

Idaho's Retail Industry Overview at a Glance

128,714
Total Retail
Employment

19.05%
Retail's Share of
Total Employment
in Idaho

9,181
Total Number of
Retail
Establishments

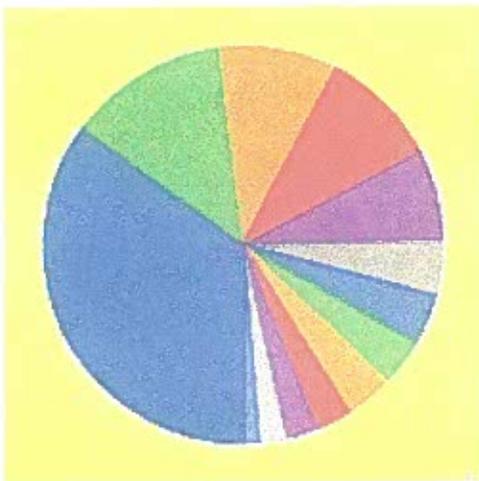
\$24.60
Total Retail
Sales (\$
billions)

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

*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

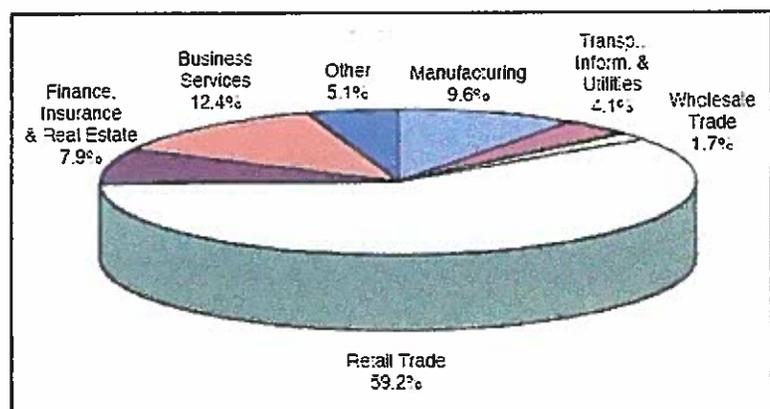
Value of Economic Activity Generated by Retail Sales

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



Idaho's Hospitality Industry Overview at a Glance

Idaho

Restaurant Industry at a Glance

Restaurants in Idaho are a driving force in the state's economy. Their sales generate tremendous tax revenues. They provide jobs and build careers for thousands of people. They also provide healthful options for their guests, give back to their communities, and work to reduce their impact on the environment.

*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 25%. Today it is 49%

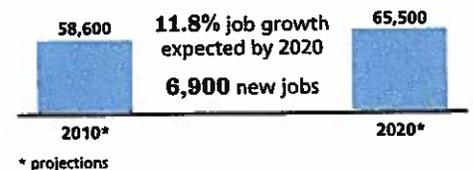
Sales In 2010, Idaho's restaurants are projected to register \$1.7 billion in sales.

Locations In 2008, there were 2,857 eating and drinking places in Idaho.

The Power of \$1 Every \$1 spent in Idaho's restaurants generates an additional \$.96 in sales for the state economy.

The Power of \$1 Million Every extra \$1 million spent in Idaho's eating and drinking places generates an additional 33.5 jobs in the state.

Jobs Restaurants employ 58,600 people in Idaho.
Restaurant and foodservice employment in Idaho



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

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

*97% of hotel properties Donate to local community charities.

*Nationally, the lodging industry donates over \$815 million annually to charitable organizations.

*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

Idaho

Lodging Industry at a Glance

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 \$225 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.

