To the Joint Transportation Committee and Staff

Subject: Opposition to the Implementation of a Doorstep Tax

On behalf of:

Association of Washington Business

Washington Hospitality Association

Washington Food Industry Association

Washington Trucking Association

Washington Retail Association

TechNet

Chamber of Progress

As a business community and community groups in Washington State we not only represent the prosperity of the State's economy but the prosperity of its population. The people who choose to call Washington home are not only our customers but they are our business owners, employees, friends and family members. Keeping Washington thriving and vibrant means promoting a healthy economy and a healthy environment for all.

In particular, Washington businesses have been global leaders in putting the environment first and building a business model around it. To that end a tremendous amount of time, money and energy have been invested into unique distribution models that minimize vehicle miles driven, the number of vehicles on the roads and the carbon emissions produced by those vehicles. Further Washington Businesses and community groups have been allies to the State Transportation budget and have long advocated for dedicated funding to build and maintain critical infrastructure.

We are writing this letter without being provided an opportunity to review the draft report which may shed light on some of the concerns listed below. We want to express deep concerns regarding any proposal for a tax on deliveries or "Doorstep Tax" and its potential negative economic impacts. Such a tax would have far-reaching consequences that outweigh any potential benefits.

The three areas that are of greatest concern are:

- The framework in which this study has been crafted.
- The direct and indirect negative impacts to business models in the state of Washington.
- The direct and indirect negative impact to consumers in the state of Washington.

Framework:

The framework for this study, as proposed by the legislature, did not include the requirement to interview or reach out to specific stakeholders who may be impacted. This oversight and lack of requirement has resulted in a failure to fully study the true impacts of imposing such a tax and the potential challenges and burdens associated with collecting and remitting funds.

The state budget proviso mandates evaluating business impacts, but given the direction from the legislature included in the budget proviso for the study, little effort has been made to gather input or data from affected businesses. Businesses were only engaged through a single stakeholder Zoom call and the inclusion of this letter in the report. Despite a robust months long study, businesses have only been involved as peripheral stakeholders and were brought in at the end to provide feedback.

The budget proviso for this study requires an evaluation of a similar doorstep tax in the two states that have adopted it: Minnesota and Colorado. An honest assessment of those programs shows that they underestimated the impacts and intense public backlash, such that those states are already considering major fixes or repeal as exemplified by Minnesota SF 4772 and HF 4504 both of which would repeal the Doorstep Tax.

Business Impacts:

Imposing a tax on deliveries would lead to an increase in the cost of goods and services for consumers. Delivery companies would likely pass on the additional costs to their customers, resulting in higher prices for products ordered online. This, in turn, will reduce consumer spending power, dampen demand, and have a ripple effect across the economy, particularly in sectors reliant on e-commerce.

Small businesses, which increasingly rely on online platforms and delivery services to reach customers, would not only be disproportionately affected by a tax on deliveries, but could also be put in a position that compliance is not feasible or overly onerous depending on where and how the tax is charged. Many small businesses operate on thin profit margins and cannot absorb additional expenses, including compliance and accounting costs, without passing them on to consumers or cutting costs elsewhere, pushing the cost of goods higher for the residents of Washington. A proposal like this will hinder the growth and competitiveness of small businesses, stifle entrepreneurship and innovation, and continue to drive up the cost of living in the process for those who rely on essential services such as delivery.

A doorstep tax could have broader implications for employment and job creation. The e-commerce sector has been a significant source of job growth in recent years, creating opportunities in logistics, transportation, warehousing, and related industries. By increasing the cost of doing business in this sector, a doorstep tax could discourage investment and expansion, potentially leading to job losses and stalling economic recovery efforts in our post-pandemic economy.

A doorstep tax also increases traffic and greenhouse gas emissions. Fewer deliveries (many of which are now in electric vans that use optimized route finding), means more discretionary trips in gas-powered single occupant vehicles using less efficient routes during peak drive times. This would add even more cars to our congested roads and move the state backwards on achieving its aggressive climate goals. The Chamber of Progress is currently completing an environmental impact study of this type of policy and it will be available by mid-July of 2024 at which time a copy will be forwarded to the JTC members and staff.

Finally, and as it was attempted in Minnesota, the proposed doorstep tax could exempt the United States Postal Service (USPS) from taxation. This would provide a government entity that already has many structural advantages over local companies a massive cost advantage on every delivery they make. USPS is already at or beyond their capacity to deliver goods in a timely manner and they have a much slower approach to addressing impacts to the environment. This tax would push companies and consumers away from internal innovation into greener technologies and towards a deliverer who is out of capacity and out of date.

Consumer impacts:

It is essential to recognize that deliveries are often a necessity rather than a luxury for individuals and families. Elderly, disabled individuals, those without access to reliable transportation, rural residents and busy working families rely heavily on delivery services for essential goods. Imposing a regressive tax on these deliveries would increase the cost of living for these vulnerable groups, placing an additional financial burden on those who can least afford it. Many of these senior citizen consumers are already struggling to independently age in place on fixed incomes and have no room left in their budgets.

The regressive nature of such a tax is evident when considering its impact on low-income communities. Studies have consistently shown that lower-income households spend a higher proportion of their income on goods and services, including those delivered to their homes. The regressive nature of such a tax is evident when considering its impact on low-income communities. Studies have consistently shown that lower-income households spend a higher proportion of their income on goods and services, including those delivered to their homes.

Therefore, any tax on deliveries would disproportionately affect these communities, widening the economic divide and exacerbating existing inequalities. Proponents will try to argue it's less regressive because affluent urban residents also spend online, but that's meaningless to the question of who a doorstep tax would hurt the most. The fact is, it's very regressive because it's a fixed tax that low-income communities have less ability to absorb.

The doorstep tax is a double tax on top of one of the most regressive and highest sales taxes in the country. Polling shows that inflation is one of the biggest concerns in Washington, and consumers already feel stretched. They can't afford a double tax as well.

In conclusion, while we acknowledge the need for innovative solutions to address environmental and budget challenges, taxing deliveries is not the answer. Such a tax would unfairly burden those who can least afford it, exacerbate existing inequalities, increase traffic, and move the state backwards on climate. We urge policymakers to consider more equitable and effective alternatives that promote sustainability without disproportionately impacting vulnerable communities and business sectors.

Unanswered Questions for Consideration **(these have been offered without an advanced review of the final report)**

- Local Government Policies: Would impacts be compounded if local governments have similar policies in place?
- What does this look like in the states that have implemented a statewide delivery fee? Were limitations imposed?
- What happens to locals if there is a state preemption and what happens to total revenue if there is not a state preemption?
- What does public polling look like in states that have implemented a Doorstep Tax?
- Environmental Impacts: What would the emission impact be? Increase in trips?
- How much money will this raise on a state-wide basis and who would collect the tax?
- What would be the cost of implementation and what would be the on-going operating cost of collections?