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New Revenue from Online Sales Tax Should Be Used for Resident Needs, Not Business Tax Cuts

As DC moves to implement a 2018 Supreme Court decision that allows cities and states to collect sales taxes on all online purchases, the city should use that additional revenue to meet high-priority needs—including housing, schools, and health care—according to a number of community-based organizations (listed below). It should *not* use that revenue to cut property taxes for businesses, as proposed in legislation that is being considered by the DC Council.

Being able to collect sales tax on online purchases is increasingly important as a growing share of purchases are being made online. It also creates fair treatment between online retailers and local brick-and-mortar retailers by ensuring that both collect sales taxes, rather than allowing online retailers to have tax-free advantage.

The legislation to expand the sales tax, allowed under the 2018 *South Dakota vs. Wayfair* Supreme Court decision, would raise \$20 million a year. Those resources could be used to support urgent needs, from schools to housing to Metro. This would be consistent with DC Council's intent expressed in 2013, when it adopted a proposal that new online sales revenue, up to \$50 million a year, would be used to fund homeless services.

Yet the current Council proposal would repeal that 2013 law and instead use new sales tax revenue to cut the commercial property tax rate for buildings worth more than \$10 million, leaving no new funds for services to support DC residents.

“This is an opportunity for DC to invest in critical programs and services that address stark inequities in our community,” said Monica Hopkins, Executive Director of ACLU-DC. “Lack of access to basic needs such as housing, health care, and education too often prevents District residents from fully exercising their civil rights and civil liberties.”

“If we choose to use new online sales tax revenue for business tax cuts, it is a choice and an act of cruelty towards those living with low incomes. That choice would also be at war with our belief of building a more just and equitable city,” said George Jones, Chief Executive Officer of Bread for the City. “I urge the Council to remember our residents who don't have the resources to lobby and make backroom deals and fully fund affordable housing initiatives and other vital social services.”

Among other things, the \$20 million in additional revenues could be used in the following important ways:

- Providing rental assistance for 1,000 extremely low-income households.
- Creating Permanent Supportive Housing for over 700 individuals facing chronic homelessness.

- Enabling over 5,000 residents to access healthcare through the DC Healthcare Alliance program, by eliminating current barriers that make it hard for eligible residents to remain on the program.
- Implementing increases in child care subsidies under the just-passed “Birth to Three for All DC” Act. The increase also would support pay increases for underpaid early childhood education workers.
- Implementing the Student Fair Access to School Act, which calls for eliminating punitive and discriminatory school discipline practices and replacing them with more positive student supports.
- Providing housing and survivor-centered supportive services for 500 survivors of domestic violence.

“We have an opportunity to not only speak about our values but to show that we are willing to invest in them,” said Karma Cottman, Executive Director of the DC Coalition Against Domestic Violence. “If we are to be a city that seeks to direct its own resources, we must invest in the most valuable of resources, our residents.”

“The choice the DC Council makes over the use of these newly available resources— investments in the real needs of our residents or tax cuts for business properties—will say a lot about our leaders’ commitment to addressing the inequities that are getting worse amidst DC’s growing prosperity,” said Ed Lazere, Executive Director of the DC Fiscal Policy Institute.

Groups Opposed to Using Online Sales Tax for Business Tax Cuts:

ACLU of DC

Bread for the City

Children’s Law Center

DC Alliance of Youth Advocates

DC Coalition Against Domestic Violence

DC Environmental Network

DC Fiscal Policy Institute

Good Faith Communities Coalition

In the Public Interest

Mary’s Center for Maternal and Child Care

Miriam’s Kitchen

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