



The Retail Review

THE OFFICIAL NEWSLETTER OF THE
RETAILERS ASSOCIATION OF MASSACHUSETTS

UPCOMING EVENTS:

Wednesday, March 8

E-Training for Retailers
Microsoft Research New England
One Memorial Drive, Cambridge
Horrace Mann Conference Room
9:00 am - 4:30 pm

Thursday, May 18

Spring Board Meeting
Hampshire House, Boston
8:30 am - 12 pm

Thursday, September 14

New England Loss Prevention Expo
DCU Center, Worcester
8:00 am - 5:00 pm



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Gov. Baker Proposes New \$300 Million Employer Health Care Tax

Gov. Charlie Baker filed his \$40.5 billion FY18 state budget proposal and included in the proposal is what the Governor described as a return of the former Fair Share Assessment on employers that was part of the old MA Health Care reform law. However, Baker's new version of this health care tax on employers is much worse than the old \$295 per employee assessment.

Under the original Fair Share regulation established in 2006, the assessment brought in \$7.5 million – as it was not designed to be a revenue generator. The Baker proposal is the opposite, as it is clearly crafted to raise a significant amount of money - \$300 million in taxes on employers, payable to the MA Department of Revenue. The new tax is said to be needed to help close a \$600 million budget gap in the state's Medicaid program, MassHealth. Employers are being asked to solve a problem that they did not create.

The "Employer Contribution to Health Care" is a proposed \$2000 per employee tax that, to some extent, will likely hit most employers with 11 or more full-time equivalent employees. To avoid the tax, employers must:

1. make a "Minimum qualified offer" to employees working over 35 hours per week, defined as \$4,950 per year, to an employer sponsored group health insurance plan, AND
2. maintain an uptake rate of greater than, or equal to, 80%.

The language of the proposal is in Outside Section 46: Employer Contribution to Health Care 2. The convoluted formula to determine an employer's tax penalty is as follows:

Section 2. The total employer contribution of each employer that employs 11 or more full-time equivalent employees in the commonwealth shall be determined as follows:

1. For each quarter, if an employer does not make any contribution or makes a contribution less than the minimum qualified offer then the employer shall be assessed one quarter of the employer contribution rate multiplied by the employer's total full-time equivalent employees.

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The Retail Review

January/February 2017

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MA Holiday Sales Disappoint with 1% Drop

Despite seeing consumer confidence levels unmatched for the last 15 years, retail sales in Massachusetts dropped 1% among the 4000 members of RAM this holiday season (Nov-Dec). The RAM survey exclusively measures small, locally based sellers, and does not reflect either national chains or online sellers. RAM had previously projected a 3.9% increase over the prior year. The disparity in the projection coupled with the strong consumer confidence levels raises the question whether consumers truly spent less this holiday season, or sent more of their dollars out of state to online sellers.

The slight reduction in sales breaks a string of 6 years of sales growth ('10-'15), which followed 3 years of sales reductions ('07-'09). Although national figures will not be released until the end of this week, some national measures indicate another double digit increase for internet sales this holiday season, with as much as 18% of all purchases for gift giving going online. The last minute shoppers this year may have also felt more confident in online shipping performance reliability than in prior years.

The concern for local stores is the fact that sales for most may be flat or down, yet costs are up—in some cases significantly. From unfair application of the sales tax, to state mandated labor costs, rising health insurance premiums, commercial property taxes, and rents, the trends are truly troubling.

RAM believes it is time to have an important discussion of what we can do to save our Main Streets, our local employers, our jobs, and tax revenue as more consumer dollars continue to be attracted out of state. Following are the central issues we must collectively focus and act on in 2017.

