



April 9, 2015
House Natural Resources and Energy Committee
Re: H295 Disposable Bags

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Vermont retailers are an important part of the economic and social fabric of Vermont towns and cities. We work hard to employ our neighbors, to make our urban centers vital, to deliver great experiences to the millions of tourists that flock to our state every year. We value maintaining and improving the environment that we all live and work in.

Reducing the entire waste stream is one component to keeping Vermont a clean and healthy state. Businesses understand and support this.

However, VRGA has concerns with the details of this bill.

#1 The retail community has voluntarily moved away from single use bags and steadily educated the public about the positive reasons for transitioning to re-usable bags

- Many more people have switched to re-usable bags in the last 5 years
- Many businesses offer bag recycling drop offs for plastic & paper bags
- Many retailers offer various incentives per bag for every reusable bag customers bring with them

#2 I don't want to have to tell my customers that after spending their hard earned money in my business that I now have to charge them for the three bags we used to package their purchase

- My front line staff is very concerned with this, creating ill will as the guest leaves our store
- It will definitely slow down the process of checking our guests out
 - I feel we need to tell every customer about the tax in fairness to them - I don't want them surprised when they look at their receipt, conversation is good but on busy days, no one likes to wait in line to check out and in fact we may lose a sale or two if people wait too long in line

#3 This is another competitive disadvantage that affects every retailer along Vermont's borders.

- We hear often from our members in these areas that the borders are extending deeper and further into Vermont, people are willing to drive further and further to take advantage of favorable policies in N.H.
- Retailers already have to overcome:
 - Sales tax disparity
 - Minimum wage disparity - affects wages through much of the wage scale, not just min. wage
 - Property Tax disparity

#4 Tourists do not carry reusable bags with them.

Since tourists don't travel with re-usable bags, they are unable to opt out of this tax

This simply becomes another tax on our tourism trade

Rooms and meals tax is proposed to increase by as much as 1%,

- continuing the tax escalation on tourism

The legislature needs to foster and encourage tourism, not discourage it

\$2.7 billion in spending by tourists

\$385 million in tax revenue

More than 30,000 jobs supported by tourism

* data from Vermont Dept. of Tourism & Marketing 2013 Impact Study

#5 Many retailers have programs in place to combine an incentive to the public with funding local charities

Stowe Mercantile offers 5 cents to charity for every shopping bag our guests decline

During 2014, we donated over \$800 through this program to three local charities

Lamoille Community Food Share, Clarina Howard Nichols Center, Laraway School

Guests in our store are excited about this program, it encourages recycling while doing something good for the community

I don't want to lose this program

#6 My business and many smaller businesses still use old style cash registers

I do not have an available key on the register to track the bag tax collected

It would mean having to reduce my sales categories in order to accommodate this which really means I lose valuable management information just so I can collect the tax

I cannot afford new registers - many thousands of dollars to replace the ones I have, a complete new point of sale system would be dramatically more money - this would be a terrible use of resources in my business

#7 On-line sales are not subject to this tax

On-line sales continue to make Main Street retailing an even harder business sector to survive in than it was just a few years ago

On-line sales produce much more waste than brick & mortar sales

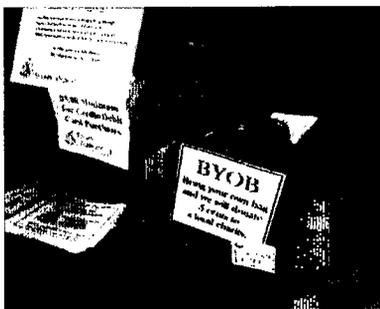
On-line sales continue to reduce revenue to Main Street retailers

On-line sales are still exempt from sales tax furthering the disadvantage to Main Street retailers

#8 Another record keeping function for retailers to perform

I recognize that this bill does provide reimbursement to the retailer for administering the program, however, there still has to be someone available to do this, file the report & send in the money. Just because we're being reimbursed doesn't mean businesses have the capacity to perform this.

