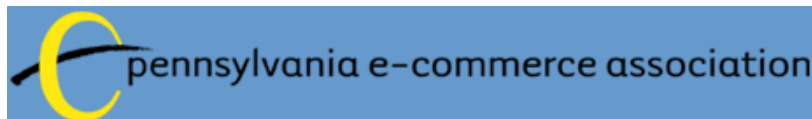


Pennsylvania Coalition Against Repeal of Sales Tax Vendor's Allowance



March, 2009

Dear Legislator:

Even though the Commonwealth mandates that businesses perform the function of the state's tax collection agents, at a substantial cost to businesses, the Rendell Administration proposed in its 2009-10 executive budget to eliminate the one percent sales tax vendor's allowance, suggesting that the cost and burden of collecting and remitting the various taxes to the Commonwealth are "fairly inconsequential."

This is simply not accurate.

The allowance provides a small reimbursement or withholding to retailers and other businesses to cover a portion of their costs associated with the collection and remittance of sales tax to the Commonwealth. Although the administration would realize a savings of 75 million dollars by eliminating the vendor allowance, this change would have a direct negative impact on many businesses' bottom lines and could lead to a reduction in workforce.

Pennsylvania businesses incur an extensive number of varied costs to calculate, record, collect and remit various taxes and fees from customers; to develop intricate systems to gather data to prepare and file reports; to prepare sales tax manuals; to train personnel and supervise performance; and to undergo internal and Department of Revenue audits. Granted, improved technology has allowed many businesses to collect and remit sales and other taxes and fees to the Commonwealth more efficiently. However, these technological improvements have also added to the cost and complexity of compliance. Electronic payments, advance payments, exemptions, changing tax bases and tax rates have all complicated and added cost to the process.

According to a national study, retailers can incur costs up to 13.47 percent for remitting and collecting the sales tax. This study also found that between 75 percent to 92 percent of retailers' costs are not adequately compensated through vendor discounts (*Pricewaterhouse Coopers 2005 Joint Cost of Collection Study*). For instance, a hidden cost is debit and credit card fees. These fees alone erase most of the partial compensation provided to vendors. The fees charged by credit card companies for the use of their credit cards range from one percent to three percent of the *total* sales amount. For example, if the average fee is two percent, this means the retailer pays \$2 out of its pocket for every \$100 in sales tax that goes on the credit cards.

The vendor discount is **NOT** a windfall to businesses. To the contrary, it doesn't even come close to making retailers whole. It is simply designed to provide justifiable compensation to cover a small portion of the actual costs incurred by businesses that are acting as the state's tax collectors.

We urge you to OPPOSE the elimination of the vendor discounts.

Thank you for your consideration.

Sincerely,

AT&T

Broadband Cable Association of Pennsylvania

Comcast

National Federation of Independent Businesses

Pennsylvania Beverage Association

Pennsylvania Chamber of Business & Industry

Pennsylvania Convenience Store Council

Pennsylvania e-Commerce Association

Pennsylvania Food Merchants Association

Pennsylvania Petroleum Marketers & Convenience Store Association

Pennsylvania Restaurant Association

Pennsylvania Retailers' Association

Wal-Mart