FREE REFERENCE

District of Columbia business taxes, explained for 2026

Small businesses in District of Columbia register with the state revenue agency for income tax withholding and sales tax, and with the DC Department of Employment Services for unemployment tax. District of Columbia has income tax rates from 4% to 10.75%, a 6% state sales tax and a $9,000 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** Income tax rates from 4% to 10.75% for 2026
- **Sales tax.** 6% state rate, about 6% combined with local
- **Unemployment.** Employers pay District of Columbia unemployment tax on the first $9,000 of each worker's 2026 wages

What taxes does a small business pay in District of Columbia?

Most District of Columbia businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in District of Columbia?

Before your first payroll in District of Columbia:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a District of Columbia withholding account with the District of Columbia revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the DC Department of Employment Services. For 2026, the tax applies to the first $9,000 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to District of Columbia's new hire registry, usually within 20 days.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a District of Columbia sales tax permit?

If you sell taxable goods or services in District of Columbia, yes. Register with the District of Columbia revenue agency before your first taxable sale. Out-of-state sellers need one once they pass District of Columbia's economic nexus threshold.

SALES TAX IN DISTRICT OF COLUMBIA, MIDYEAR 2026	RATE
State rate	6%
Average local rate	0%
Average combined rate	6%
Highest local rate	0%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does District of Columbia tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay District of Columbia income tax on it at the personal rates: income tax rates from 4% to 10.75%. District of Columbia allows a standard deduction of $16,100 single and $32,200 joint.

Estimate yours with the District of Columbia income tax calculator.

Where are District of Columbia's tax forms and refund status?

- District of Columbia tax forms
- District of Columbia revenue agency
- District of Columbia refund status
- DC Department of Employment Services

Every state's links are on our state tax forms page.

Which calculators work for District of Columbia?

- District of Columbia paycheck calculator: take-home pay after every deduction
- District of Columbia income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with District of Columbia unemployment

Common questions

Do I need a sales tax permit in District of Columbia?
Yes, if you sell taxable goods or services there. Register with the District of Columbia revenue agency before your first taxable sale.

What is the District of Columbia unemployment wage base for 2026?
$9,000. Employers pay District of Columbia unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does District of Columbia have a state income tax?
Yes. District of Columbia has income tax rates from 4% to 10.75% for 2026.

Who runs payroll taxes in District of Columbia?
The District of Columbia revenue agency handles income tax withholding, and the DC Department of Employment Services handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

eminenttax.com