#8 If the state is going to impose a tax on bags, there is no "socially conscience" incentive for retailers to pay the much higher cost of using recycled material to produce the bags. Bag production may just shift to using pulp products since the cost is as much as 50% less to use non-recycled material

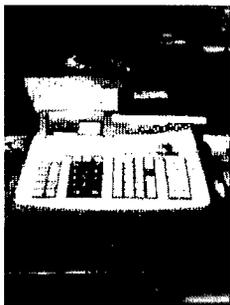


Voluntary Donation Program in Place

A 5 cent donation for every bag declined, our staff is trained to promote this and we honor it.

Guests love this! Knowing that a donation is being made to a local charity really bolsters their experience in each of our stores.

Stowe Mercantile Cash register



These registers serve our purpose just fine.

To lose a management report in order to track the bag tax would be very counter-productive.

My business cannot afford to purchase new registers right now.

Press Release: BYOB

February 23, 2015



Photo Attached: from left to right:

Julie Landry, Director of Laraway School receives a check from Trudy Trombley of Stowe Mercantile & Boutique

Julie Landry of Laraway Youth & Family Services is presented with a check for \$302.00 from the BYOB, "Bring Your Own Bag" program. Trudy Trombley from Stowe Mercantile and Boutique states, "We're excited to have chosen this great organization as the recipient of the proceeds from our BYOB program." Explaining the program, Trombley goes on to say, "As an incentive to reduce the number of shopping bags used, we have created our BYOB program. For every customer that doesn't need a bag or doesn't take a bag from the stores, our businesses donate a nickel to a local charity." In just the first year of the program, the number of bags used has been reduced by more than 10,000. At the same time, these businesses have made significant donations to local charities.

Press Release: BYOB

October 23, 2014



October 23, 2014

Photo Attached: from left to right:

Trudy Trombley from Stowe Mercantile and Boutique presents Jane Ralph from Clarina Howard Nichols Center with donation check

Stowe Mercantile and Boutique donate summer proceeds of their bag program to Clarina Howard Nichols Center

In their ongoing effort to reduce the number of bags used in their business, Stowe Mercantile and Boutique have created their own BYOB program; Bring Your Own Bag. For every customer that doesn't need or take a bag from the stores, these businesses donate a nickel to a local charity. After the summer season, Clarina Howard Nichols Center was chosen to be the recipient. \$166.00 in nickels were donated which represents over 3,000 bags saved. With additional change donations from customers, a check for \$485.34 was presented to Clarina Howard Nichols Center to benefit their vital programs in Lamoille County. So next time you're in either store, consider bringing your own bag or perhaps just do without one and a fortunate local charity will receive the benefit of your shopping choice!

General Business Conditions for The Retail & Grocers Sector

Vermont's retail sector continues to struggle in this economy

Increased pressure from on-line sales

Lack of a cohesive national sales tax policy; Main Street Brick & Mortar retailers are penalized by having to collect sales tax

Vermont's declining demographics

Tourism numbers are flat

Retailers in border towns are under severe stress due to multiple tax, wage & policy differences with neighboring states

VRGA was a partner in negotiating an increased minimum wage for Vermonters

Years 2007 & 2008 for most retailers, were their best years for sales & profits

Many VRGA members have not returned to those levels yet

Profits are essential for businesses:

From profits comes:

Re-payment of debt

Re-investment into staff education & training, facility & process improvements & inventory

Ability to offer raises, bonuses & increased benefits

Retailers typically operate on 1 - 3% Net Profit Margin

Vermont economist Art Wolf stated last year that the retail industry operates on the smallest of profit margins of any industry.

VRGA is asking for a two year moratorium on new taxes, fees and employer mandates in order for the majority of Vermont retailers that are still struggling, to further recover from the recession, invest in their businesses and have a chance at longevity and prosperity.

