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Councilmember Frumin Introduces Legislation to Address Income Tax Avoidance Strategy and Raise Over $130 Million for District Services

WASHINGTON, DC *(September 22, 2026)* — On September 16, 2026, Ward 3 Councilmember Matthew Frumin introduced the "Pied-à-Terre Property Tax Amendment Act of 2026," to address a reality that certain owners of luxury second homes strategically avoid paying DC income taxes.

"Across the District, there are homeowners who are careful to live here for one day less than the 183-day statutory residency test and instead establish residency in a low- or no-tax state," said **Councilmember Frumin**. "These wealthy owners benefit from District infrastructure, services, and amenities for nearly half the year, but pay zero income tax to DC. This tax avoidance strategy shifts the financial burden onto resident taxpayers. This bill ensures that those who use DC as a part-time residence pay their fair share."

The bill establishes a new Class 1C property tax category that applies to select non-owner-occupied residential properties that carry an assessed value of $2.558 million or greater and for which the owner does not claim the District's homestead deduction.

Key Features of the Bill:

- **Targeted Tax Rate:** Class 1C properties will be taxed at $2.50 per $100 of assessed value. This rate equates to half the District's vacant property tax rate, reflecting that these luxury homes sit empty for at least half the year.

- **Highly Narrow Scope:** According to the Office of Revenue Analysis, the Class 1C designation will apply to roughly 600 properties out of 371,606 housing units across the District.
- **Significant Revenue Impact:** Over the District's four-year financial plan, the measure is projected to raise more than $130 million to support core priorities, including homeless services, education, health care, and public safety.
- **Exemptions:** The bill carefully exempts properties that are unoccupied for more than half the year for reasons other than tax avoidance, such as those undergoing active construction, homes with long-term tenants paying market rent, properties owned by federal appointees or members of Congress, and homes actively listed for sale or rent at market rates for up to nine months.

The proposed legislation comes at a crucial moment for DC's economy. According to recent estimates from the Chief Financial Officer, the District has lost 47,000 jobs year-over-year, including a decline of 28,000 federal jobs since January 2025. With unemployment at 6.1 percent, office vacancy rates reaching 18.5 percent, and building permits down 23 percent year-over-year, revenue growth has slowed even as inflation drives up the cost of delivering municipal services and infrastructure repairs.

The introduction builds on several years of work by Councilmember Frumin on the pied-à-terre concept, aiming to modernize and balance the District's tax code. The DC Council's Committee of the Whole will hold a public hearing on tax policy on Friday, October 16, 2026, where the Pied-à-Terre Property Tax Amendment Act of 2026 will be included in the discussion.

The full text of the bill is available on the bill page on the DC Legislative Information Management System (LIMS).

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