

Testimony of

**Jon B. Hurst, President
Retailers Association of Massachusetts**

**Before the Joint Committee on Economic Development & Emerging
Technologies
July 25, 2011**

Re: S.156 - An Act to Establish a Sales Tax Holiday in August 2011

The Retailers Association of Massachusetts (RAM), established in 1918, is a statewide trade association of over 3,200 member companies. Our membership ranges from independent, "mom and pop" owned stores to larger, national chains operating in the general retail, restaurant and service sectors of the retail industry. The industry's contributions to the Commonwealth include over \$112 billion in annual sales; over \$5.7 billion in annual sales and use taxes collected; 17% of all Massachusetts jobs; and operations in over 38,000 locations across the state.

On behalf of RAM, I respectfully ask the Committee to move favorably on the bill before you today, S.156, to bring back the Sales Tax Holiday on August 13th and 14th, 2011. This legislation declares that on those two weekend days, all retail sales of tangible personal property, not including telecommunications, gas, steam, electricity, motor vehicles, boats, meals, or any single item whose price is in excess of \$2,500, shall be exempt from the sales tax.

As you will recall, Massachusetts' first ever Sales Tax Holiday, held on August 14, 2004, was established in an economic stimulus package passed by the Legislature and signed into law by the Governor in November of 2003 (Chapter 141 of the Acts of 2003, Sections 55-58). Consumers took to the Main Street shops and stores of the Commonwealth in record numbers to take advantage of this one day reprieve and pumped hundreds of millions of dollars into our local economy. The day was a huge success, as consumers overwhelmingly endorsed the economic initiative with their feet and dollars. Shoppers and retailers alike described the scene that day as akin to "Christmas in August."

The 2004 holiday was followed by two day events in 2005, 2006, 2007, 2008 and 2010, and the Massachusetts Sales Tax Holiday has become the model for other

states to emulate. In recent years, with retail sales down, consumer confidence levels at historic lows and the country in a recession, the Sales Tax Holiday has been the saving grace for many retailers in the Commonwealth. Last year's event was wildly successful and according to many RAM members, the 2010 event was the most successful Sales Tax Holiday in its history. For many furniture retailers, the Sales Tax Holiday has become the biggest sales event of the year. It is vital that we keep these sales here in Massachusetts and not risk losing the potential sales to New Hampshire or the internet.

Results have shown that tax holidays create sales that otherwise would never occur. A full one-third of all retail purchases are impulse buys – made simply because the consumer entered the store. In Massachusetts, we have not only picked up millions of new impulse buys but we also recover some sales that would normally go to New Hampshire, or to the internet. Our local small businesses operate at a significant 6.25% price disadvantage to out-of-state, online businesses, leading to fewer sales at brick-and-mortar establishments who contribute so much to our community. Our employers can't fairly compete with online giants that don't collect sales taxes and don't have the same local presence in our communities. With internet sales figures increasing by double digit percentages each year, a level sales tax playing field is vital to preserving our Massachusetts retailers' ability to remain competitive. While we work to address that issue in the long term, and until we can level the playing field for all of our local sellers, the Sales Tax Holiday continues to be a great two day equalizer.

For retailers the tax free weekend falls at an ideal time as it is after the summer sales period and before the traditional back-to-school shopping season. Without the holiday, stores would be nearly empty in what is traditionally one of the slowest periods of the year. We do recognize that the state is in need of revenue, but would argue that the state makes up substantially more in the economic activity created by a holiday, including significant additional payroll tax dollars as almost every retail employee in the state is working that weekend. In fact, staffing levels in many retail stores impacted by the holiday weekend are doubled to accommodate the increased customer traffic. Thousands of retail sector workers that otherwise would not have been scheduled to work gain additional hours during the tax free weekend, with most of them earning time and a half pay on the Sunday. Simply stated, the Sales Tax Holiday puts people to work.

The Sales Tax Holiday is both a welcome "thank you" to consumers and an additional incentive for them to keep investing into the local economy.

We respectfully urge the Committee to bring back the Sales Tax Holiday in 2011.

Thank you.

The Massachusetts Sales Tax Holiday (STH)

- The Sales Tax Holiday is pro-consumer, pro-Main Street, and pro-retail employee.
- RAM members have reported that for past MA STH weekends, retail staff work hours, their income & resulting income tax collections are increased by 100%.

