



COUNCIL OF THE DISTRICT OF COLUMBIA
OFFICE OF COUNCILMEMBER BROOKE PINTO
THE JOHN A. WILSON BUILDING
1350 PENNSYLVANIA AVENUE, N.W., SUITE 106
WASHINGTON, D.C. 20004

September 25, 2024

Nyasha Smith, Secretary
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W.
Washington, DC 20004

Dear Secretary Smith,

Today, Councilmember Matthew Frumin and I, along with Councilmember Christina Henderson, are introducing the “Fair Taxation of Municipal Bonds Amendment Act of 2024.” This bill would exclude from taxation out-of-state municipal bonds acquired prior to January 1, 2025.

Municipal bonds are a key investment tool used in retirement planning because they promise a modest but stable return for a secure future. Income from out-of-state municipal bond interest has always been exempt from District taxes, and so many retirees planned for retirement with this understanding in mind. However, the enactment of the Fiscal Year 2025 Budget Support Act of 2024 (“FY25 BSA”) brings a drastic change to those plans: all interest earned on out-of-state municipal bonds starting on January 1, 2025, will be subject to taxation in the District. While this change attempted to bring the District in line with many other states on how municipal bonds are taxed, it failed to protect the careful planning of many residents, including many of our seniors.

Prior to enacting the FY25 BSA, the Council heard numerous concerns from constituents about the impact this change would have on retirees who are living on fixed incomes reliant on municipal bond interest. Our constituents urged the Council to maintain the tax exemption for bonds that were currently held and had been purchased with a good-faith belief and understanding that the bond interest would not be taxed.

A handful of other states, including Utah, similarly removed a tax exemption for out-of-state bonds but maintained the exemption for bonds that had been acquired prior to this change. We heard some concerns about the feasibility of differentiating how bond interest is taxed based on the bond acquisition date. However, recent conversations with representatives from the Utah State Tax Commission, which implements Utah’s tax laws, revealed that these fears were overblown; Utah reported no major issues implementing their law or confusion from bondholders in identifying the acquisition dates of their bonds.

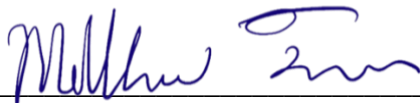
Since the Council passed the FY25 budget, my office has continued to hear from retirees on fixed incomes with serious concerns about the impact that taxing currently held bonds will have on their livelihood. Tax due on out-of-state bonds will not be paid by taxpayers until spring 2026, when 2025 taxes are filed. As a result, there remains a short window of time in which the Council may pass this protection into law and protect a stable financial future for our seniors who are impacted.

Should you have any questions about this legislation, please contact my Legislative Director, Linn Groft, at lgroft@dccouncil.gov or (205) 440-7600. Thank you.

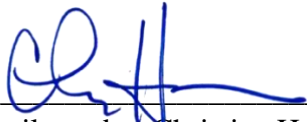
Best,

A handwritten signature in blue ink, appearing to read "BE PINTO".

Brooke Pinto


Councilmember Matthew Frumin


Councilmember Brooke Pinto


Councilmember Christina Henderson

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

1 To amend Chapter 18 of Title 47 of the District of Columbia Official Code to maintain the tax
2 exemption for out-of-state municipal bonds acquired prior to October 1, 2024.

3
4 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may
5 be cited as the “Fair Taxation of Municipal Bonds Amendment Act of 2024”.

6 Sec. 2. Section 47-1803.02(a)(1)(B)(ii) of the District of Columbia Official Code is amended by
7 adding a new sub-subparagraph (III) to read as follows:

8 “(III) Shall not, and shall not have been required to, include
9 interest on the obligations of a state, a territory of the United States, or any political subdivision
10 thereof acquired by the taxpayer before January 1, 2025, in the computation of District gross
11 income.”

12 Sec. 3. Fiscal impact statement.

13 The Council adopts the fiscal impact statement in the committee report as the fiscal
14 impact statement required by section 4a of the General Legislative Procedures Act of 1975,
15 approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

16 Sec. 4. Effective date.

17 This act shall take effect after approval by the Mayor (or in the event of veto by the
18 Mayor, action by the Council to override the veto), a 30-day period of congressional review as
19 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
20 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of
21 Columbia Register.