

Online Sales Tax: What Happened?

By Ed Lazere

As the District continues to grow, we are facing large challenges, but we have the ability and the resources to address them. Earlier this year, a Supreme Court decision allowing cities and states to collect sales tax from online retailers provided DC with an opportunity to invest in the needs of DC residents. Along with allies, DCFPI called on the DC Council to devote new online sales tax revenue—\$25 million a year—to addressing homelessness and other urgent needs of DC residents. We noted that 5 years ago, when access to online sales tax revenue seemed possible, the Council committed to use much of the new revenue for this purpose, and we urged them to keep their commitment.

Unfortunately, the DC Council took a vastly different approach, voting to use *all* of the new revenue to cut property taxes for commercial buildings worth \$10 million or more. Given that the business community had not been seeking a tax cut, and that [DC business taxes, when combined, are aligned with those in the suburbs](#) and don't hinder development, we see this as a squandered opportunity to address DC's economic and racial inequities.

Following the Supreme Court's decision, legislation was introduced in the DC Council to devote all online sales tax revenue to tax cuts for large commercial properties. Councilmember Brianne Nadeau (Ward 1) introduced an amendment to better reflect the intent expressed by the Council 5 years ago:

- \$8 million to reduce the commercial property tax rate
- \$4 million to reduce costs for taxpayers facing substantial water-bill increases due to new “impervious area” fees
- \$6.5 million to provide permanent supportive housing to about 300 residents facing chronic homelessness
- \$6.5 million for the Local Rent Supplement Program, to make sure DC's new affordable housing developments help families with the lowest incomes

That amendment failed on a 6-6 vote. It was supported by Councilmembers Nadeau, Cheh, Allen, Grosso, Silverman, and Trayon White. It was opposed by Councilmembers Evans, Todd, Gray, Bonds, Robert White, and Chairman Mendelson.¹ As a result, the Council formally reversed their commitment to use the online sales tax revenue to address homelessness and other pressing needs of DC residents, and instead put the funds towards a corporate tax cut that no one asked for.

This vote is a reminder that while DC is a prosperous city with growing resources, our leaders' tax and spending decisions can limit our ability to use that prosperity to help DC residents. As a growing city with increasing racial and economic inequities, we need more public resources to fund Metro, support our growing K-12 student population and address barriers to academic success that too many students face, house our neighbors experiencing homelessness, improve access to high-quality early education, and more.

DC's fiscal year (FY) 2020 budget season is just around the corner and in the coming months, DCFPI will highlight ways that DC's budget and revenue base can be used to create inclusive growth that benefits all residents. Here are some ways to stay engaged and help support budget choices to create a more equitable DC:

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¹ Councilmember McDuffie was absent.