

DC Lunges Into “Yoga Tax” Battle

By Brianna Ehley,
June 17, 2014

Some cities, like New York and Philadelphia, have tirelessly tried to pass excise taxes on sodas and junk food, which are meant to discourage the consumption of unhealthy snacks linked to obesity. The nation’s capital, on the other hand, is eyeing a measure to impose a tax on gyms and yoga studios.

The so-called “yoga tax”—sometimes also referred to as the “fitness tax”—is part of a larger tax reform proposal that would reduce income taxes for D.C.’s middle class families, while increasing revenue by expanding the amount of services that would be subject to the city’s existing sales tax of 5.75 percent.

Under this plan, gyms aren’t the only new services being taxed—salons, carpet cleaning companies and storage facilities would no longer be exempt from the sales tax either.

However, the yoga tax is getting the most attention, as it has sparked a strong opposition movement within the district’s health enthusiasts. They say it will discourage people from purchasing gym memberships that promote health lifestyles at a time when obesity rates have stretched to a record high.

The #DontTaxWellness Coalition, made up of local gym owners and other health advocates, have held several events and protests in D.C. to raise awareness about the tax, and the impact it could have on the community.

In a paper, #DontTaxWellness Coalition economist Edward Buckley argued that the tax would be “sufficiently high enough to negatively impact people purchasing gym memberships, yoga classes and other wellness services.”

Councilmember David Catania, who is running for mayor, says he plans to offer an amendment that will eliminate the fitness tax from the larger budget proposal.

Proponents of the measure, however, argue that outrage over the “yoga tax” is a distraction from an overall good tax proposal.

Nicole Kaeding of the conservative Cato institute wrote, “It is not fair that gyms are exempt from sales taxes that hit most other retailers and their customers.” She noted, “D.C. residents already pay sales tax on exercise equipment, running shoes, and yoga mats and twenty-two states include fitness services in their sales tax bases.”

The debate has received national media attention and has sparked a larger debate over the sales tax in general. *The New York Times*' Josh Barro and Vox's Matt Ygelsias both argue that Washington should go forward with imposing the sales tax on gyms and fitness centers.

They say that since sales tax is more commonly charged on goods, and people are using services more, cities and states would benefit more from expanding the tax base. They say that by exempting businesses and having a narrow base, cities like D.C., are forced to have higher than necessary tax rates. But if DC, and other cities, states, followed suit, and raised the base (by levying the tax on more services) they wouldn't have to increase rates.

“The narrower your tax base the higher your tax rates need to be. If you exempt a large and growing share of economic activity from taxation, then you need to tax the rest at a very high rate to make up the lost revenue,” Ygelsias writes. “Gym owners and yoga instructors are getting a sweetheart deal from the current tax code, but the inverse of their good deal is that other business owners are being penalized.”

The City Council is expected to vote on the overall budget, including the tax measure, next week.