ECONOMIC FACTS for Idaho			
Jobs	9,860 lodging jobs in 2008	Sales	Locations
	\$292.8 million in employee wages		
	In 2008, the lodging industry had \$485 million in direct sales in Idaho		In 2008, there were 327 lodging properties in Idaho comprising 22,077 hotel rooms

Basic Economic Projection

Idaho's Retail and Hospitality Industries, overall, feel 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:

- Too Much Uncertainty in the Marketplace
- Federal Health Insurance Reform
 - Too much unknown of how expensive it will be . . . along with the increased cost to businesses for each employee (as in, too expensive to hire additional employees – rather they are needed or not)*
- Attitude and/or coordination of/between (some) State Agencies
 - How they work with (or against) business*
- Declining Skills of Basic Workforce and the “Want” to Work
- Losing Business/Sales to Neighboring States and Online Sellers as Taxes Increase

Specific Economic Initiatives to Help Promote Growth:

- Internet sales-tax parity with non-nexus retailers, or better known as the Main Street Fairness Act (or the streamlined sales tax act)
- Policies that encourage keeping business in Idaho . . . along with initiatives that promote (not penalize) buying in Idaho
- State led process through the Department of Commerce working in concert with local economic development agencies
- One stop shop for businesses looking to expand or relocate – along with one stop shop for annual licensing and registrations within a business
- Restructuring the commission levels that go to contract liquor stores
- Reinterpret/rewrite the tax policy on gratuities
- Rewrite the liquor license laws

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.

In addition, *these* are the businesses that are first in line to assist the communities in times of emergencies, along with donating millions of dollars throughout Idaho to local organizations, schools, sports teams, and on and on.



MAIN ST.

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It's a matter of simple fairness.

Alliance for Main Street Fairness (AMSF)

Why Change The Law

The Current System Is Flawed: Common sense would dictate if someone buys a product online, they should pay the same sales tax as anyone would if they had gone to the store in person.

But a massive loophole is being exploited whereby online-only retailers aren't collecting sales tax at the point of sale despite the fact that the tax is still due; and small brick-and-mortar businesses are at a significant disadvantage as they are collecting the tax as required by law. This is an antiquated system that needs to be modernized for 21st Century commerce.

The truth is: a sale is a sale is a sale. Whether it takes place online or at a local business, a sale is made, a transaction has occurred and the sales tax is owed. The same rules should apply online that apply on Main Street. It is a question of fairness and evenhandedness.

The Current System Hurts Small Businesses: The unfair disadvantage our local small businesses are experiencing leads to less commerce at brick-and-mortar establishments that contribute so much to our community. These employers can't compete with online giants that don't collect sales taxes and don't have the same local presence in our communities.

Local businesses support our civic organizations, sports teams and are permanent members our community. But unless the system is corrected, local retailers will become endangered species as they are being punished for following the law and collecting sales taxes, while their competitors are not.

The Current System Leaves Individual Consumers Vulnerable: Just because the online merchant doesn't collect the tax, it doesn't mean it is not due. Stores like Amazon and Overstock are leaving individuals who purchase items on their Web sites exposed as these purchasers are responsible for the tax themselves. In fact, individuals can be audited and penalized for any unmet tax obligation that hasn't been paid.

Each year, our tax forms make specific inquiries with regard to purchases made online or through other remote sellers and whether the sales tax was paid. Due to the fact that these online retailers do not collect the tax at the point of sale and do not inform purchasers that it is their responsibility to report the amount of sales tax due and pay it directly to the state, their customers are exposed as they have an unmet tax liability that could result in an audit.

The Current System Means States Will Create New Taxes: If some retailers continue collecting the sales tax at the point of purchase, while others exploit a loophole and do not, states that are currently experiencing massive budget deficits are going to increase other taxes and fees, like property taxes, sales taxes and/or income taxes, which is already happening across the country.

The reality is that states have massive deficits and unfunded mandates they cannot finance without additional revenue or cutting of essential services. It only makes sense to collect a tax that's already due before instituting new taxes on everyone.

It's important to understand that collecting the sales tax won't hurt small businesses that operate online; in fact, there will be exemptions for the smallest sellers and free tax assistance for people like eBay and Etsy sellers.

Lastly, we can take tax revenue generated from online sales that's already due and pay down deficits and get us back on track toward fiscal responsibility.

Pam Eaton 1-7-2011



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MYTH: This is a new tax.

FACT: This is not a new tax. Purchases made online are still subject to the sales tax; however, when an online retailer fails to collect that tax, it falls to the consumer to report that tax on their state income tax return. This is a confusing and unnecessary burden for a consumer that needs to be addressed in a 21st Century economy.

