

# Idaho's Retail Industry Overview at a Glance

## Idaho

**128,714**  
Total Retail  
Employment

**19.05%**  
Retail's Share of  
Total Employment in  
Idaho

**9,181**  
Total Number of  
Retail Establishments

**\$24.60**  
Total Retail Sales  
(\$ billions)

**0.51%**  
Share of National  
Total Retail Sales

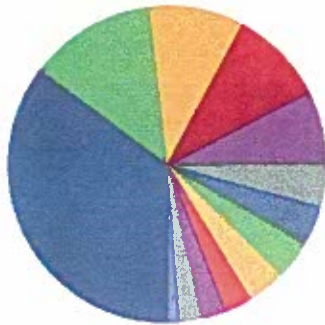


\*Retail industry profitability tends to average between just 2-4% . . . a relatively low rate for businesses with assets of \$50 million and over

\*The holiday shopping season consistently accounts for over 18% of sales during the year – higher for jewelry (30%) and department stores (25%)

\*Nationally, retailing is expected to add another 1.6 million jobs by 2014, making it among the largest sources of future growth

## Retail Employment by Subsector



45,212	Restaurants & bars
16,645	Department stores, warehouse clubs & super stores
12,428	Motor vehicle & parts dealers
12,394	Grocery & liquor stores
9,521	Building material & garden supply stores
5,808	Clothing & clothing accessories stores
5,308	Miscellaneous store retailers
5,097	Sporting goods, hobby, book & music stores
4,914	Gasoline stations
3,535	Furniture & home furnishings stores
3,299	Electronics & appliance stores
2,929	Health & personal care stores
1,623	Catalog, internet & mail-order retailers

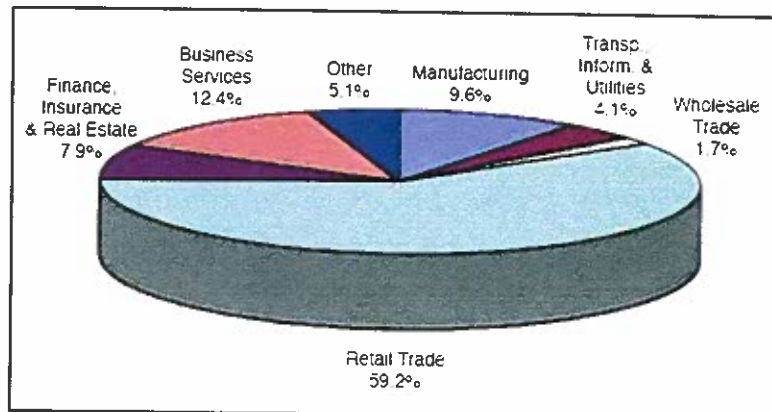
## Value of Economic Activity Generated by Retail Sales

Every dollar of retail sales requires economic activity from other sectors of the economy.

Retail sales generate up-stream and down-stream benefits to a host of sectors.

For every \$1 spent in a retail store, \$3 is created into the economy.

### Effects of Economic Activity of Retail Sales, by Share



Source: Derived from U.S. Department of Commerce, Bureau of Economic Analysis data



# Idaho's Hospitality Industry Overview at a Glance

## Idaho Restaurant Industry at a Glance

**Idaho's restaurants are an increasingly important part of the state's economy.** Restaurants are a key driver of employment in Idaho, and their sales generate tremendous tax revenues for the state.

The contribution of Idaho's restaurants extends far beyond the jobs they create, the careers they build and the revenues they generate. America's restaurants today are leaders in nutrition and healthy living, sustainability and social responsibility, and entrepreneurship and business opportunities.

For more information visit [www.restaurant.org](http://www.restaurant.org).

\*More than one out of four American adults got their first job in a restaurant

\*Nearly half of all Americans have worked in a restaurant at some point in their working careers

\*In 1955, restaurants' share of the food dollar was only 24%. Today it is 48%

\*Annual industry sales in the U.S. exceed half-trillion dollars

### Idaho Restaurants by the Numbers

#### LOCATIONS

In 2007, there were **2,825** eating-and-drinking places in Idaho.

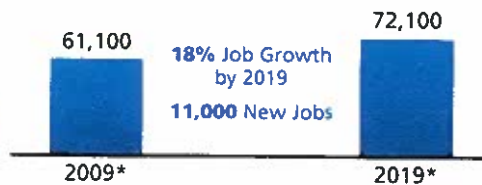
#### STATE ECONOMY

Every \$1 spent in Idaho's restaurants generates an additional **\$.96 in sales** for Idaho's economy.

