Our Association is comprised of 660 Virginia-based companies that own, operate, or supply about 6,000 locations that provide food, fuel and convenience to Virginia consumers

I am not here this morning to advocate either side of the issue of imposing tax on internet sellers. Rather I am here to bring to your attention three specific issues contained in the streamlined sales tax plan that could negatively impact the convenience store, grocery and gasoline industries, and ask that you consider their potential impact on Virginia small businesses.

The first item is the issue of Buy downs

There are many examples of buy-downs but they are perhaps most pronounced in the tobacco business. Tobacco sales make up 27-34 percent of all in-store sales at Virginia convenience stores. It is a particularly competitive market and one methodology typically used by manufactures to maintain and increase sales is called buy downs. Under this system, a manufacturer provides, for example, a $5.00 rebate to the c-store operator for every carton of his product sold and requires the store to pass this $5.00 savings onto the consumer. Our understanding is that under the current SSTP, sales tax would be assessed on the $5.00 buy-down. if true, it is unfair because the $5.00 buy down is the result of a negotiated business transaction between two parties – the net result of which is a lower price. the present SSTP buy-down model will result in higher consumer prices.

The Second Issue is Shelf Space

The most valuable commodity in any store is visibility. Many suppliers are willing to pay a premium to have their products displayed prominently, and to accomplish this they often provide product discounts or other considerations to ensure that their products are viewed by the maximum number of consumers. There is concern that under SSTP states may impose tax on those discounts or shelf space reimbursements, which are once again a result of a business transaction between buyer and seller. We STRONLY OPPOSE taxation of shelf space discounts.

The Third issue is Advertising Cooperatives

Advertising cooperatives are vitally important not only to convenience and grocery stores but to gasoline marketers as well. The way ad cooperatives work is that a supplier - whether it be Coke, or Pepsi, or Exxon, or Shell provides our members a credit on future purchases in return for advertising their specific brand. You see these advertisements in newspapers, store circulars, billboards and the like. Cooperative advertising serves sellers and purchasers alike by increasing consumer awareness and brand loyalty. Consequently we oppose any provision of the SSTP that will impose a tax on advertising co-ops.

While we understand that intent of the streamlined sales tax is to level the playing field between competitors, we believe that it contains these unintended consequences that could have the potential to have very negative impacts on the local Virginia based small businesses that I represent.

Should this occur, the increased costs that result will ultimately find their way to the check out lines and the gasoline pump for Virginia consumers.

We ask you to keep this in mind as you continue your important deliberations.

Thank you.