MYTH: Putting in place legislation that requires every retailer – whether brick and mortar or online – to collect the sales tax at the point of purchase is nothing more than a tax increase.

FACT: That is not the case. This is an issue about fundamental fairness. A sale is a sale is a sale. Whether it takes place on the Internet or at a small business, the same rules should apply online that apply on Main Street. A massive loophole is being exploited whereby online-only retailers aren't collecting the sales tax at the point of purchase despite the fact that the tax is still due, and small businesses are at a significant competitive disadvantage as they are collecting the tax as required by law. This is an antiquated system that needs to be modernized for 21st Century commerce.

MYTH: Requiring online retailers to collect the sales tax online will result in less Internet commerce and hurt both the economy of these states and the nation as a whole.

FACT: The unfair disadvantage is being experienced by our local small businesses, and it leads to less commerce at brick-and-mortar establishments that hire our family members and contribute to our communities. These employers can't compete with online giants that don't collect sales taxes and don't have a local presence in our neighborhoods. Unless the system is corrected, local retailers will become endangered species as they are being punished for following the law and collecting sales taxes, while their online-only competitors are not. This is a matter of common sense and basic fairness.

MYTH: Online retailers will simply pull their affiliates from states rather than collect the sales tax.

FACT: One of the reasons it is so important to correct this deeply flawed system, which is hurting our small businesses and exposing individual taxpayers to the risk of tax audits, is that the Internet will only play a more vital role in the marketplace in the decades to come. The increased traffic and purchasing power will mandate that any and every business looking to compete and succeed will need to have a powerful Web presence. We believe this to be true of the online retailers that refuse to collect the sales tax just as it is true of any business.

MYTH: Collecting the sales tax would be extremely burdensome for online retailers as it would require them to develop, test and install new software, which would be costly and time consuming.

FACT: The reality is that the software and Web applications necessary to collect the sales tax have already been developed and put in place by numerous retailers that choose to adhere to the law. The alternative is not the system that we have today where individual taxpayers are required to record purchases they make online and either carry an unmet tax obligation or pay at the end of the year, a responsibility most consumers are not even aware is theirs. The correct solution is for online-only retailers to harness Web applications that already exist for collecting the sales tax and to do so at the point of sale.

MYTH: No one is negatively affected and consumers benefit by being able to purchase goods on the Internet without paying the sales tax.

FACT: Across the board, everyone – including the purchaser – is put at risk by the fact the sales tax is not collected at the point of purchase by online-only retailers. The buyer has an unmet tax liability that could result in an audit. Small businesses that are forced to collect the tax are losing business and may be forced to close. And states, with massive budget deficits are going without revenue that could help ensure they pay down their debt and finance critical services like law enforcement and emergency personnel.

MYTH: Collecting the sales tax will hurt small businesses that operate online.

FACT: It's important to understand that collecting the sales tax won't hurt small businesses that operate online; in fact, there will be exemptions for the smallest sellers and free tax assistance for people like eBay and Etsy sellers.

MYTH: We don't need new laws and regulations that will only slow e-commerce and cost us jobs.

FACT: Most of the laws and court cases governing e-commerce are more than two decades old – before online shopping really even existed. Today, unlike their brick-and-mortar competitors, online-only retailers are not required to collect and remit sales taxes in most cases. This loophole has given online-only retailers a competitive advantage over Main Street businesses. Competition among new businesses and new forms of commerce is important, but it must occur on a level playing field. Ensuring all retailers can operate in a fair and competitive environment will allow small businesses to keep their doors open and keep their workers employed.

MYTH: This is a tax on the Internet.

FACT: This is not a tax on the Internet. The Internet Tax Freedom Act created a moratorium on taxes relating to Internet access and on any new, multiple or discriminatory taxes on the Internet. The Act did not exempt sales taxes on Internet purchases.

