effective, whichever is later.

“(2) “Consumer Price Index” means the average of the Consumer Price Index for All Urban Consumers for the Washington-Arlington-Alexandria, DC-MD-VA-WV Metropolitan

Statistical Area (or such successor metropolitan statistical area that includes the District), or any successor index, as of the close of the 12-month period ending on July 31 of such calendar year.

“(3) “Cost-of-living adjustment” means an amount, for any calendar year, equal to a dollar amount set forth in this section multiplied by the difference between the Consumer Price Index for the preceding calendar year and the Consumer Price Index for the base year, divided by the Consumer Price Index for the base year.

“(4) “Dependent” shall have the same meaning under section 152 of the Internal Revenue Code of 1986.

“(5) “Threshold amount” means the adjusted gross income reported on the taxpayer's return in the following amounts:

“(A) For the taxable year beginning January 1, 2026:

“(i) \$55,000 in the case of an unmarried individual filing as single, head of household, or qualifying widow(er);

“(ii) \$70,000 in the case of married individuals or registered domestic partners filing either jointly or separately on a combined return; or

“(iii) \$35,000 in the case of an individual filing as married filing separately.

“(B) For taxable years beginning after December 31, 2026, increased annually pursuant to the cost-of-living adjustment (if the adjustment does not result in a multiple of \$100, rounded down to the next multiple of \$100):

“(i) \$55,000 in the case of an unmarried individual filing as single, head of household, or qualifying widow(er);

“(ii) \$70,000 in the case of married individuals or registered domestic partners filing either jointly or separately on a combined return; or

“(iii) \$35,000 in the case of an individual filing as married filing separately.

“(6) “Qualifying child” shall have the same meaning as under section 152(c) of the Internal Revenue Code of 1986.”

On Page 5, line 112, strike the subsection label “(d)” and insert in its place “(e)”.

On Page 9, line 201, strike the subsection label “(e)” and insert in its place “(f)”.

On Page 13, line 290, strike the subsection label “(f)” and insert in its place “(g)”.

On Page 14, line 305, strike the subsection label “(g)” and insert in its place “(h)”

On Page 14, line 308, strike the subsection label “(h)” and insert in its place “(i)”.

On Page 14, line 309, strike the subsection label “(i)” and insert in its place “(j)”.

On Page 14, line 321, strike the subsection label “(j)” and insert in its place “(k)”.

On Page 15, line 328, strike the subsection label “(k)” and insert in its place “(l)”.

On Page 15, line 337, strike the subsection label “(l)” and insert in its place “(m)”.

On Page 18, line 399 insert a new section 3 to read as follows:

“Sec. 3. Conforming Amendments.

“(a) Sections 7062 and 7063 of TITLE VII, Subtitle G of the Fiscal Year 2026 Budget Support Act of 2025 (A26-0148, 72 DCR 9825), enacted on September 4, 2025, are repealed.

“(b) Sections 7062 and 7063 of TITLE VII, Subtitle G of the Fiscal Year 2026 Budget Support Emergency Act of 2025 (A26-0146, 72 DCR 9623), enacted on September 3, 2025, are repealed.

“(c) Sections 7062 and 7063 of TITLE VII, Subtitle G of the Fiscal Year 2026 Budget Support Congressional Review Emergency Act of 2025, enrolled on Nov. 4, 2025, are stricken.”

On Page 18, line 339, strike the section label “Sec. 3” and insert in its place “Sec. 4”

On Page 18, line 401, strike the section label “Sec. 4” and insert in its place “Sec. 5”

On Page 18, line 405, strike the section label “Sec. 5” and insert in its place “Sec. 6”

### Rationale:

The underlying emergency legislation increases District revenue by approximately \$670 million. This amendment would invest less than half of that revenue in District residents by making additional tax code reforms to (1) protect existing retirement investments of District seniors from changes to municipal bond taxation and keep investment interest from Maryland and Virginia municipal bonds tax free (along with DC); (2) provide immediate relief to struggling District residents by moving forward the District's 100% match of federal earned income tax credits to tax year 2025; and (3) reestablish a District child tax credit starting in tax year 2026 that is targeted at assisting families that do not receive the full benefits of the federal child tax credit.

