

This Week in State Tax (TWIST)

December 15, 2025



District of Columbia: Mayor signs FY 2026 Emergency Budget Support Act

On November 24, 2025, Mayor Muriel Bowser signed the District of Columbia Fiscal Year 2026 Budget Support Congressional Review Emergency Act of 2025 (B26-0450). The Act, which took effect immediately and is effective for 90 days, implements a range of tax measures incorporated into the enacted FY 2026 budget. The primary provisions of interest to the business community are summarized below.

Sales and Use Tax: The Act repeals the previously scheduled increase in the general sales and use tax rate. The levy was scheduled to increase from 6 percent to 6.5 percent on October 1, 2025, but will remain at 6 percent through September 30, 2026. The rate is currently scheduled to rise to 7 percent effective October 1, 2026. In addition, the Act legalizes commercial bingo and imposes a 7.5 percent sales tax on gross receipts from charges to play.

Hotel and Transient Accommodations Tax: The additional 1 percent tax on gross receipts from transient accommodations is extended through September 30, 2027; it was previously set to expire March 31, 2027. Beginning October 1, 2025, revenue from the surtax will be redirected from Destination DC to various City funds, with specific allocations for economic development in FY 2026 and 2027.

Combined Reporting (FAS 109) Tax Deduction: The Act delays the deduction for increased net deferred tax liability (FAS 109 deduction) resulting from combined reporting. The deduction may now be claimed for the first seven tax years beginning after December 31, 2029 (i.e., starting with tax year 2030). The FAS 109 deduction is intended to mitigate the financial statement impact on publicly traded companies required to file combined reports in the District. It allows a deduction for any increase in a combined group's net deferred tax liability that results from the adoption of combined reporting, spread over seven years, beginning with the 15th year of combined filing.

Ballpark Fee: The Act renames the "Ballpark Fee" as the "Sports Facility Fee" and repeals its sunset provision. Previously, the fee was scheduled to sunset on September 30, 2039, or on earlier or later repayment of the ballpark bonds. The Sports Facility Fee will continue indefinitely, and after all principal and interest on the associated bonds have been paid, revenues from the fee will be redirected to the RFK Campus Infrastructure Fund.

For more information on [FY 2026 Emergency Budget Support Act \(B26-0450\)](#), contact [Jeremy Jester](#) or [David Meyer](#).

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