Action Steps to Save Main Street Massachusetts:

1. Establish more effective and coordinated messaging to our consumers reminding them that they represent 70% of the economy, and it is increasingly important that they think about where their dollars are going. They should be reminded throughout the year that they should #BuyInMA and shop like jobs depend on it, because they do. Are their consumer dollars staying local, or are they going out of state to internet vendors with no stake in our Main Streets or our state's economy? That messaging should come in a coordinated fashion from the industry, our communities and from the state.
2. End state government imposed discrimination which raises the price of goods sold from local merchants versus those out of state companies engaging in mobile commerce. The most obvious form of state government discrimination against local stores is the application of the 6.25% sales tax, which is not only easily avoided by going to NH, but increasingly by countless sellers marketing directly to our consumers on their smartphones. The sales tax is not only regressive, it is completely avoidable. Reducing the sales tax level and/or creating a permanent Sales Tax Holiday is an investment we can't afford to not make. The other form of state government imposed discrimination is the only in Massachusetts antiquated Retail Blue Laws, which increases the per employee cost for a local store by \$4800 per year vs online sellers and stores in 48 states, thus putting Main Street in the no win dilemma of raising prices or lowering service quality—both of which mark the beginning of the end of that small business. In the age of the smartphone, the Commonwealth simply should not be stacking the deck against the home team, and clearly they unwittingly are hurting local employers by inciting our consumers to send billions of dollar out of our economy to the lowest cost seller.
3. Educate Main Street merchants on affordable mobile commerce options for promoting their businesses and for serving their customers. A RAM survey last summer found that 94% of our members consider online sellers to be their direct competitors, yet only 42% of them were themselves online. Many small businesses must catch up very quickly to what is happening with the consumer and with larger retail companies.



Free One-Day Seminars: Demystify Social Media & Digital Marketing

RAM, in conjunction with the Executive Office of Labor and Workforce Development and the Commonwealth Corporation, is proud to announce a free social media and e-commerce training program. At the end of this one-day training, participants will gain the knowledge to improve or establish their organization's social media presence, the tools for operating a simple e-commerce web site and a general understanding of digital marketing.

Training Schedule

Training sessions will be held throughout the state until June 2018. The initial training will take place **Wednesday, March 8 at Microsoft Research New England located at One Memorial Drive in Cambridge, MA 02142 in the Horace Mann Conference Room.** The training will run from 9:00 am - 4:30 pm. Additional dates and locations will be posted to the RAM website at www.retailersma.org.

Eligibility

The training is free for employers and employees who work for an organization located in Massachusetts and which contributes to the state Workforce Training Fund. All for-profit employers with payroll employees in Massachusetts contribute to the Workforce Training Fund. Some nonprofit organizations with payroll employees in Massachusetts contribute to the Workforce Training Fund, but others do not. For more information about non-profit contributions please visit here <http://www.mass.gov/lwd/docs/dua/business/2024-508.pdf>

Additional Guidelines

- Small businesses (100 or fewer employees) may enroll an unlimited number of employees in training at no charge. However, businesses with more than 100 employees may only enroll 10 employees in training;
- Trainees must work in Massachusetts, but are not required to live in Massachusetts;
- Only payroll employees of eligible businesses may participate;
- Participating companies must be in full compliance with all obligations to the Department of Unemployment Assistance, Department of Industrial Accidents and any other obligations to the Commonwealth of Massachusetts;
- Employer must pay participating employee his/her regular rate of pay during the training.

**To learn more about the trainings or to let us know you are interested,
email Ryan Kearney at rkearney@retailersma.org.**

This program is funded by grants issued by the Commonwealth Corporation. To learn more about our partner Commonwealth Corporation, visit www.commcorp.com.



Healthcare Is An Expense Problem, A Law Problem, Not A Revenue Problem

Jon B. Hurst, President

ObamaCare (ACA) is under the microscope for repeal and replacement this year in Washington DC. And here in Boston, yet another state commission on healthcare provider prices is grappling with the fact that in the 11 years since we passed RomneyCare, our healthcare costs have annually increased about 4 times the rate of inflation. Unfortunately for Main Street, those increases haven't been spread equally either—small businesses and their employees have seen far higher premium increases than those experienced by big business or big government programs. Despite a good economy, these are troubling times in Massachusetts due to the interwoven healthcare cost issues affecting employers, consumers and taxpayers.

Local small businesses, employees and consumers have seen their premiums rise far faster than their sales and family incomes. RAM members have reported average annual premium increases of 12% each year over the past decade. Likewise, state government has seen their costs for subsidized commercial and Medicaid plans under ObamaCare rise as well, as a significant number of consumers have made the ACA incited, financial decision to take the very generous, low cost, taxpayer subsidized options through the Connector.