- Staffing levels in many retail stores impacted by the STH are doubled to accommodate the increased customer traffic.
- Tens of thousands of retail industry workers that otherwise would not have been scheduled gain additional hours during the STH – with most earning time and a half on the Sunday.
- The STH puts people to work. The retail sector employs 17% of all workers in the state.
- Results have shown that STHs create sales that otherwise would never occur through impulse buys, and by returning sales to Massachusetts employers which would otherwise go to non-taxed locations in NH or the Internet. Under either scenario there are no tax losses because the sales never would have occurred in the first place
- According to the Federation of Tax Administrators (FTA), 16 States will hold STHs in 2011 – out of 45 states that have a sales tax.
- Consumer spending makes up two-thirds of our economy.
- MA picks up millions of new impulse buys and recovers vital sales that would normally go to New Hampshire, or to the internet. One-third of all retail purchases are impulse buys, made simply because the consumer entered the store; and on-line sales have increased in each of the past 10 years, and are now accelerating even more due to the power of the Smart Phone.
- The MA STH draws in consumers from Connecticut and Rhode Island, who have sales tax rates of 6.35% and 7% respectively. CT also now has a special 7% rate on “luxury goods”, defined as jewelry with a sales price of more than \$5,000 and clothing, footwear, handbags, luggage, umbrellas, wallets or watches with a sales price of more than \$1,000.
- The STH falls at an ideal time, prior to the traditional back-to-school shopping season, and during what has historically been one of the slowest periods of the year for retailers.
- Total sales (taxed and non-taxed) on a STH weekend exceed \$500 million, compared to a typical summer weekend of around \$100 million:
- Furniture and appliance stores reported that the 2010 STH weekend posted the biggest sales numbers ever.

- Shoppers are hungry and the restaurants are packed during the STH, resulting in increased sales taxes on meals, which remain taxed during the STH.
- Newspapers and other media outlets benefit from increased advertising and promotion.



RETAILERS ASSOCIATION
of MASSACHUSETTS

The Voice of Retailing

FOR IMMEDIATE RELEASE

JULY 28, 2011

**RAM APPLAUDS PASSAGE OF LEGISLATION TO DESIGNATE AUGUST 13-14, 2011
AS SALES TAX HOLIDAY**

Boston—The Retailers Association of Massachusetts (RAM) today applauded the passage of the sales tax holiday bill in the Legislature. Pending the Governor's signature, the consumer economic incentive is scheduled for August 13-14.

"This important economic stimulus in the form of a sales tax holiday is welcomed by consumers and Main Street alike," said Jon Hurst, President of the Retailers Association of Massachusetts. "The Legislature and the Governor clearly understand that the consumer represents 70% of the economy and this proven tax incentive truly works. Consumers, small businesses, and retail employees all look forward to a successful sales tax holiday, and wish to thank our elected leaders for supporting all of us and the local economy," Hurst said.

Hurst noted that the consumer stimulus investment creates a two day event similar to a weekend in December, with total sales—including taxed and untaxed sales—in the \$500 million range. Sixteen states across the country have annual sales tax holidays planned for 2011, primarily in August. Seen as a boost to spending and to economic growth, they start the back to school season off early, and are very effective in returning untaxed sales back to local employers from Internet sellers and from states, such as New Hampshire, with no sales tax. Supporters say the incentive works due to a very powerful "Boston Tea Party Effect" in which consumers want to take advantage of getting a break from the state.

Hurst argues that the 6 Massachusetts sales holidays from August 2004 through 2008, and in 2010, did not ultimately cost the state tax dollars for 4 reasons: 1. Most of the sales come from the categories of recovered, non-taxed sales to New Hampshire and the Internet, or from impulse buys which wouldn't occur otherwise; 2. Millions of dollars in personal income taxes are collected from new the income of those thousands of employees who otherwise wouldn't be working, as stores average double the normal staffing on the weekend; 3. Millions in taxes are

collected from sales on items exceeding \$2500 that weekend as sellers often extend an equal discount on those high priced items which are taxed at dollar one, and boosts are seen as well from meals and gas taxes from consumers and tourists; and 4. Consumer momentum is created extending new sales for weeks beyond the holiday, and generating a multiplier economic effect for suppliers, sellers, workers, advertising outlets and others.

The Retailers Association of Massachusetts noted that the combination of the current Massachusetts appliance rebate program on efficient refrigerators and air conditioners, and the Sales Tax Holiday will provide a strong one, two punch for both the economy and the environment by creating real savings and incentives for consumers. "Our leaders on Beacon Hill clearly understand the consumer and economic stimulus," Hurst said. "Our leaders in Washington on Capitol Hill could learn a few things from them."

Hurst said that the Sales Tax Holiday particularly helps lower income families to stretch their dollars on important household and back to school purchases. He said the sales tax in general is a regressive tax, and arguably becoming more so in recent years due to the ability of higher income consumers to shift purchases to tax-free Internet sites.

"Many lower income families do not have the same ability of higher income shoppers to go on the Internet and to use a credit card, or drive to New Hampshire in order to avoid the sales tax," Hurst said. "The Sales Tax Holiday therefore makes our sales tax a bit less regressive."

The Retailers Association of Massachusetts is a statewide organization formed in 1918, and representing over 3200 retail sector employers, primarily small businesses.

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