



Restaurant Association Metropolitan Washington®

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Chairman Anthony A. Williams
D.C. Tax Revision Commission
1101 4th Street, SW, Suite W770
Washington, DC 20024

October 18, 2013

Dear Chairman Williams:

The Restaurant Association Metropolitan Washington (RAMW) has over 800 members, which operate over 400 restaurants in the District of Columbia, almost all of which are locally owned. As we know you are aware, RAMW is the primary representative of restaurant interests in the Washington Metropolitan Area, and particularly in the District.

We understand the Tax Revision Commission, a stellar panel of concerned business leaders, is considering recommendations that include several changes in tax rates in the District. Included is a possible modification of the sales tax rates levied on restaurant dining, which might involve an increase. We know no decisions concerning recommendations have been made, as of yet, but the commission should immediately rule out any such increase to restaurant meals tax rates, and, if anything, should consider recommending a decrease in the tax.

We know that as Mayor, you fully understood the challenges faced by our industry, and acted swiftly to quell any discussion of restaurant sales tax increases long before any such change was seriously considered. You seemed to appreciate then, that the restaurant sales tax levied in the District is among the highest of any jurisdiction in the country. Currently, the District's tax rate ranks as third highest.

To many, restaurant meals taxes would seem an easy target for increases. But consider this: sales taxes do have an impact on spending behaviors when there are significant differences in surrounding jurisdictions. Take for example a restaurant located within the District and another of similar price point across the river in Virginia. Someone planning an event, such as a wedding reception, at either location might easily spend, say, over \$20,000. The difference of \$1,000 in tax, based on the differing tax rates, is certainly a factor in the decision as to where to have the event, and will cause many to choose the Virginia location over the District location because of the bottom line advantage.

Local restaurant clientele are not the only groups that would be impacted by this scenario. Convention bookings could easily see a decline when you take that \$1,000 differential and multiply it many times over for a single group considering where to book their next convention.

Some might say, "Well, you'll adjust," and that may be true for a single added pressure. The District's restaurant industry suffered such an adjustment in 2008 when the SAFERX Amendment Act went into effect. Restaurants were "collateral damage," as one DC Councilmember put it, to the tune of an approximate \$10M boon to surrounding jurisdictions when pharmaceutical private dining bookings were forced out of the District because of this law. Did we survive the damage? Yes, but not without some hardships for those restaurants with significant private dining business from that one industry.

Consider also that the District loves finding new and creative ways to charge fees for ever increasing permits, inspections and licensing. The nature of the restaurant industry puts restaurants in contact with a vast array of offices and agencies in the District and just about every contact results in a fee. DCRA, ABRA, DOH, DDOT, DPW, MPD, DOE, DOES, OTR...fees for business and alcohol licenses, health inspection fees, public space permits and fees, filing fees, reporting fees, certificate of use fees, certificate of occupancy fees, and then, of course, the

cycle of paying fees is never ending as renewal dates roll around.

The fees listed below are required by city agencies for a single restaurant to operate legally. Individually they may seem manageable, but when added together are a lofty burden:

Certificate of Use Renewal fee - \$286/year

Certificate of Occupancy (initial) - \$82.50

Building permit fee (initial) - \$1500

Public space permit fee (initial) - \$286

Business license renewal fees - \$500-\$900

Trade name registration fee - \$55 every two years

ABRA license renewal fees - approx. \$1,200-\$3,200/year

ABRA Alcohol Manager License – \$260

Department of Health Food Protection Managers License - \$35

2 year reports for DC entities - \$300 every 2 years

DC filing fee for entity (initial) -- \$220-\$320

Sidewalk Café permit - \$260

Sidewalk Café Rental fee - \$5/square feet

Health Department Plan Review (initial) - \$200

Standard Valet Parking Permit - \$50

Valet Fees -- Fifty Cents (50c) per hour per twenty linear feet (20 linear-ft.) – can be up to \$1800 annually and as high as \$8,000 annually downtown (plus fees for any loss of metered spot revenue paid to the city)

Additional taxes cannot be considered without first examining other pressures that are or will be at play over the next few years. Consider the impact of sequestration and the lost spending power of a segment of the resident dining public. Consider the impact of the government shutdown, and the substantial losses incurred by those operating restaurants. Consider the impact of the Affordable Care Act on an industry that has not had high participation in healthcare coverage and must now offer coverage to greater numbers of employees. And, consider other potential pressures being discussed to raise the minimum wage and expand sick leave coverage to tipped workers whose compensation comes primarily from the diner, not the employer.

Taken separately, any of the above pressures could destabilize the restaurant industry in the District of Columbia. Taken together, it looks like an all-out assault on the second largest employment sector in the city with thousands of small independent employers and an estimated 58,000 employees suffering the brunt of these attacks. It should also be noted that the restaurant sales tax was increased by 1% to fund the bonds to build the Convention Center. This tax was agreed to by the industry for the good of the District, however, the add-on is not to remain in perpetuity. It would seem that there should be no discussion of additional sales tax until the 1% add-on has abated.

We do understand that the Tax Commission is at the early stages of discussions concerning how DC might restructure its taxes. And we understand that an increase in the meals tax is one among many changes under consideration. However, we urge the Commission to clarify early in the process that increases in the restaurant meals tax will be counterproductive to the raising of revenue, and any discussion should contemplate a reduction, not an increase. Thank you for considering our feedback and for the opportunity to submit this information to the Commission.

Sincerely,



Kathy E. Hollinger
President, RAMW