And now, the Baker Administration is proposing a costly \$2000 per employee tax on businesses employing 11 or more full time equivalents, and having less than 80% employee participation in their health plan. That 80% requirement is a near impossible participation rate for private employers—large and small, and likely only taxpayer funded public employers regularly achieve such a high take up rate.

This tax translates to a \$1 per employee, per hour tax for Massachusetts employers. The tax is applied even though small businesses have neither the “carrot”—low premiums compared to big government and big business alternatives—to incent their employees to take their offer; nor do they have the “stick”—a disqualification from taxpayer subsidized plans for employees turning down the offer of coverage.

Employees make common sense economic decisions on their health plan purchases—whether to take a spouse's plan, a parent's, Medicare, or a subsidized Connector plan. Under the Baker Medicaid Tax, it doesn't matter—you are taxed under all of those scenarios. Employers who do the right thing by offering coverage shouldn't be blamed for—or taxed for—an employee's decision to forgo coverage. This is especially true when such decisions are influenced by government created inequities in the marketplace. If you have a two earner family; one spouse works for a private employer (particular a small business), and the other for a taxpayer-funded government entity, you are almost certain to see that family choose the very generous, lower premium, taxpayer funded plan supplied by the municipality or the state agency.

And equally important, employers should not be expected to pay for out of control healthcare costs resulting from a lack of regulatory action against the healthcare industry which continues to grow far more rapidly than the rest of the economy.

The Commonwealth has a \$600 million MassHealth or Medicaid “deficit”—not surprising given the fact that the tax expenditures have more than doubled over the last decade since we “reformed” healthcare. Small business premium costs have increased even more over the same period, so we certainly feel the bureaucrats' pain. So what are the alternatives to just slapping Main Street with a harmful and job killing new tax? Here are some thoughts:

- Reform the ACA by Eliminating Small Employer Discrimination Under the Law & By Creating More Affordable Public Policies. Give small employers the ability to offer similar plans with similar premiums as large employers. Unfair risk pool cross subsidies; more mandated benefits; and the lack of tools under the law including cooperative buying options, and consumer premium incentives for provider shopping and wellness activity—all add up to far higher premiums due to government created discrimination. Furthermore, extremely generous incentives embedded in the ACA have driven more consumers to make logical financial decisions, and to be dependent upon government for their healthcare. Under the old RomneyCare standard passed in the Commonwealth 11 years ago, taxpayer subsidized plans were available to those up to 300% poverty level. ObamaCare upped that incentive nationally for government coverage to 400% of poverty level. Though politically difficult, lower the eligibility cap nationally down to 300% poverty level for taxpayer subsidized plans.
- Empower the Consumer Not the Provider with True Market Reforms. While some would call for very stringent regulatory solutions, or even government run healthcare to deal with the spiraling healthcare costs, we should first implement overdue, fair, market oriented payment solutions to reform the problem. We should properly weight provider reimbursements on consumer value; and consumer plan choices and premiums should be based on the real price differentials of one high cost provider system versus a lower cost option. Limited networks in both the commercial and Medicaid populations should be the norm; and commercial premium differentials for limited networks (now capped at 14%) should be market based (closer to 40%). Real cost based pricing creates financial incentives for consumer and provider alike to make good decisions. Current government restrictions, as well as the lack of consumer pricing transparency and incentives, benefit high cost systems by limiting payment differentials, perpetuating both the provider charged expense and consumer choice problem.

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Spend Budget Dollars Wisely. State government should keep their spending in line with economic reality for working families, taxpayers, and employers. Increasing Medicaid line items—such as the 23%, or \$130 Million increase this fiscal year for the unionized personal care attendants, was neither affordable nor warranted. Furthermore we need more state “fix-it” thinking on MassHealth, like we have seen with the MBTA. Employers neither caused the problem, nor asked for the ACA—providers did. The dollars you currently have from taxpayers should be sufficient for those healthcare providers with never ending appetites. Tell the providers: “This is what you are getting; cut your expenses, find new customers, change your business model—whatever you need to do, just like any other employer in the state must do to stay in business and to grow.”

