

Income/Franchise:

District of Columbia OTR Reminds of Upcoming Switch to Finnigan Apportionment and Repeal of Qualified Hi-Tech Benefit

Release: District of Columbia Tax Changes Take Effect October 1st, D.C. Office of Tax & Rev. (9/9/24). The District of Columbia (District) Office of Tax and Revenue (OTR) reminds “taxpayers, tax professionals, software providers, businesses and others about tax changes that will take effect October 1, 2024” – referencing recently enacted emergency legislation [see Act 25-0506 (D.C.B. 875), enacted without mayor’s signature 7/15/24, and *State Tax Matters*, Issue 2024-30, for more details on this emergency legislation], as well as pending permanent legislation known as the “Fiscal Year 2025 Budget Support Amendment Act of 2024 (Act 25-0550)” – and essentially switch from the Joyce to Finnigan apportionment method for tax years beginning after December 31, 2025 for combined reporting purposes, as well as repeal the 3% tax on capital gain from the sale or exchange of a “Qualified High Technology Company” investment. The reminder states that starting January 1, 2026, the District will change how it calculates taxes “for businesses that operate in multiple states” by transitioning to the Finnigan method, which “means that all the companies in a combined group will be treated as a single taxpayer.” Accordingly, the OTR explains that “when determining how much income is taxable in the District, the District will consider all the income from the entire group, even if some companies in the group don’t have a direct connection or nexus to the District.” Please contact us with any related questions.

URL: <https://otr.cfo.dc.gov/release/district-columbia-tax-changes-take-effect-october-1st-0>

URL: <https://lms.dccouncil.gov/Legislation/B25-0875>

URL: https://dhub.deloitte.com/Newsletters/Tax/2024/STM/240726_1.html

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