

## District of Columbia

The District of Columbia is a unique state-local entity, which presents particular challenges. D.C. is not ranked against the other states but the model does calculate the city's total effective tax rates (TETRs) for Tier One firms – corporate headquarters, R&D facility, and retail operation. Tier Two firm types are not considered in this study for D.C.

- D.C. has above-average tax burdens for all mature firm types. For example, the corporate headquarters has a TETR of 16.1 percent, 3 percent above the national average. However, the R&D facility faces an 18.5 percent TETR, more than 43 percent above the national average. This operation bears one of the highest income tax burdens in the nation and above-average burdens for both sales and property taxes. These same factors affect the retail operation, which has a TETR of 19.3 percent.
- For new firms, the retail operation in D.C. has a TETR of 40.1 percent, 23 percent above the national average. The corporate headquarters has a total tax burden more than 38 percent above the national average, while the R&D operation's tax burden is more than 80 percent above the average. All of these firm types have similar factors affecting their tax situation: one of the highest corporate income tax rates in the nation and one of the highest property tax burdens (largely because of a heavy tax on equipment). Generally, they do have moderate unemployment insurance and sales tax burdens. D.C. does not offer any tax incentives, which gives it a disadvantage to some other states.

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### Corporate income tax

Main tax rate	9.975%
Applies to income over	–
Specific adjustments:	
- s.199 deduction disallowed	

Apportionment	Property	Payroll	Sales
Standard factors	33.3%	33.3%	33.3%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			Yes
Interstate services income apportionment			IPA

### Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate <sup>a</sup>	Land	Buildings	Equipment	Inventory
Tier 1	Washington	6.500%	1.850%	1.850%	3.400%	–
Tier 2	n/a	–	–	–	–	–

a. Manufacturing machinery is subject to sales tax

### Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
2.70%	\$9,000	n/a	Tier 1	n/a	n/a	n/a	n/a
			Tier 2	n/a	n/a	n/a	n/a

### Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	n/a							
Job creation	n/a							
Withholdings	n/a							
R&D	n/a							
Property tax	n/a							

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

### Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	n/a%	n/a%	n/a%	n/a%	22.3%	26.6%	40.1%		n/a%	n/a%	n/a%	n/a%	16.1%	18.5%	19.3%			
Index	n/a	n/a	n/a	n/a	138.2	180.5	122.9	n/a	n/a	n/a	n/a	n/a	102.9	143.4	113.7	n/a		
Rank	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		

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