

COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE OF THE WHOLE
1350 Pennsylvania Avenue, NW
Washington, DC 20004

MEMORANDUM

TO: Nyasha Smith, Secretary to the Council

FROM: Phil Mendelson, Chairman 
Councilmember Kenyan R. McDuffie 

DATE: October 30, 2025

RE: **Request to Place Measures on the Agenda for November 4, 2025 Legislative Meeting**

The following measures are placed on the agenda for the November 4, 2025 Legislative Meeting:

- **D.C. Income and Franchise Tax Conformity and Revision Emergency Declaration Resolution of 2025**
- **D.C. Income and Franchise Tax Conformity and Revision Emergency Amendment Act of 2025**
- **D.C. Income and Franchise Tax Conformity and Revision Temporary Amendment Act of 2025**

On July 4, 2025, President Trump signed H.R.1, the “One Big Beautiful Bill Act” (OBBBA) into law (Pub. L. 119-21). The law contains approximately 84 tax-related provisions. Since the District is a rolling conformity jurisdiction (i.e., the District’s tax code is coupled with the federal tax code unless specified in law), these tax provisions will automatically go into effect unless the Council takes action. Given that, the attached emergency legislation would decouple from tax provisions in the OBBBA that have a significant negative impact on the District’s revenues, including provisions that would allow for:

- No tax on overtime;
- An increased standard deduction;
- No tax on tips;
- A special depreciation allowance for qualified property; and
- A full expensing of domestic research and experimental expenditures.

It is necessary to decouple from these (and other) tax provisions in the OBBBA on an emergency basis for three reasons. First, according to estimates from the Office of the Chief Financial Officer, tax provisions in the OBBBA will reduce District revenues by roughly \$95 million in Fiscal Year 2025, and \$567 million from Fiscal Year 2025 through Fiscal Year 2029. With a protracted federal government shutdown, a projected revenue decline of nearly 2% from Fiscal Year 2025 to Fiscal Year 2026, and slow revenue growth projected thereafter, the District must be very thoughtful about how our revenues are expended. Second and relatedly, the Council have not had adequate time

to determine what, if any, tax provisions in the OBBBA should be adopted by the District. Moving this legislation on an emergency basis will give the Council more time to thoughtfully analyze and consider the various tax provisions of the OBBBA. Finally, several of these tax provisions—such as the no tax on overtime and no tax on tips—are retroactive to tax year 2025 or earlier. The Office of Tax and Revenue needs sufficient time to develop forms, guidance, etc., to effectuate any decoupling of these provisions.

Draft copies of the measures are attached. Please call me or Blaine Stum, Deputy Committee Director, at (202) 724-8092 if you have any questions.

cc: Members, Council of the District of Columbia
Council Officers