Each additional \$1 million spent in Idaho's eating-and-drinking places generates an additional **33.5 jobs** in Idaho.

#### JOBS

Restaurant and Foodservice Employment



Restaurant jobs represent **9 percent** of total employment in Idaho.

#### SALES

In 2009, Idaho's restaurants will register **\$1.8 billion** in sales.\*

The U.S. economic revenue generated throughout the national economic chain by the hospitality industry is **\$1.6 trillion**, which equates to **11% of the national GDP**

America's hotels: strengthening the economy in every state.

## IDAHO

### Lodging Industry: 2009 State Overview

Idaho's hotels are an important segment of the state's economy. 9.5 percent of all jobs in the state are directly or indirectly related to the lodging industry, with hotels, motels, resorts, or lodges generating **\$255 million in tax revenue for state and local governments.**

Many of our properties are small businesses, a sector that created 67.5 percent of new jobs in the state.

Our industry reaches far beyond just providing our guests with comfortable rooms or convenient meeting spaces—we are interlinked with many other industries, such as transportation, restaurants, agriculture, manufacturing, and recreation, **supporting \$5.6 billion in total sales throughout the state.**

\*Business travelers spend \$240 billion in the U.S. annually

\*Tax revenue generated each year nationally by business travel for federal, state, and local governments is \$34 billion

#### ECONOMIC FACTS for Idaho

Jobs

**9,860** lodging jobs in 2008  
**\$292.8 million** in employee wages

Sales

In 2008, the lodging industry had **\$485 million** in direct sales in Idaho

Locations

In 2008, there were **327 lodging properties** in Idaho comprising **22,077 hotel rooms**



## Basic Economic Projection

**Idaho's Retail and Hospitality Industry, overall, feels sales will remain flat – although business *is* starting to rebound. An optimistic but conservative projection is a 2% increase over the next 18 months.**

### **What Attracts Retailers to Idaho:**

- Simple Tax Structure
- Comparatively Low Utility Rates
- Room for Growth / Ease of Land Development (comparatively)
- Right-to-Work State
- Few Employer/Employee Mandates (minimum wage, benefit requirements, health insurance coverage mandates, etc.)
- Dylan's Law/Home Rule State
- Fair Initiative Process
- Lower Cost of Living
- Lifestyle

### **Biggest Current Concerns of Idaho & Potential Idaho Retailers, Restaurants and Hotels:**

- Attitude of (some) State Agencies  
*How they work with (or against) business*
- Workers Compensation Rates and How Benefits are Awarded  
*A good system compared to other states, but rates and awards have been continually increasing*
- Skyrocketing Cost of Health Insurance  
*Mainly a federal issue, but there are things states CAN do to attract more competition and keep rates down*
- Declining Skills of Basic Workforce and the "Want" to Work

### **Economic Initiatives to Promote Growth:**

- Legislative initiatives to assist business and promote growth include deleting the HPI on the homeowner's exemption, eliminating the corporate income tax, and eliminating the business personal property tax
- Retail specific economic initiatives include implementing a Sales Tax Holiday to stimulate the economy, no local option or increased sales taxes (especially without a collection allowance), supporting the Main Street Fairness Act, and initiatives that promote (not penalize) buying in Idaho
- Hospitality specific economic initiatives include "fixing" the liquor license law and initiatives that promote tourism and bringing regional and national business conferences to Idaho

Between the sales and product taxes that are collected (*for free for the state*) by the retail and hospitality industries, along with the corporate income taxes paid by these businesses and the individual income taxes paid by all of the employees, these industries are responsible for almost 60% of the total general fund collections.

Retail businesses generally pay between 30-40% of their net income in income taxes. In addition, proprietors (which are a substantial part of the retail and restaurant businesses in Idaho) tend to pay a higher rate of income taxes than corporations and other forms of ownership.



# **Main Street Fairness Act of 2009: Brief History of the Streamlined Sales Tax Project**

- Started in 1999 (NCSL; NGA; Retailers)
- Two US Supreme Court cases prohibit mandatory tax collection from out-of-state sellers
- If state systems are simplified, Congress can pass a law to authorize state collection from out-of-state sellers



# **Main Street Fairness Act: Current State Status**

- Streamlined Sales and Use Tax Act effective October 1, 2005.
- Current membership:
  - 20 Full members.
    - Arkansas, Kansas, Kentucky, Indiana, Iowa, Michigan, Minnesota, Nebraska, New Jersey, Nevada, North Carolina, North Dakota, Oklahoma, Rhode Island, South Dakota, Vermont, Washington, West Virginia, Wisconsin, Wyoming.
  - 3 Associate members.
    - Ohio, Tennessee, Utah.





