

## **George Peyton with the Retail Merchants Association of Greater Richmond**

Good morning. My name is George Peyton with the Retail Merchants Association of Greater Richmond. This morning I am speaking on behalf of The Retail Merchants Association of Greater Richmond, the Retail Alliance of Hampton Roads, and The Virginia Retail Merchants Association. Collectively, our organizations represent over 7,500 retail companies employing hundreds of thousand Virginia citizens.

This subcommittee posed two questions to us for this morning's presentation. First, if the Business, Professional and Occupational Licensing Tax, or BPOL Tax is repealed what other revenue-generating sources can be made available to localities?

One source for additional revenue is Virginia's adoption of the Streamlined Sales Tax project. As of September 2003, 35 states have made the statutory changes necessary to participate in the Streamlined Sales Tax Project. The annual revenue generated from collecting the sales and use tax from remote sales will be an estimated \$817 million dollars for Virginia by 2006, with the amount increasing annually as Internet sales and catalog sales increase.

Let me quote the Kiplinger letter, a management and decision makers weekly newsletter dated September 5, 2003, Quote, "Retail sales via the internet are soaring. They'll account for 5% of total retail activity next year, double the share in 2001." In another report provided this week from Retail Forward, a international organization which forecast trends in retailing and related consumer behavior predicts that Internet sales in the fourth quarter of 2003 will increase from 13.8 billion in 2002 to 17.4 billion in 2003 this is a 27% growth in one quarter alone.

Our associations support the Streamlined Sales Tax Project. Not only does it generate revenue that could offset BPOL, it levels the playing field between brick and mortar retailers and Internet retailers.

If you have questions concerning the Streamlined Sales Tax Project, Laurie Peterson with the Virginia Retail Merchants Association is here to provide more information.

The second question posed by the subcommittee was “If BPOL is not repealed, how could the law be amended to make the tax fairer?” We would suggest the task force look at two possible amendments.

1. Review all BPOL Tax caps and eliminate all exemptions for industries that are not already burdened by another tax equivalent to the BPOL tax.
2. Using the additional revenues created by the elimination of exemptions and caps amend the code to reduce the percentages paid by all industries. Industry profitability is an issue for the retail industry. According to a study provided to the Joint subcommittee to revise the state tax code, (2002), the proper BPOL rate for the retail industry should be one half of the current rate of .20 per hundred. In addition, the retail industry is the only industry subjected to triple taxation: business property taxes, sales and use tax and the BPOL tax. We strongly advocate that our BPOL rates need to be adjusted accordingly. Moreover, please note that many businesses don’t have the cost of carrying inventory, like the retail industry.

We would like to thank the committee for the opportunity to address the BPOL Tax as part of your Tax Code restructuring efforts. Our associations support a tax structure that 1) favors economic growth; 2) takes into consideration the taxpayer’s ability to pay; 3) is equitable and broadly based; and 4) is relatively simple to administer.