### Municipal Bonds

First, the proposed amendment would make three changes to the District tax code with respect to municipal bonds. It would (a) exempt out-of-state municipal bonds purchased and held prior to January 1, 2025, from tax on interest, (b) cap the annual amount of exempted interest at \$40,000, and (c) expand exempted municipal bonds to include those issued by Maryland and Virginia jurisdictions. Taxes due on out-of-state bonds will be finalized and paid by taxpayers in spring 2026, when 2025 taxes are filed. Time is of the essence for the Council to amend the treatment of bonds purchased and held prior to January 1, 2025, and to protect the hard-earned retirement savings of seniors.

Municipal bonds are a key investment tool used in retirement planning because they promise a modest, stable return. Prior to January 1, 2025, income from out-of-state municipal bond interest was exempt from District taxes, and many retirees planned for retirement with this understanding in mind. However, the Fiscal Year 2025 Budget Support Act of 2024 (FY25 BSA) changed the treatment of out-of-state municipal bonds, requiring interest income to be taxed. While such income is commonly taxed in other jurisdictions, the District faces special circumstances. We have a large population, including many middle-income seniors, who rely on these investment vehicles as part of a very conservative retirement strategy. Additionally, while other states have a plethora of municipal bond investment opportunities that allow for diversification – a key to a low-risk retirement investment strategy – in the District, there are few options. The FY25 BSA exempted bonds issued by DC Water, the Washington Metropolitan Area Transit Authority, and the DC Housing Finance Agency; however, under the current rubric, those saving for retirement in the District have far less opportunity to diversify their conservative portfolio than those in other jurisdictions.

Since the Council changed the law to require taxation on out-of-state municipal bonds, District residents have voiced serious concerns about the impact on retirees living on fixed incomes who are reliant on municipal bond interest. Exempting bonds that were purchased and held prior to January 1, 2025, would protect the livelihood of those retirees who purchased bonds with the understanding that the interest would not be taxed. Out-of-state bonds that were purchased on or after January 1, 2025 – the effective date of the tax change – would not be exempted. Broadening the exemption going forward to include municipal bonds issued in Maryland and Virginia gives District residents saving for retirement the opportunity to diversify in a similar manner as those

in other jurisdictions. Capping the annual exempt interest at \$40,000 focuses relief on middle income seniors.

### Earned Income Tax Credit (EITC)

Second, the amendment moves forward the scale-up of the District's earned income tax credit (EITC) match from tax year 2029 to tax year 2025 to provide immediate relief to some of the District's most vulnerable residents. The District's EITC match allows working adults and parents earning less than \$60,000 per year to receive bigger tax refunds and allows those filers to claim the credit monthly. The District currently matches 85% percent of the federal EITC, so boosting that percentage by a modest amount will provide much needed resources to District taxpayers as soon as the filing season begins in 2026.

### Child Tax Credit

Third, the amendment establishes a child tax credit of \$1000 per child under 18, starting in tax year 2026. Recognizing that a child tax credit is among the most effective anti-poverty policies at its disposal, the Council previously adopted a District child tax credit in the Fiscal Year 2025 Budget Support Act; however, the Mayor repealed the credit in her proposed Fiscal Year 2026 Budget Support Act, and the Council was unable to identify funding to restore the credit. While restoring the child tax credit in tax year 2025 was the original intent of the amendment's drafters, the Office of Tax and Revenue of the Chief Financial Officer made clear that establishing an entirely new credit in tax year 2025 would be administratively challenging if not impossible given looming deadlines for the upcoming filing season. Incorporating the tax credit for tax year 2026 is nevertheless an important affirmation of the council's commitment to investing in District families.

Like the proposed child tax credit offered by Councilmember Parker at second reading on the Fiscal Year 2026 Budget Support Act, the credit offered in this amendment aims to fill gaps created by the federal child tax credit. While the OBBA makes permanent an enhanced federal child tax credit, that credit is not fully refundable, is not available to filers with incomes below \$2,500, and is phased in at 15% of income earned above \$2,500.<sup>1</sup> A Congressional Research Office analysis of the pre-OBBA federal child tax credit found that only 50% of taxpayers with children who made less than \$10K received the federal tax credit.<sup>2</sup> By contrast, virtually all taxpayers with children who made between \$75K and \$500K received the child tax credit. The CRO analysis also showed that the size of the average federal child tax credit claimed by taxpayers with children varied significantly by income level. Those making under \$10K received an average benefit of \$270/year; those making \$10K-20K received an average benefit of \$800/year; for \$20-30K: \$1,430/year for \$30K-\$40K: \$2,000/year; and peaking at approximately \$2,900/year for incomes between \$75K and \$500K.