# **Main Street Fairness Act: Current State Status**

- **As of October 1, 2009 there were 1,200 companies registered on the voluntary central registration system.**
- **As of July 1, 2009 those companies had collected \$446.7 million in sales tax for the Streamline states.**



## **State and Local Government Sales Tax Revenue Losses From Electronic Commerce (April 2009)**

- Overall loss to states of ***\$11.4 billion*** by 2012
- **Six-year total loss of \$52 billion (2007-2012)**
- E-commerce only figures (does not include catalogue, television or mail order sales)
- E-commerce has grown from \$995 billion in 2004, to ***\$2.4 trillion in 2006***

*University of Tennessee study (April 8, 2009)*



# UNFAIR CREDIT CARD FEES.COM

## WHAT ARE INTERCHANGE FEES AND WHY ARE THEY A PROBLEM?

An average interchange fee of roughly 2% is collected by card companies and their banks on every credit card transaction. Retailers have no control over these fees which can be raised at any time by the credit card companies. They have risen at a rate faster than health care costs or energy costs and more than 200% since 2001. In most instances they represent one of the highest expenses a business faces – second only to labor and rent. And yet, interchange fees are the only cost of doing business retailers cannot negotiate. The supermarket industry operates on a profit margin of just over 1% and general retail at just over 2% so these constantly rising fees often exceed their profit margin and are extremely harmful to retailers who sell necessities, and in turn, their customers. Visa and MasterCard control an overwhelming percentage of the payments card market and abuse that market power by refusing to negotiate the rates and rules surrounding these interchange fees with retailers.

## HOW CAN WE SOLVE THIS PROBLEM LEGISLATIVELY?

Several pieces of legislation were introduced in the 110<sup>th</sup> Congress, each of which has been reintroduced in the 111<sup>th</sup> Congress. One of the bills passed in a bipartisan fashion out of the House Judiciary Committee last year. Below is a brief description of the current bills. We would urge you to consider cosponsoring them.

### H.R. 2695 – THE CREDIT CARD FAIR FEE ACT OF 2009

H.R. 2695 would allow retailers of all sizes to band together to negotiate with Visa and MasterCard. The Attorney General would have oversight of the negotiations to ensure both parties act in good faith.

Judiciary Committee Chairman John Conyers (D-MI) and Representative Bill Shuster (R-PA) are the prime sponsors of the legislation to curtail Visa and MasterCard's anticompetitive interchange fee setting practices, and to help level the playing field for retailers of all sizes with the credit card companies. The Credit Card Fair Fee Act of 2008, H.R. 5546, was favorably reported out of the Judiciary Committee on July 16<sup>th</sup> with a strong bipartisan 19 to 16 vote – nine Democrats and nine Republicans joined Chairman Conyers in the vote. H.R. 5546 had 45 cosponsors in the 110<sup>th</sup> Congress.

### S. 1212 – THE CREDIT CARD FAIR FEE ACT

S. 1212, previously S. 3086, introduced by Senate Majority Whip Dick Durbin (D-IL) is the Senate companion to H.R. 2695. The prime variation in the two bills is that if



**MERCHANTS PAYMENTS COALITION, INC. | [www.UnfairCreditCardFees.com](http://www.UnfairCreditCardFees.com)**

325 7<sup>th</sup> Street NW, Suite 1100, Washington, DC 20004 | 202-955-1400 | [info@unfaircreditcardfees.com](mailto:info@unfaircreditcardfees.com)

negotiations are not successful, the issue would go to judges appointed by federal antitrust enforcers at the Federal Trade Commission and the Department of Justice. Based upon evidence and witnesses presented by both sides, the three-judge panel would choose the set of rates and terms offered by one of the two sides that the panel determines best approximates the rates and terms that would prevail in a functioning, competitive market.

