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July 28, 2011

The Honorable Dave Camp
Chairman
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Camp and Ranking Member Levin:

On behalf of the Retail Industry Leaders Association (RILA), I write to offer retailers' perspectives on consumption taxes for your committee's hearing on July 26, 2011, on tax reform and consumption-based taxes. RILA supports tax policies that will improve the business climate for retailers, both domestically and internationally, by helping them continue creating jobs and bring price-competitive value to American consumers.

By way of background, RILA is the trade association of the world's largest and most innovative retail companies. RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. Its members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

Anti-Growth Tax Reform: National Sales Tax

While tax reform is important and can contribute to economic growth and job creation, we strongly believe that adoption of a national sales or value-added tax (VAT) would be antithetical to those goals. Regardless of whether this tax is imposed through the manufacturing process or at the point of retail sale, the victim of this tax will ultimately be the American consumer who will face higher prices at the register.

Sales taxes are highly regressive and pose particular harm for low- and middle-income consumers who spend a higher percentage of their earnings on basic necessities such as food, clothing, and household products. In addition, state and local governments already apply sales taxes to many goods and services – which a number of states have increased in recent months to address revenue shortfalls resulting from the current economic situation. A similar tax at the national level would simply add to the tax burden consumers are increasingly asked to shoulder. Such a tax would also create significant administrative burdens for retailers already responsible for complying with the complex federal income tax system and the remittance of disparate state and local sales taxes.

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Moreover, the retail industry represents one of the largest industry sectors in the United States with nearly 15 million jobs and \$3.9 trillion in annual sales overall in 2010. A national sales or value-added tax would by definition increase prices and we believe would significantly depress retail sales. The result would be devastating for the retail sector of our national economy and the critical jobs it provides, especially given the ease with which it would be adjusted in the future to increase federal revenues.

Today, the nation's economy continues its sluggish recovery, with the unemployment rate hovering around 9 percent and more than half of the country's Gross Domestic Product reliant on consumer spending. The last thing this country – our businesses and our consumers – needs is a new supplementary tax system that will increase retail prices, hinder consumer spending, threaten American jobs, and add more barriers to robust economic growth. Accordingly, we do not believe there is any room at the table for a national sales or value-added tax to be added to the current burdensome income-tax regime.

Growth-Orient Tax Reform: Lower Business Tax Rate; Simpler, Permanent and Stable Tax System

As we have submitted in previous testimony, RILA believes that the best approach for tax reform is to retain the income-based system and reduce significantly the rate applicable to U.S. corporations and other forms of business while examining the myriad other aspects of the tax law to broaden the tax base. Such an effort would be a substantial step toward improving the business climate for retailers, both domestically and internationally.

RILA applauds the Committee's recognition that tax reform should not be undertaken piecemeal, but rather comprehensively. And, we urge the Committee to give careful consideration to the effect that tax rates, as well as other components of the individual tax code like the alternative minimum tax, have on consumer spending, which contributes to the growth in the economy and businesses' ability to increase capital for investment and job creation.

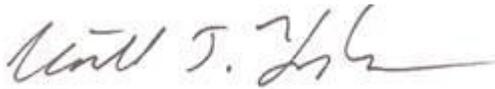
Moreover, we strongly urge the Committee to strive for a tax system that will minimize the burdens and complexities of our current tax system, which stifle innovation and employment, and deter overall economic growth. Fundamental to any successful tax reform is a simple, permanent, and stable tax system – a feature that the current tax system sorely lacks.

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Conclusion

Thank you for this opportunity to present our views on tax reform and consumption-based taxes. RILA and its members look forward to working with the Committee to implement meaningful tax reform that includes provisions that support the retail industry and help it create jobs and grow.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Hughes", with a long horizontal flourish extending to the right.

Bill Hughes
Senior Vice President, Government Affairs