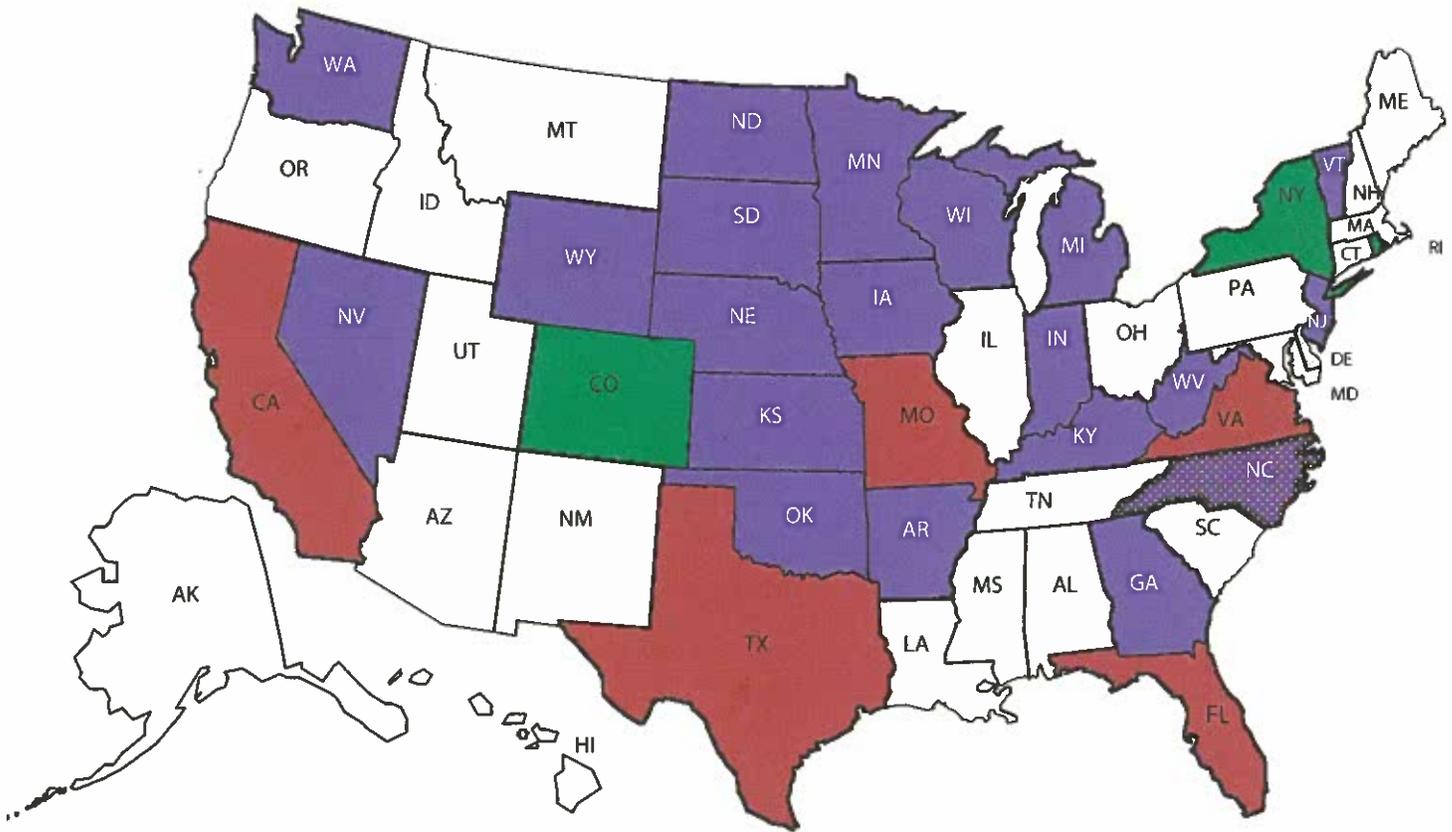
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Streamlined Sales Tax Map



 States that passed some form of Nexus Legislation

 States with action on Nexus or Streamlined Legislation

 Streamlined Sales Tax States: AR, GA, IN, IA, KS, KY, MI, MN, NE, NJ, NC, ND, NV, OK, RI, SD, WA, WV, WI, WY