### **H.R. 2382 -- THE CREDIT CARD INTERCHANGE FEES ACT OF 2009**

Congressmen Peter Welch (D-VT) and Bill Shuster (R-PA) recently introduced H.r. 2382, the Credit Card Interchange Fees Act of 2009, previously H.R. 6248. The legislation would:

- Eliminate higher interchange fees collected on rewards cards;
- Allow merchants the option to discount for cash purchases without fear of credit card company penalties;
- Prohibit the Honor-All-Cards rule;
- Allow merchants to encourage customers to pay with alternate forms of payment;
- Allow merchants to accept cards for portions of their business (i.e. online purchases) without forcing them to accept cards at all other retail locations;
- Prohibit Reason Code 96 chargebacks;
- Allow merchants to charge a minimum amount for a card purchase;
- Prevents card companies from requiring merchants to conduct any minimum number of transactions in any given time period for access to a network.
- Require full disclosure of rates and terms to the FTC, Federal Reserve, and consumers.

### **WHICH NATIONAL RETAIL GROUPS AGREE THAT INTERCHANGE FEE SETTING IS AN ANTICOMPETITIVE PRACTICE?**

Food Marketing Institute  
National Association of Convenience Stores  
National Grocers Association  
National Retail Federation  
National Association of Chain Drug Stores  
Retail Industry Leaders Association  
National Restaurant Association  
Petroleum Marketers Association of America  
National Council of Chain Restaurants  
National Association of College Stores  
National Association of Truck Stop Operators  
International Franchise Association

International Association of Airport Duty Free Stores  
National Association of Theatre Owners  
American Beverage Licensees  
Bowling Proprietors Association of America  
National Association of Shell Marketers  
Interactive Travel Services Association  
Society of American Florists  
Society of Independent Gasoline Marketers of America  
National Franchise Association  
Coalition of Franchisee Associations  
National Small Business Association

For more information, visit [www.unfaircreditcardfees.com](http://www.unfaircreditcardfees.com).



# **State and Local Government Sales Tax Revenue Losses from Electronic Commerce<sup>1</sup>**

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By

Donald Bruce, Associate Professor of Economics  
William F. Fox, William B. Stokely Distinguished Professor of Business  
LeAnn Luna, Associate Professor of Accounting

University of Tennessee

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**Table 5: Total State and Local Sales and Use Tax Revenue Losses from E-Commerce Sales (\$millions)**

	Baseline Scenario						Total
	2007	2008	2009	2010	2011	2012	
Alabama	108.3	115.5	103.9	128.9	151.6	170.4	778.6
Alaska	1.0	1.0	0.9	1.1	1.3	1.5	6.8
Arizona	235.2	250.8	225.6	279.8	329.0	369.8	1,690.3
Arkansas	72.4	77.2	69.5	86.2	101.3	113.9	520.4
California	1,211.2	1,291.6	1,162.1	1,441.1	1,694.4	1,904.5	8,704.8
Colorado	109.9	117.1	105.4	130.7	153.7	172.7	789.5
Connecticut	40.6	43.2	38.9	48.3	56.7	63.8	291.5
District of Columbia	22.6	24.1	21.7	26.9	31.6	35.5	162.5
Florida	511.2	545.1	490.4	608.2	715.1	803.8	3,673.9
Georgia	260.9	278.2	250.3	310.4	365.0	410.3	1,875.2
Hawaii	38.2	40.7	36.6	45.4	53.4	60.0	274.2
Idaho	29.5	31.4	28.3	35.1	41.2	46.4	211.9
Illinois	322.3	343.7	309.3	383.5	450.9	506.8	2,316.6
Indiana	124.2	132.5	119.2	147.8	173.8	195.3	892.8
Iowa	56.4	60.1	54.1	67.1	78.9	88.7	405.3
Kansas	90.9	96.9	87.2	108.1	127.1	142.9	653.2
Kentucky	69.9	74.6	67.1	83.2	97.8	109.9	502.5
Louisiana	251.8	268.5	241.6	299.6	352.2	395.9	1,809.5
Maine	20.4	21.7	19.6	24.3	28.5	32.1	146.6
Maryland	117.1	124.9	112.4	139.3	163.8	184.1	841.6
Massachusetts	83.5	89.0	80.1	99.3	116.8	131.3	600.0
Michigan	90.0	96.0	86.3	107.1	125.9	141.5	646.7
Minnesota	149.6	159.6	143.6	178.0	209.3	235.3	1,075.3
Mississippi	85.8	91.5	82.3	102.1	120.0	134.9	616.5
Missouri	134.0	142.9	128.6	159.4	187.5	210.7	963.0
Nebraska	39.0	41.6	37.4	46.4	54.6	61.3	280.4
Nevada	107.4	114.6	103.1	127.8	150.3	168.9	772.1
New Jersey	128.8	137.3	123.5	153.2	180.1	202.5	925.5
New Mexico	76.6	81.7	73.5	91.1	107.2	120.5	550.5
New York	550.4	586.9	528.1	654.9	770.0	865.5	3,955.7
North Carolina	136.0	145.0	130.4	161.8	190.2	213.8	977.1
North Dakota	9.8	10.4	9.4	11.6	13.6	15.3	70.1
Ohio	195.8	208.8	187.9	233.0	274.0	307.9	1,407.5
Oklahoma	89.5	95.5	85.9	106.5	125.3	140.8	643.5
Pennsylvania	220.0	234.6	211.0	261.7	307.7	345.9	1,580.9
Rhode Island	18.5	19.7	17.7	22.0	25.8	29.0	132.7
South Carolina	79.2	84.5	76.0	94.2	110.8	124.5	569.3
South Dakota	18.9	20.2	18.2	22.5	26.5	29.8	136.1
Tennessee	261.3	278.6	250.7	310.9	365.5	410.8	1,877.7
Texas	553.6	590.3	531.1	658.6	774.4	870.4	3,978.3
Utah	56.3	60.0	54.0	66.9	78.7	88.5	404.3
Vermont	16.0	17.0	15.3	19.0	22.3	25.1	114.8
Virginia	131.6	140.4	126.3	156.6	184.1	207.0	946.0
Washington	179.3	191.2	172.0	213.3	250.8	281.9	1,288.7
West Virginia	32.2	34.3	30.9	38.3	45.0	50.6	231.4
Wisconsin	90.4	96.4	86.7	107.6	126.5	142.1	649.7
Wyoming	18.2	19.4	17.5	21.6	25.4	28.6	130.7
<b>TOTAL</b>	<b>7,245.6</b>	<b>7,726.3</b>	<b>6,951.4</b>	<b>8,620.4</b>	<b>10,135.8</b>	<b>11,392.7</b>	<b>52,072.2</b>

