Fair Budget Coalition

INVEST IN DC

Support a Balanced Approach to DC's Recession and Budget Crisis

The crushing national recession has brought hardship to DC families. Unemployment has more than doubled over the past two years and public needs are rising dramatically — but the District has fewer resources to meet those needs because revenues have collapsed.

To make it through this crisis, it's important for DC's response to preserve crucial investments in health care, education, social services, and affordable housing. Most states are taking a balanced approach to the recession. Instead of only cuts, they also have used reserve funds and raised taxes. That's the reasonable course; there is no single way to solve a problem this big.

A cuts-only approach will hurt families that are struggling to stay afloat. And it will jeopardize the District's ability to make the most of prosperity when it returns. Deep cuts in schools, libraries, recreation centers, homeless services, and other building blocks of a strong economy already threaten our wellbeing now and in the future.

A balanced approach means new revenue to maintain services and meet growing needs:

- **Increase the income tax for the wealthiest.** DC residents making $40,000 a year and those who make $1 million pay the same income tax rate today. Increasing the rate on those making more than $200,000 a year would raise up to $40 million and affect less than 5% of households.

- **End DC's tax exemption for interest paid on out-of-state bonds.** Only DC and Indiana provide income tax breaks for residents that invest in other states' infrastructure. Eliminating this exemption would raise $10 million and help give District residents an incentive to invest in DC's roads and bridges, rather than in other states' projects.

- **Update the sales tax to include more services.** DC's sales tax was created at a time when people spent more on goods than services. Today it's the other way around. Adding more services to DC's general sales tax — like pet grooming, health club memberships, and theater tickets — would raise more than $14 million.

- **Increase the minimum tax on businesses.** Nearly two-thirds of DC businesses pay only $100 a year in taxes. Increasing the minimum tax to $250 would raise $3 million or more.

- **Bring parity to the alcohol tax.** Alcohol consumed at a restaurant is taxed at 10 percent. Bought at a store, it's taxed at 9 percent. Setting both rates at 10 percent would raise $3 million.

- **Tap into the DC's "Rainy Day Fund."** The city has set aside almost $300 million in reserve funds for tough times, but overly restrictive federal rules keep that money off limits. City leaders should work with Congress to ease these onerous rules.