



**Testimony on Connectivity Fees
House Ways & Means Committee
Submitted by Erin Sigrist, VRGA President
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VRGA represents 800 members across the state. Our membership is inclusive of a variety of business types and models, collaborative and extremely diverse. Members include general retail, grocery stores, convenience stores, distributors, food producers, and business service members. VRGA creates a unified voice for its engaged membership to influence legislation through lawmaker and public education. Our benefits are fundamental to our members' economic success and to their positive community impact.

VRGA does not support the draft legislation that would require retailers to collect the VUSF tax on the sale of prepaid cell phone cards. We believe that the system is working as it stands now.

We believe it is much more efficient and will generate more revenue if the fee is collected by the wireless carrier when the credit is applied to an 802 number. Collecting it at retail will not only be confusing at the independent retailer level - as it in addition to the state's 6% sales tax (or 7% if in a local option town), it will also require new programming of POS systems.

Additionally, it adds to the incentive to purchase the cards across state borders where retailers do not charge a sales tax, and it will not be attributed to Vermont's Universal Service Fund.

It seems hugely inefficient to create a collection and enforcement system that covers large numbers of Vermont retailers when a surcharge could be collected directly from the small number of carriers in this state.

The universal service charge is different than a sales tax and would require significantly more burden on the retail merchant.

Where DO you draw the line? Retailers are the messenger, facing a litany of taxes and fees, including over a dozen various registrations with different state agencies.

Many Vermonters in communities along the Eastern side of the state already travel to NH to make the bulk of their purchases. The more burdens placed on Vermonters, the further the saturation to avoided sales moves to the North-West corridors. This behavior is documented in a report by Economist Art Woolf (The Unintended Consequences of Policy Choices: The Connecticut River Valley Economy as a Case Study. November 2010).