

# **District Child Tax Credit Amendment Act of 2023, Bill 25-190**

**The Committee on Business and Economic Development  
The Honorable Kenyan McDuffie, Chairman**

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Good morning, Chairman McDuffie, and members of the Committee on Business and Economic Development. I am Elissa Borges, Assistant General Counsel for the Office of Tax and Revenue of the District of Columbia. Thank you for the opportunity to provide testimony on behalf of the Office of Tax and Revenue (OTR) on Bill 25-190, the “District Child Tax Credit Amendment Act of 2023.”

As this Committee is aware, the District has enacted several refundable credits that a taxpayer may claim on their individual District income tax return. A *refundable* tax credit means that if the credit is larger than the tax owed, the taxpayer will receive a refund for the difference. For example, if a taxpayer owes \$100 in taxes and qualifies for a \$500 refundable credit, the taxpayer will receive a \$400 refund.

This bill amends Chapter 18 of Title 47 of the District Code to propose a new District child tax credit beginning in tax year 2026. To be eligible for the credit, the bill requires that the taxpayer claim the child as a dependent on both their federal and District income tax returns and that the child be under the age of 17 and meet the definition of a “qualifying child” under the Internal Revenue Code. The bill further requires that the taxpayer must be a resident of the District for a one year prior to claiming the tax credit.

The maximum amount of the credit is \$500 for each qualifying child (up to 3 children) if the taxpayer claims the child(ren) as a dependent(s) on both the taxpayer's federal and District tax return. Beginning in tax year 2027, the \$500 credit amount would be adjusted for inflation based on the applicable Consumer Price Index.

The income thresholds to claim the credit are \$100,000 for unmarried taxpayers or \$145,000 for married taxpayers filing jointly. The amount of the credit will be reduced by \$20 for each \$1,000 (or fraction thereof) by which the taxpayer's Adjusted Gross Income exceeds those threshold amounts.

OTR can implement the child tax credit as proposed with the following technical and clarifying amendments:

**Eligibility:**

(a) The taxpayer must claim each qualifying child as a dependent on both their federal and District tax return.

(b) The term "qualifying children" has the same meaning as under § 24(c)(1) of the Internal Revenue Code of 1986.

The term "dependent" has the same meaning as under § 152 of the Internal Revenue Code of 1986.

(c) The residency requirement for the prior year applies to the calendar year preceding the applicable taxable year.

**Threshold Amounts:**

(d) The threshold amount for unmarried individuals, such as head-of household and qualifying widow(er), will be \$100,000, the same amount for the filing status of single.

(e) The threshold amount for the filing statuses of (1) married filing separately on a combined return, (2) registered domestic partners filing separately on a combined return, and (3) registered domestic partners filing jointly will be \$145,000, the same amount for the filing status of married filing jointly.

(f) The threshold amount for taxpayers with the filing status of “married filing separately” will be \$72,500, fifty percent of the filing threshold for taxpayers filing as “married filing jointly”.

**Cost of Living Adjustments:**

(g) The cost-of-living adjustments will begin in tax year 2027, the second year of the implementation of this credit.

(h) The cost-of-living adjustments will apply to the threshold amounts as well as the amount of the credit.

Accordingly, I have attached to this testimony a mark-up of the bill with OTR’s proposed amendments which are in the nature of a substitute.

Thank you for the opportunity to testify. I am happy to answer any questions you may have.

**PROPOSED AMENDMENT IN THE NATURE OF A SUBSTITUTE:**

Sec. 2. Chapter 18 of Title 47 of the District of Columbia Official Code is amended as follows:

(a) The table of contents is amended by adding a new section designation to read as follows:

“§ 47-1806.17. Child Tax Credit.”

(b) A new section 47-1806.17 is added to read as follows:

“§ 47–1806.17. Child tax credit.

“(a) For taxable years beginning after December 31, 2025, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year with respect to each qualifying child of the taxpayer for which the taxpayer is allowed a deduction under § 151 of the Internal Revenue Code of 1986.

“(b)(1) The amount of the credit shall be calculated as follows:

“(A) For the taxable year beginning January 1, 2026, \$500 for each qualifying child up to a maximum of three qualifying children; and

“(B) For the taxable years beginning after December 31, 2026, \$500 for each qualifying child for up to a maximum of three qualifying children, increased annually pursuant to the cost-of-living adjustment (if the adjustment does not result in a multiple of \$5, rounded down to the next multiple of \$5).

“(2) The amount of the credit shall be reduced by \$20 for each \$1,000 (or fraction thereof) by which the taxpayer’s adjusted gross income exceeds the threshold amount; except, that the reductions cannot reduce the credit below zero.

“(3) In the case of a return made for a fractional part of a taxable year, the credit allowable under this subsection shall be reduced to an amount that bears the same ratio to the full credit provided as the number of months in the period for which the return is made to 12 months.

“(c) The credit claimed under this section in a taxable year may exceed the taxpayer’s tax liability under this subchapter for that taxable year and shall be refundable to the taxpayer claiming the credit. Any refunds paid to the taxpayer pursuant to this section shall not be considered income for the purpose of determining eligibility or benefit amount for public assistance.

“(d) Notwithstanding any other provision of this section, a taxpayer shall not be eligible to receive a credit if:

“(1) The taxpayer does not claim the qualifying child as a dependent on the taxpayer’s federal and District income tax returns for that taxable year; or

“(2) The taxpayer was not a resident of the District for the entire calendar year preceding the taxable year for which credit is claimed.

“(e) For the purposes of this section, the term:

“(1) “Base year” means the calendar year beginning January 1, 2026, or the calendar year beginning one calendar year before the calendar year in which the new dollar amount of a deduction or exemption shall become effective, whichever is later.

“(2) “Consumer Price Index” means the average of the Consumer Price Index for All Urban Consumers for the Washington-Arlington-Alexandria, DC-MD-VA-WV Metropolitan Statistical Area (or such successor metropolitan statistical area that includes the District), or any successor index, as of the close of the 12-month period ending on July 31 of such calendar year.

“(3) “Cost-of-living adjustment” means an amount, for any calendar year, equal to the dollar amount set forth in this section multiplied by the difference between the Consumer Price Index for the preceding calendar year and the Consumer Price Index for the base year, divided by the Consumer Price Index for the base year.

“(4) “Dependent” shall have the same meaning under § 152 of the Internal Revenue Code of 1986.

“(5) “Threshold amount” means the adjusted gross income reported on the taxpayer’s return in the following amounts:

“(A) For the taxable year beginning January 1, 2026:

“(i) \$100,000 in the case of an unmarried individual filing as single, head of household, or qualifying widow(er);

“(ii) \$145,000 in the case of married individuals or registered domestic partners filing either jointly or separately on a combined return; or

“(iii) \$72,500 in the case of an individual filing as married filing separately.

“(B) For the taxable year beginning after December 31, 2026, increased annually pursuant to the cost-of-living adjustment (if the adjustment does not result in a multiple of \$100, rounded down to the next multiple of \$100):

“(i) \$100,000 in the case of an unmarried individual filing as single, head of household, or qualifying widow(er);

“(ii) \$145,000 in the case of married individuals or registered domestic partners filing either jointly or separately on a combined return; or



“(iii) \$72,500 in the case of an individual filing as married filing separately.

“(5) “Qualifying child” shall have the same meaning under § 24(c)(1) of the Internal Revenue Code of 1986.