



June 23, 2014

The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia  
The John A. Wilson Building  
1350 Pennsylvania Avenue, NW Room 504  
Washington, DC 20001

Dear Chairman Mendelson,

On behalf of the Federal City Council, the DC Chamber of Commerce and the DC Fiscal Policy Institute, we would like to encourage the D.C. Council to oppose efforts to replace the sales tax on health club services with the delay of a broad-based business tax cut for all District businesses.

We support the D.C. Council's actions to endorse the recommendations of the D.C. Tax Revision Commission through wide ranging tax reform that makes District of Columbia tax policy fairer and more competitive. The expansion of the District's sales tax to various services is just one part of an overall package that reduces tax rates across the board on District residents and businesses. Overall, a typical resident who pays the new health club service tax will benefit with eight to 12 times as much tax relief from tax reductions elsewhere in the tax cut package.

One of the primary tenets of good tax policy is that it should limit distortions to the economy and the best way to do this is through a broad base and low rates. Although it is tempting to use tax policy to achieve policy goals, there are almost always more effective ways to promote policy objectives. Case in point: by one measure, 67 percent of people who pay for gym memberships don't use them; how will giving these residents a tax break promote health outcomes? Residents do pay for all sorts of things that promote their health that are subject to the sales tax already including sporting gear and sporting apparel. If we exempt everything with a health benefit from the sales tax, rates would be driven even higher.

If D.C. approves this sensible tax policy, we will be in good company. Among the 45 states that levy a sales tax, nearly half (22 states) already tax fitness club memberships. This list includes Minnesota, Connecticut, New Mexico, and Hawaii -- four of the 10 states with the lowest obesity rates in America.

In addition to the organizations that we represent, there has been overwhelming support for the DC Council's stand for good tax policy ranging from the Washington Post, Vox, the New York Times, The Atlantic, the Tax Foundation, and the Cato Institute.

Letter on Health Club Services Tax, June 23, 2014

The proposed health club services tax takes an important step towards a fairer tax system. Replacing it with something else will benefit a small group of taxpayers and businesses at the expense of the entire city and business community. We encourage you to make a statement in favor of good tax policy and good government by expanding the sales tax to a range of services including health clubs in the DC Council's tax cut package.

Sincerely,

Anthony A. Williams  
CEO and Executive Director  
Federal City Council

Harry Wingo  
President and CEO  
D.C. Chamber of Commerce

Ed Lazere  
Executive Director  
D.C. Fiscal Policy Institute

cc: Members of the Council of the District of Columbia