



July 20, 2020

Phil H. Mendelson, Chair Council of the District of Columbia Washington, DC
20004

**Re: In Opposition to Advertising and Personal Information Tax
Amendment Act of 2020**

Dear Chair Mendelson and Members of the Council:

On behalf of the National Taxpayers Union, the nation's oldest taxpayer advocacy group, we write to express our strong opposition to the Advertising and Personal Information Tax Amendment Act in the proposed Fiscal Year 2021 Budget Support Act of 2020, which imposes a 3 percent tax on advertising services, including digital advertising services, and personal information services. Should the Council pass this proposal, it will undoubtedly result in harming small businesses during a time when they can least afford it.

While budgetary pressures have unquestionably risen as a result of Covid-19, returning to a thriving economy is best achieved through pro-business tax policy. Keeping businesses open after this crisis passes is imperative for economic recovery and future tax revenues. This budget proposal, unfortunately, accomplishes the opposite. It increases the burden on all businesses, pricing many out of the market altogether. Small businesses operate on lean budgets, particularly in our current environment., It is counter-productive to increase the cost of doing business during a period in which many are in jeopardy of closing.

Of further concern, is the failure of this proposal to provide any guidance on how the tax would be implemented should the Council adopt the measure. Advertising services are complex, frequently involving multiple parties – unlike traditional transactions subject to the sales and use tax. Given DC would be the first major jurisdiction in decades to impose such a tax, there is no precedent for implementation. It seems unlikely these complicated questions will be answered before collection and remittance are scheduled to occur, beginning in October, per the proposal.

The District, as with other state and local governments, are facing revenue shortfalls as a result of Covid-19. It is vital that governmental bodies address this fiscal crisis in a manner that does not cause additional economic harm by undermining a recovery. We hope you will stand with District taxpayers and business owners and oppose this misguided budget proposal. We appreciate your time and consideration.

Sincerely,

Jessica Ward
Director of State Affairs

Leah Vukmir
Vice-President of State Affairs

cc: Members of the Council of the District of Columbia