#48

District of Columbia

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
48	32	46	43	47	24

The District of Columbia's tax code includes all major tax types and has traditionally ranked among the bottom 10 on the *Index*, though it has a "phantom" rank and does not affect the ranks of the 50 states. Washington, DC, has a highly progressive individual income tax with seven tax brackets, a top marginal rate of 10.75 percent, and no adjustment of tax brackets for inflation—especially damaging in a jurisdiction that is prohibited from taxing nonresidents' income by federal law, meaning that DC workers can benefit from lower income taxes by moving to Virginia or Maryland even if they continue to work in DC.

The District of Columbia's corporate income tax has a relatively high rate of 8.25 percent, comparable to Maryland but considerably higher than Virginia. The district has no throwback rule and does not impose gross receipts or capital stock taxes, but it includes global intangible low-taxed income (GILTI) in its corporate tax base, making it an outlier nationwide, and does not allow full expensing. In addition to denying Section 168(k) expensing to C corporations, the District caps small business expensing under Section 179 at $25,000.

The District of Columbia also has one of the highest property tax burdens in the nation. In addition to real property, it taxes personal property but provides a generous de minimis exemption of $225,000 for small and medium-sized businesses. This exemption, however, is the only one in the nation that is exclusively a liability exemption and not a filing exemption, forcing small businesses to bear all the compliance costs even if they have no liability due to the exemption. Washington, DC, also imposes an estate tax with a maximum rate of 16 percent and an exemption of approximately $4.9 million, well below the current federal threshold.