# State and Local Government Sales Tax Revenue Losses from Electronic Commerce

## EXECUTIVE SUMMARY

The development of new technologies and digital processes has had a profound effect on the U.S economy as e-commerce sales have grown from \$995.0 billion in 1999 to \$2.385 billion by 2006. The rapid growth in e-commerce affects state and local economies in several important ways. First, state and local governments continue to lose sales and use tax revenues because of the inability to collect taxes that are due. Second, firms change their best business practices to avoid creating a collection responsibility in certain states. Firms choose to locate their selling or warehousing activities to avoid creating nexus rather than locating where they can operate most efficiently. Also, local vendors face a competitive disadvantage to e-commerce competitors as consumers browse in shops on Main Street but then make their purchases online to evade the tax. Finally, there may be distributional consequences if lower-income consumers are more likely to make purchases in local stores where the tax is collected.

We estimate state and local sales tax losses arising from e-commerce for 46 states and the District of Columbia using both a baseline forecast and an optimistic forecast for e-commerce growth. B2B (business-to-business) sales account for approximately 93 percent of total e-commerce. In the baseline case, we estimate that annual national state and local sales tax losses on e-commerce will grow to \$11.4 billion by 2012 for a six-year total loss of \$52 billion. The more optimistic growth case estimates losses to reach \$12.65 billion by 2012 and an aggregate loss of \$56.3 billion.

We view our estimates as lower bounds on the expected sales tax revenue losses. First, we use a conservative methodology for forecasting e-commerce. Second, we did not seek to account for the additional losses associated with non-registered vendors operating in the states. Third, we assume that the taxability of e-commerce transactions is the same as for overall commerce, even though we suspect that the ability to evade the tax should shift the mix of e-commerce more towards taxable sales.

Changing the law to require remote vendors to collect sales and use taxes would recover a significant portion of the estimated losses, although we acknowledge that some noncompliance would remain. More importantly, our estimates are revenue losses associated with e-commerce and not all remote sales, and yet the proposed legislation covers other types of remote commerce, such as mail order, telephone orders, and deliveries made across state lines by unregistered businesses. Estimating the sales tax revenue losses associated with all remote commerce is beyond the scope of this study, but we believe the

revenue implications are much larger than for e-commerce alone. For example, applying the methodology we used to estimate e-commerce losses, we estimate losses relating only to the B2C (business-to-consumer) component of mail orders sales to be \$6.8 billion by 2012. As a result, total revenue gains from requiring various forms of remote vendors to collect sales and use tax will be significantly larger than what we estimate in this report for e-commerce.