



This Week in State Tax (TWIST)

February 16, 2026



District of Columbia: Congress reverses OB3 decoupling legislation

The U.S. Congress recently approved a joint resolution that would repeal legislation in the District of Columbia which severed the District from a number of provisions included in the One Big Beautiful Bill Act (OB3). Items from which D.C. decoupled include Internal Revenue Code (IRC) § 168(k) (bonus depreciation), IRC § 168(n) (bonus depreciation for qualified production property), IRC § 174A (full expensing of domestic Research & Experimental expenditures), and the amendments to IRC § 163(j) (interest expense disallowance) as well as most individual income provisions. Recall, D.C. conforms to provisions of the IRC on a rolling basis, so any changes made to the IRC automatically become law in the District unless it acts to decouple. In November 2025, the District passed two bills decoupling from OB3, one a 90-day temporary measure and another to make the decoupling permanent following approval from the Mayor Bowser and a subsequent 30-day review period in which Congress may overturn the legislation. [For details on [Bill B26-0457](#) and [Bill B26-0458](#), see our [TWIST of November 10, 2025](#)]. If the President signs the recently approved joint resolution, the District decoupling from OB3 would be nullified, and D.C. would conform to all the provisions set forth in OB3.

The D.C. City Council has expressed concern over whether the Senate action on the resolution on February 12, 2026, was within the permitted 30-day review period during which Congress may disapprove legislation approved by the Council. The Council contends the 30-day review period began in late December 2025 when the D.C. legislation was transmitted to Congress; the Senate takes the position that the 30-day period began when it published its notice of the law being passed in the Congressional record on January 7, 2026. The resolution is currently awaiting a signature from President Trump.

The D.C. Chief Financial Officer estimates that approval of the resolution will reduce city revenues by about \$650 million in FY 2026 and require the income tax filing season to be halted while new forms, systems and software are developed to accommodate the changes. Please contact [Tom Dexter-Rice](#) with questions about [House Joint Resolution 142](#).

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