





## EY Payroll NewsFlash

### Workforce Tax Services

Tax. Benefits. Human Resources.  
Working together with you.



 Contact us for more information

 Join us on LinkedIn

Vol.23, 101  
October 10, 2022

## District of Columbia withholding instructions and tables do not currently reflect tax increases that were effective January 1, 2022

The District of Columbia's Office of Tax and Revenue (OTR) has clarified through discussions that although [FR-230, Income Tax Withholding Instructions and Tables](#) was last updated in 2018, employers are responsible for withholding income tax according to the changes effective January 1, 2022 under [Act 24-0176](#) (*The Income Tax Fairness Amendment Act of 2021*, p. 211). The Act increased the top tax rate from 8.95% to 10.75% on income over \$1 million and adjusted the wage brackets. The OTR confirmed that it has not yet updated FR-230 to reflect changes under the Act but employers, nonetheless, will be liable for any underwithholding that is the result of using the most current FR-230 ([rev. 2018](#)) on its website. (*Telephone conversation, OTR, 10-6-2022.*)

Businesses should note that the change in the highest tax rate also applies to withholdings on lump sum pension distributions, which, effective January 1, 2022, are subject to a tax rate of 10.75% rather than 8.95%. ([OTR Tax Notice 2012-02.](#))

### Background

On September 27, 2021, D.C. Mayor Muriel Browser signed into law Act 24-0176, which included a measure that, effective January 1, 2022, raised the top income tax rate from 9.75% to 10.75% on income over \$1 million and adjusted the wage brackets such that tax increases apply to individuals earning more than \$250,000.

On September 2, 2022, the OTR issued a [notice](#) on its website that includes the tax rate schedule that applies for tax year 2022. The 2022 tax rate schedule was also posted to the OTR's *Individual and Fiduciary Income Tax* [page](#); however, as previously mentioned, as of the date of this Alert, the withholding instructions and tables were last updated in 2018.

On the following page is a comparison of the tax rate schedules contained in the 2018 FR-230 and the tax rate schedule that applies effective January 1, 2022 under Act 24-0176.

**District of Columbia tax rates effective January 1, 2022**

If the taxable income is:	The tax is:
Not over \$10,000	4% of the taxable income
Over \$10,000 but not over \$40,000	\$400, plus 6% of the excess over \$10,000
Over \$40,000 but not over \$60,000	\$2,200, plus 6.5% of the excess over \$40,000
Over \$60,000 but not over \$250,000	\$3,500, plus 8.5% of the excess over \$60,000
Over \$250,000 but not over \$500,000	\$19,650, plus 9.25% of the excess over \$250,000
Over \$500,000 but not over \$1,000,000	\$42,775, plus 9.75% of the excess above \$500,000
Over \$1,000,000	\$91,525, plus 10.75% of the excess above \$1,000,000

**District of Columbia tax rates in the 2018 revision of FR-230 (effective 2016-2021)**

If the taxable income is:	The tax is:
Not over \$10,000	4% of the taxable income
Over \$10,000 but not over \$40,000	\$400, plus 6% of the excess over \$10,000
Over \$40,000 but not over \$60,000	\$2,200, plus 6.5% of the excess over \$40,000
Over \$60,000 but not over \$350,000	\$3,500, plus 8.5% of the excess over \$60,000
Over \$350,000 but not over \$1,000,000	\$28,150, plus 8.75% of the excess above \$350,000
Over \$1,000,000	\$85,025, plus 8.95% of the excess above \$1,000,000

**Contact us for more information**

**Workforce Tax Services - Employment Tax Advisory Services**

**Kristie Lowery**  
[kristie.lowery@ey.com](mailto:kristie.lowery@ey.com)

**Ken Hausser**  
[Kenneth.hausser@ey.com](mailto:Kenneth.hausser@ey.com)

**Debera Salam**  
[debera.salam@ey.com](mailto:debera.salam@ey.com)

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting or tax advice or opinion provided by Ernst & Young LLP to the reader. The reader is also cautioned that this material may not be applicable to, or suitable for, the reader's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The reader should contact his or her Ernst and Young LLP or other tax professional prior to taking any action based upon this information. Ernst & Young LLP assumes no obligation to inform the reader of any changes in tax laws or other factors that could affect the information contained herein. Copyright 2022. Ernst & Young LLP. All rights reserved. No part of this document may be reproduced, retransmitted or otherwise redistributed in any form or by any means, electronic or mechanical, including by photocopying, facsimile transmission, recording, rekeying, or using any information storage and retrieval system, without written permission from Ernst & Young LLP.