



INVEST IN DC

Why DC Should Have a Uniform Alcohol Tax of 10 Percent

It's time for the District to make its sales tax on alcohol consistent, logical and easy to understand by applying a 10 percent rate whether or not the alcohol is consumed on the premises.

Right now, DC's approach to taxing alcohol is unequal and confusing. If you order a glass of wine at a restaurant, a 10 percent sales tax will be charged. The tax is different if you purchase a bottle of wine and bring it home. In that case, the sales tax is only 9 percent.

Setting the alcohol tax at 10 percent uniformly has several advantages. First, it would make the city's approach to taxing alcohol easy to understand. It also would raise \$3 million in general revenue, which could help the District preserve important services during this economic downturn.

Alcohol is taxed differently than most goods. The District's general sales tax rate is 6 percent. However, certain consumer goods are taxed at other levels. Items considered necessities, such as unprepared food purchased at a grocery store and non-prescription drugs, are not subject to the sales tax at all. The reason is that taxes should not hinder the ability of residents to meet basic needs.

Items of a more luxury nature, by contrast, are taxed at a higher rate. This includes restaurant meals, which are taxed at a 10 percent rate.

Although alcohol might be purchased at a grocery store, it is not a basic need. Therefore, it is reasonable to subject it to the prepared foods tax rate of 10 percent.

It is unclear why alcohol is charged at 9 percent when not consumed on the premises, but 10 percent when it is consumed on site. Setting the rate at 10 percent for all alcohol purchases would put all businesses selling alcohol on a level playing field and would simplify DC's sales tax.