PUBLIC HEARING ON

Combined Reporting Amendment Act of 2026

Bill 26-0708

Before
The Honorable Phil Mendelson, Chairman
Committee of the Whole

Council of the District of Columbia

September 16, 2026 at 2:00 p.m.
Room 412
John A. Wilson Building
1350 Pennsylvania Avenue, NW

Testimony of Aaishah Hashmi
Corporate Tax Counsel
Office of the Chief Financial Officer

Glen Lee
Chief Financial Officer
Government of the District of Columbia

Good morning, Chairman Mendelson and Members of the Committee of the Whole. My name is Aaishah Hashmi and I am Corporate Tax Counsel for the Office Chief Financial Officer ("OCFO"). I am pleased to testify for the OCFO on Bill 26-0708, the Combined Reporting Amendment Act of 2026 (the "Bill").

The purpose of my testimony is to explain the District's existing combined-reporting framework, the difference between the so called "Joyce" and "Finnigan" methods of apportionment, the District's transition to Finnigan, and why the Bill is necessary to implement that transition described in D.C. Official Code § 47–1805.02b.

I. Background

The District imposes a corporate franchise tax and an unincorporated business franchise tax on the income of businesses with a sufficient connection to, or nexus in the District. Combined reporting is a method by which a unitary business, which may be comprised of more than one separate legal entity, is reported on a combined report rather than each legal entity filing its own tax return with the District.

The District has already adopted mandatory combined reporting codified in § 47–1805.02a for unitary businesses beginning with tax years after December 31, 2010. Since that time, the District has followed what is known as the Joyce method for purposes of combined reporting. The Joyce method treats the individual corporate entity as the relevant taxpayer for nexus purposes.

In 2024, however, the Council enacted legislation codified in D.C. Official Code § 47–1805.02b which expressly provided for a transition from the Joyce method to the Finnigan method. D.C. Official Code § 47–1805.02b requires that, for tax years beginning after December 31, 2025, the combined group will be treated as one taxpayer for purposes of sourcing unitary receipts and that the numerator of the apportionment formula will be derived from all members of the combined group, regardless of whether an individual member has District nexus.

This Bill provides the conforming and technical amendments required to implement the transition from the Joyce method to the Finnigan method mandated by D.C. Official Code § 47–1805.02b for purposes of combined reporting.

II. What Is Apportionment?

Before explaining combined reporting and the difference between the Joyce and Finnigan methods, it is important to understand the concept of "apportionment" in this context. A business operating in multiple jurisdictions may earn income from activities occurring throughout the country. Apportionment is the mechanism used by jurisdictions to determine what portion of that business income is attributable to a particular jurisdiction for state or local tax purposes. The jurisdiction applies an apportionment formula to the business's relevant factors, such as receipts, to determine the portion properly attributable to that jurisdiction. Apportionment determines which piece of the pie a state can tax.

By way of example, if a company earns $100 million from its nationwide business, apportionment determines what portion of that $100 million may be taxed by a particular jurisdiction.

III. What Is Combined Reporting?

Combined reporting addresses situations in which multiple legally separate corporations operate together as a single unitary business and how their income should be apportioned.

Rather than allowing related corporations to determine their taxable income entirely on a separate-entity basis, combined reporting looks at the economic activities of the unitary group as a whole. The District then determines the portion of the group's income attributable to the District through the District's apportionment rules.

IV. Joyce and Finnigan: What Is the Difference?

The Joyce and Finnigan methods begin with the same basic concept: the income of a unitary business is combined. The difference between these methods is principally how the combined group's apportionment factors are determined, particularly the sales factor numerator.

Under the Joyce method, the members of the combined group are treated separately for purposes of determining whether their own activities are subject to the taxing jurisdiction. A member generally contributes its in-state receipts to the numerator only if that particular member has nexus in the jurisdiction.

Under the Finnigan method, the combined group is treated as a single taxpayer for apportionment purposes. When the combined group has nexus in the jurisdiction, the relevant in-state receipts of group members can be included in the numerator even if the individual member generating those receipts would not independently have nexus. Attached to my testimony is a chart illustrating a simple example of how the Joyce and Finnegan methods differ. As you can see, this chart assumes:

- A unitary business that is a combined group consisting of Companies A, B and C.
- Company A has nexus in the District and $10 million of its sales are apportioned to the District.
- Company B has nexus in the District and $2 million of its sales are apportioned to the District.
- Company C does not independently have nexus in the District but $8 million of its sales are apportioned to the District.

Under the Joyce method, Company C's $8 million generally would not be included in the District numerator because it does not have nexus in the District. However, under the Finnigan method, the combined group is treated as one taxpayer. Accordingly, the $8 million generated by Company C will be included in the District numerator because the combined group has nexus in the District.

This distinction can materially affect the amount of income apportioned to the District.

V. Conclusion.

This Bill is necessary to enact, amend, and repeal provisions of law necessary to implement the transition from the Joyce to Finnigan method of apportionment for combined reporting pursuant to D.C. Official Code § 47-1805.02b.

However, assuming this Bill is enacted during the remaining time in this Council Period, there is not sufficient time to implement the transition to the Finnegan method for tax year 2026. Therefore, the Office of Tax and Revenue requests that the applicability date for this Bill be amended to apply to tax years beginning after December 31, 2026. Likewise, a similar amendment to D.C. Official Code § 47-1805.02b should be enacted.

Thank you for the opportunity to provide this testimony. I am happy to answer any questions you may have.

Unitary Business	Nationwide Income		Income Apportioned to DC	
- Company A	$	10,000,000	$	10,000,000
- Company B	$	20,000,000	$	2,000,000
- Company C	$	80,000,000	$	8,000,000
	$	**100,000,000**	**$**	**20,000,000**

Unitary Business	Joyce Method	
- Company A (DC nexus)	$	10,000,000
- Company B (DC nexus)	$	2,000,000
- Company C (no DC nexus)	$	-
(numerator)	$	12,000,000
(denominator)	$	20,000,000
		60%
Total income apportioned to DC	**$**	**12,000,000**

Unitary Business (DC nexus)	Finnegan Method	
- Company A	$	10,000,000
- Company B	$	2,000,000
- Company C	$	8,000,000
(numerator)	$	20,000,000
(denominator)	$	20,000,000
		100%
Total income apportioned to DC	**$**	**20,000,000**