My businesses: Stowe Mercantile & Boutique

Starting wage is now \$11.00 / hour

1st raise after 30 days, minimum \$.50 maximum of \$1.00

\$3.00 per hour more for weekends

Sales Gain incentives - meet monthly sales goals, 15% of overage is paid out to staff

Health Insurance

Holiday pay at overtime rates

40 hours of Paid Time Off after 6 months (1040 hours) for full time staff only

Part time staff do not receive this benefit

Typical staff member earning a base wage of \$12.00 / hr. actually earns in excess of \$13.00/ hr.

Annual pay in excess of \$27,000

Plus health insurance & 1 week paid time off

Like many VRGA members, due to the continuing sluggish economy, increased employer mandates, increased expenses and declining sales, I have had to make significant changes for 2015:

- 1) Reduced Health Care premiums from Fully Paid premium of over \$500.00 / month to \$300.00 monthly contribution - I have never paid less than the full premium until this year
- 2) Reduced number of holidays with overtime pay rate from 11 days to 8 days
- 3) Reduced number of anticipated part time seasonal hires by 1500 hours (3/4 position)

Paid Leave for part time staff (high school & college students included) will add over \$3,000 of additional payroll plus the cost of paying overtime for other employees to come into work on their days off to cover the absences. This is in addition to my current costs for my paid time off policy for full time employees.



April 1, 2015

2015 Actual & Potential Tax, Fee & Compliance Costs

- 1) Upward pressure on wages with Minimum Wage annual increases (passed 2014 legislature)**
Many members pay well above Min. Wage but increased their staff's wages anyway
- 2) Annual Increase in "Catamount / Health Assessment"**
Still in place even though the program ended, now used to subsidize VT Health Connect Operating Costs
Original assessment in 2007 = \$365.00 per FTE annually
2014 assessment was \$564.00 FTE annually
45% increase
- 3) Extreme pressure on retailers and related businesses in border towns because of VT wage & tax policies that significantly surpass other border states policies; examples: minimum wage, sales tax, Property tax**
- 4) Property Taxes continue to be a burden on businesses.**
- 5) Additional stress on businesses in the Vernon area with the closure of VT Yankee**

Actual & potential increased taxes, fees and regulatory expenses:

- 1) Governor's proposed .7% payroll tax to raise \$90 million
** 4/1/15 VRGA realizes there is not a great deal of support at the moment for this tax but we're mindful that it may come back into consideration late in the session*
- 2) Sugar Sweetened Beverage Tax, estimated to raise \$24 million
 - * Loss of sales due to Sugar Sweetened Beverage tax, especially in state border areas*
 - * Arbitrary tax, dietary sugar sources exist in many, many forms throughout our state*
 - * Hidden tax since it is levied at the distributor level*
 - * Legislature has considered the tax three times prior to this year*
 - * Dramatically different from tobacco tax (tobacco basically a single product, easy to identify, taxed at the consumer level*
 - *4/1/15 VRGA realizes this tax has been reduced as a percentage but broadened, we continue to be extremely concerned with any new tax*
- 3) GMO labeling (passed last year)

Retailers are liable for a much larger share of the law than anyone expected:

- * Deli. In-store prepared foods, bulk foods
- * Affects all retailers, not just grocery or deli, general stores with bulk foods: granolas, candy, nuts, vegetables etc... signage, 3 years of documentation and

compliance per source vendor

Examples: grocers husking corn moves GMO label & documentation responsibility to grocer

Roasting Maple Walnuts: ingredients: walnuts & maple sugar; retailer responsible for labeling

Since product was roasted in-store

Bulk nuts, granola, candy, vegetables, flours etc... all require individual signs stating GMO content

4) Mandatory Paid Leave: for many employers, when an employee calls out sick, that employee is replaced for the day at overtime pay rates. There is no extra staffing capacity in many businesses. It is absolutely inaccurate to state that there is no cost to the employer for Mandatory Paid Leave.

