

COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE OF THE WHOLE
1350 Pennsylvania Avenue, NW
Washington, DC 20004

MEMORANDUM

TO: Public and Witnesses

FROM: Blaine Stum, Deputy Committee Director

DATE: September 15, 2026

RE: **Sales Tax Increase Proposal**

Background

Currently, the District imposes a general sales tax of 6% on all vendors for the privilege of selling certain tangible personal property and selected services at retail.¹ Tangible goods and services subject to the general sales tax include all digital goods (i.e., digital books, games, and applications), clothing, food or drinks sold through vending machines, newspapers or magazines, real property maintenance services, landscaping services, drycleaning services, carpet and upholstery cleaning services, and car washing services.² Other goods and services such as soft drinks, food or drink prepared at restaurants, alcoholic beverages, motor vehicle rentals, and hotel rooms are subject to a higher sales tax rate.³

At its current rate, the District's sales tax rate is slightly higher than that of Virginia (5.3%) and identical to that of Maryland (6%).⁴ Other jurisdictions in the Mid-Atlantic region have identical or lower state sales tax rates, as shown in Table 1.

Table 1. Sales Tax Rates in the Mid-Atlantic Region⁵

	State Sales Tax Rate	Avg. Local Sales Tax Rate	Combined Sales Tax Rate
District of Columbia	6%	N/A	6%
Delaware ⁶	0%	0%	0%
Maryland	6%	0%	6%
New Jersey	6.6%	0%	6.6%
New York	4%	4.54%	8.54%
Pennsylvania	6%	0.34%	6.34%
Virginia	5.3%	0.47%	5.77%
West Virginia	6%	0.59%	6.59%

¹ D.C. Official Code § 47-2002(a).

² See 2026 FR-800M Q/A (<https://mytax.dc.gov/WebFiles/Documents/2026%20FR800MQA%20instructions.pdf>).

³ *Ibid.*

⁴ Some localities in Virginia such as Arlington, Charlotte, Halifax, James City, and Williamsburg have sales and use tax rates higher than 5.3% when taking local sales and tax levies into consideration. Maryland does not allow localities to levy an additional sales tax except in limited circumstances (see Maryland Tax Code §11-102(c)).

⁵ Adapted from the Tax Foundation, State and Local Sales Tax Rates, 2026 (<https://taxfoundation.org/data/all/state/sales-tax-rates/>).

⁶ Delaware does not have a state or local sales tax.

In Fiscal Year 2025, the general sales tax raised approximately \$2.090 billion in revenue for the District, accounting for nearly 19% of the District's gross tax revenue.⁷ The Office of the Chief Financial Officer has forecasted that sales tax revenue will decline by 4% in Fiscal Year 2026 before increasing in Fiscal Year 2027 and each year thereafter throughout the financial plan.⁸

Proposal

The attached draft proposal would leave in place a proposed increase in the general sales tax rate from 6% to 7% beginning on October 1, 2027. The increase to 7% was originally proposed to take place on October 1, 2026, but was delayed one year through the Fiscal Year 2027 Local Budget Act of 2026 (D.C. Act 26-379; 73 DCR 11124). As such, if the Council does not take legislative action during consideration of the Fiscal Year 2028 budget, the sales tax increase will occur.

⁷ Office of the Chief Financial Officer, June 2026 Revenue Estimates, June 30, 2026, pg. 3.

⁸ *Ibid.*

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11 To amend Title 47 of the District of Columbia to increase the general sales tax rate from 6% to
12 7% beginning on October 1, 2027.
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14 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this
15 act may be cited as the “Sales Tax Increase Amendment Act of 202X”.

16 Sec. 2. Title 47 of the District of Columbia Official Code is amended as follows:

17 (a) The lead-in language of section 47-2002(a) is amended by striking the phrase “shall
18 be 6.0% before October 1, 2026, and 7.0% beginning on October 1, 2026,” and inserting the
19 phrase “shall be 6.0% before October 1, 2027, and 7.0% beginning on October 1, 2027,” in its
20 place.

21 (b) The lead-in language of section 47-2202(a) is amended by striking the phrase “shall
22 be 6.0% before October 1, 2026, and 7.0% beginning on October 1, 2026,” and inserting the
23 phrase “shall be 6.0% before October 1, 2027, and 7.0% beginning on October 1, 2027,” in its
24 place.

25 Sec. 3. Fiscal impact statement.

26 The Council adopts the fiscal impact statement in the committee report as the fiscal
27 impact statement required by section 4a of the General Legislative Procedures Act of 1975,
28 approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

29 Sec. 4. Effective date.

30 This act shall take effect following approval by the Mayor (or in the event of veto by the
31 Mayor, action by the Council to override the veto), a 30-day period of congressional review as
32 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
33 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of
34 Columbia Register.

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