Good afternoon. My name is George Peyton with the Retail Merchants Association of Greater Richmond. This afternoon I am speaking on behalf of my organization, the Retail Alliance of Hampton Roads, and The Virginia Retail Merchants Association.

We would like to thank the Task Force for the opportunity to address the BPOL Tax as part of your Tax Code restructuring efforts. Acknowledging that the Commonwealth's budget deficit is over $1.5 billion, and that the need for additional revenue opportunities exists, we have presented options to the BPOL work group that may fit into a comprehensive tax-restructuring package. Our goal is to address the needs of the Commonwealth as well as help formulate 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.

Our retail members strongly feel that if restructuring is to take place, the elimination of BPOL tax must be considered. Therefore, we offer the following BPOL OPTIONS which are ENDORSED BY THE RETAIL MERCHANTS ASSOCIATION OF GREATER RICHMOND, RETAIL ALLIANCE – HAMPTON ROADS, AND THE VIRGINIA RETAIL MERCHANTS ASSOCIATION

- **On August 9, representatives of the three retail merchants associations met with the Joint Subcommittee Work Group. At this meeting, we offered numerous options for eliminating the BPOL tax and replacing it with a variety of revenue sources. These options resulted from meetings and conversations with the Legislative Committees of our associations at the grassroots level.**

- **As we have stated in our position paper previously presented to the subcommittee, the BPOL tax, a tax on gross receipts, ignores the taxpayers' ability to pay. Businesses with low profit margins bear a disproportionate obligation resulting from the BPOL tax. At the last work group meeting, the subcommittee staff presented figures demonstrating that of all the categories of business paying the BPOL tax, retailers' small margins and profitability are hardest hit by the BPOL tax. (Attachment A, relative profitability of BPOL industries)**

- **The work group selected two options presented by the retailers for further study. The retailers favor elimination of the tax, therefore we prefer the following options:**

  "Eliminate BPOL over a period of 5 years with an annual rollback of rates paid by all categories of business. This would be a 20% reduction in rates each year. To offset the loss of revenue, provide a ½ percent increase in the sales and use tax and at the end of 5 years increase the corporate income tax by .25%"

  OR

  "Eliminate BPOL over a period of 10 years with an annual rollback of rates paid by all categories of business. This would be a 10% reduction in rates each year. To offset the loss of revenue, provide a ½ percent increase in the sales and use tax and at the end of 10 years increase the corporate income tax by .25%"

- **The work group agreed to the 10-year rollback, but due to the onerous, unfair nature of this tax, we would suggest taking a look at the 5-year rollback as well.**

A work group member experienced with the BPOL tax suggested a second option accepted by the work group for study. This option would set the maximum BPOL rate for the retail category at 10 cents on the dollar, progressively reducing it from the current 20 cents on the dollar. The reduction in rate would only occur when triggered by economic growth, as specified in section 58.1-3706 of the state code. (attachment B) If this option were to be adopted, the rollback can be adjusted to address localities revenue loss concerns.

This option would not eliminate BPOL, but would address the inequality presently experienced by the retail industry.

As stated, the retailers support ELMINATION of BPOL. However, we are open to studying the rate cap as well.

We understand the need for all business categories to pay their share of taxes to localities, remembering that businesses do pay a real estate tax, in some localities a surcharge on utilities and other taxes as well. We respectfully request that if restructuring of the tax code does take place, the subcommittee not leave the unfair BPOL Tax as a tax option for the future. At minimum, we would ask you to adjust the rate paid by retailer to 10 cent per hundred.

Due to the BPOL Work Group's inability to reach a consensus on the retailers' proposals and the lack of time to explore further solutions, we request that the Work Group continue to meet throughout the coming year to develop alternatives to the BPOL tax. Moreover, the retail industry is heading into a potentially difficult economic slump. At a time when our state needs to encourage entrepreneurs and small business as an alternative to corporate downsizing, we are leaving a tax in place that only serves to further deter small business prosperity. In closing, we greatly respect the subcommittee's work to date and would like the opportunity to continue the BPOL Work Group until the 2004 General Assembly session.