---

<sup>1</sup> Kristin Kharrat and Emily Wielk, *How the OBBA Changes to the Child Tax Credit Will Impact Families*, Bipartisan Policy Center, Aug. 7, 2025, available at <https://bipartisanpolicy.org/blog/how-the-obbb-changes-to-the-child-tax-credit-will-impact-families/>.

<sup>2</sup> Brendan McDermot, *The Child Tax Credit: How It Works and Who Receives It*, Congressional Research Service, Aug. 14, 2025, available at [https://www.congress.gov/crs-product/R41873#\\_Ref512945788](https://www.congress.gov/crs-product/R41873#_Ref512945788).

The proposed District child tax credit accordingly focuses on single filers making below \$75,000 and joint filers making below \$90,000; however, single and joint filers with multiple children in higher income brackets will benefit too. Concentrating on residents in these income brackets also bolsters the local safety net for families that are particularly vulnerable to disruptions in federal safety net programs, including SNAP and WIC.

### Revenue Impacts

The revenue impacts of this amendment have been scored by the Office of Revenue Analysis and are as follows:

|                                                   | FY25        | FY26              | FY27              | FY28              | FY29              |
|---------------------------------------------------|-------------|-------------------|-------------------|-------------------|-------------------|
| Grandfather-in municipal bond investments         | \$ -        | \$ (13.52)        | \$ (8.23)         | \$ (8.64)         | \$ (9.06)         |
| Expand exempted bonds to include MD & VA          | \$ -        | \$ (1.62)         | \$ (1.18)         | \$ (1.26)         | \$ (1.34)         |
| Accelerate phase-in of District's 100% EITC Match | \$ -        | \$ (17.42)        | \$ (17.92)        | \$ (18.39)        | \$ (18.83)        |
| Establish a child tax credit of \$1000 per child  | \$ -        | \$ -              | \$ (55.26)        | \$ (55.26)        | \$ (56.72)        |
| <b>Parker Frumin Amendment Subtotal</b>           | <b>\$ -</b> | <b>\$ (32.56)</b> | <b>\$ (82.59)</b> | <b>\$ (83.55)</b> | <b>\$ (85.95)</b> |

\*all figures shown in millions

**As demonstrated in the chart below, this amendment does not impact the revised revenue spending that the Council approved in the FY 2026 Budget Support Act because it does not impact any FY 2025 revenue.** Section 7262 of the FY26 BSA is triggered if “Fiscal Year 2025 local revenues certified in the September 2025 revenue estimate exceed the annual revenue estimate incorporated in the approved budget and financial plan for Fiscal Year 2025 and Fiscal Year 2025 revenues exceed actual expenditures as estimated by the Chief Financial Officer no later than November 15, 2025.”<sup>3</sup>

In addition, this amendment will leave in place 58% of the revenue generated by the underlying emergency, including \$260 million in FY 2026.

<sup>3</sup> Fiscal Year 2026 Budget Support Act of 2025, available at <https://lims.dccouncil.gov/downloads/LIMS/57846/Meeting3/Enrollment/B26-0265-Enrollment16.pdf?Id=219480#page=174>.

|                                                                                           | FY25       | FY26       | FY27       | FY28       | FY29       | Total       |
|-------------------------------------------------------------------------------------------|------------|------------|------------|------------|------------|-------------|
| Increase in September Revenue Estimate (vs. June estimate)                                | \$ 13.60   | \$ 135.90  | \$ 103.80  | \$ 117.70  | \$ 122.80  | \$ 493.80   |
| The D.C. Income and Franchise Tax Conformity and Revision Emergency Amendment Act of 2025 | \$ 97.00   | \$ 157.30  | \$ 158.20  | \$ 148.10  | \$ 109.70  | \$ 670.30   |
| Parker/Frumin Amendment Subtotal                                                          | \$ -       | \$ (32.56) | \$ (82.59) | \$ (83.55) | \$ (85.95) | \$ (284.66) |
| Unappropriated Revenue (Emergency Adopted w/ Amendment)                                   | \$ 110.60  | \$ 260.64  | \$ 179.41  | \$ 182.25  | \$ 146.55  | \$ 879.44   |
| FY 2026 BSA Revised Revenue Spending                                                      | \$ (51.52) | \$ -       | \$ -       | \$ -       | \$ -       | \$ (51.52)  |

\*all figures shown in millions

Figures highlighted in yellow are based on the CFO's September briefing to councilmembers and will be updated when a FIS for the underlying emergency is produced.