- * New employer mandate that further constrains an employer's ability to offer the benefits that their employees value most

5) Health Care Assessment is indexed, set to increase every year: 2014 was \$532 annual / FTE

6) Appliance retailers required to carry more energy efficient products:

- * Affects retail price points
- * Product mix and overall gross profits affected
- * Possibly limits the consumer's choices
- * State of Vermont is dictating and managing inventory for an entire retail sector
- * *4/1/15 VRGA realizes this bill has not been taken up*

7) Increased State Unemployment costs as taxable base wage increases in 2015 by \$400.00

- * Base wage was \$16,000, increases to \$16,400

* Impacts employers with many part time staff & seasonal staff more dramatically since wages above \$16,400 are exempt

8) New costs to upgrade to new secure credit card equipment

Required to meet new federal data security requirements even though the actual breaches most often occur not at the retailer level but at one of the many processor levels between the retailer & their bank

9) Bag Tax

- * Another tax for retailers to administer
- * Record keeping and submitting forms and reports to the state cost businesses wages for this work to be done

10) Increased utility costs

- * Shut down of Vermont Yankee

* With re-evaluation of Vermont's renewable energy policy, the loss of tradable energy credits will at the least cause uncertainty for energy prices and potentially affect the entire rate structure for Vermont

- * *VRGA realizes this is an on-going legislative process to modify current utility pricing*

As of April 1, 2015, VRGA is monitoring and is very concerned with new taxes & fees proposed to finance clean water, to make up the budget deficit, to implement new programs (SSB Tax, Mandatory pre-school, mandatory recycling etc.).

The loss of a proposed spending increase to market the state to tourists is also of great concern. Tourism has relatively little impact on state infrastructure and services while supporting state revenues with Sales taxes and Rooms & Meals taxes.

Health Department Fee Increases for FY 2016 budget as approved by the House Ways & means Committee

Restaurant/Food Service

Seating capacity of 0 to 25; from \$85.00 to \$175.00
Seating capacity of 26 to 50; from \$145.00 to \$250.00
Seating capacity of 51 to 100; from \$245.00 to \$400.00
Seating capacity of 101 to 200; from \$305.00 to \$500.00
Seating capacity of over 200; from \$390.00 to \$575.00
Home Caterer; from \$95.00 to \$150.00
Commercial Caterer; from \$200.00 to \$225.00
Limited Operations; from \$95.00 to 125.00

Food processor

Gross receipts of \$10,001.00 to \$50,000.00; from \$115.00 to \$175.00
Gross receipts of over \$50,000.00; from \$155.00 to \$275.00
Seafood vending facility - from \$125.00 to \$225.00.
Shellfish re-shippers and re-packers - from \$285.00 to \$375.00

Bakery

Home Bakery; from \$55.00 to \$150.00
Small Commercial; from \$125.00 to \$200.00
Large Commercial; from \$250.00 to \$350.00

On-going & Future:

VRGA is concerned with the continuing escalation of health care costs, health insurance rates and future impacts of the further implementation of The Affordable Care act. Specifically within the ACA, the "Cadillac tax" that will be assessed on many health insurance policies. Currently many Vermonters and most state employees have plans that will fall into this category. Vermont's Joint Fiscal Office has already projected the first year cost in 2018 to be in excess of \$9,000,000. Couple this with the rise in operating VT Health Connect and one can see yet another expense the state cannot afford.

VRGA remains alarmed at the legislature's desire to increase existing taxes and create entirely new taxes every year to make up for excessive spending. Just as business has to take a long term approach to growth and only grow within existing revenue to add employees, to invest in innovation, make capital purchases or other goals; the Vermont Legislature needs to take a slow and systematic approach to achieving their desired goals. Adding programs too quickly or expanding existing programs without adequate long-term funding only burdens Vermonters and Vermont businesses. Vermont needs a thriving business community in all sectors. Once our economy is healthy and robust again, we can all work together to address the issues of the day.