Healthcare costs in Massachusetts are the highest in the country; and over the last decade the new state agencies and commissions have created countless studies placed on shelves to collect dust. Instead of placing blame on employers, we need our government leaders to look in the mirror and fix the problems, not pass the bill for a problem we didn't create.

Follow and comment on RAM's blog “RAMblings” at www.retailersma.org.

MEMBER ALERT:

Continued from front page:

Gov. Baker Proposes New \$300 Million Employer Health Care Tax

2. For each quarter, if an employer makes a minimum qualified offer but has a less than 80 per cent uptake rate, the employer contribution shall be one quarter of the employer contribution rate multiplied by the product of the difference between 80 per cent and the employer's uptake rate times the total full-time equivalent employees.
3. For each quarter, the employer contribution shall be zero if the employer makes a minimum qualified offer and has an uptake rate of greater than, or equal to, 80 per cent.

So, while employers that do not offer health insurance will pay the penalty, so will employers that may offer excellent health insurance to all of their employees, yet fail to reach the employee take-up rate of 80%. For example:

- ABC Retail Company has 100 full-time equivalent employees;
- ABC offers qualifying health insurance, yet only has a take-up rate of 60%;
- ABC pays a penalty on the 20% difference between 60 and 80%;
- $100 \text{ FTEs} \times .20 (20\%) = 20$
- $20 \times \$2000 = \$40,000$ annual Employer Contribution to Health Care tax penalty
- The calculation is done and payments are due quarterly, so \$10,000 a quarter.

The 80% take-up rate is almost impossible for any employer to meet, and will certainly be a challenge for any retailer or restaurant that has a number of part-timers and secondary wage earners on staff.

All RAM members are encouraged to review your plans and policies and run the numbers to see what, if any, tax penalty you would owe under this troubling proposal. Please then share that information with us, with your legislators, and with the Governor's office.

To utilize RAM's legislative advocacy tool, VoterVoice, visit, www.retailersma.org and click on our TAKE ACTION header and click on advococay. RAM is working with others in the employer community to vigorously oppose this new tax, but your input is critical.

If you have any questions or wish to discuss this issue with us directly please contact Bill Rennie, Vice President, at brennie@retailersma.org or (617) 523-1900 ext. 110.

In order to battle this job killing, anti-small business Medicaid Bailout Tax, please help RAM by taking this vital survey at www.surveymonkey.com/r/D8JP9B6

This will be absolutely confidential, but the data we collect will be important for our efforts up on Beacon Hill and in the public. The survey will only take a few minutes, but your support will arm us in this battle. Thank you.





RETAILERS ASSOCIATION
OF MASSACHUSETTS

Membership Benefits

4,000 members strong allows for group discounts and specifically designed programs for member savings.



Workers Compensation Insurance

CoveRisk Services, LLC.

Since 1991 4,000 business owners have realized over 30% savings and millions of dollars in dividends through the Massachusetts Retail Merchants Workers Compensation Group. Let a history of better service, coverage and group purchasing power work for you.



Payroll Processing

ConnectPay Payroll Services

If you've experienced late paychecks, accounting mistakes, and missed tax filings, it's time to consider a program developed just for Retail Association members. Providing modern technology, exceptional service and a 30% transactional discount to all RAM members.



Business Insurance Options

HUB International New England, LLC.

RAM Recognizes that every retailer has a unique set of business needs. That's why we offer our members a vast selection of insurance options and financial services through our affiliation with HUB International. Each product is designed to provide first class protection at discount prices for Business Owner's Insurance, Commercial Auto, and Umbrella Coverage.



Group Health Insurance

RAM Health Insurance Cooperative

RAM Health Insurance Cooperative (RAMHIC) negotiates directly with insurers and providers. RAMHIC seeks out the best deals on flexible, lower cost health plans at below market rates. Robust wellness program custom designed for small business owners.



Credit Card Processing

Retailers Processing Network

RAM has partnered with the Michigan Retailer's Association's Retailer's Processing Network, the largest non-profit credit card processing service in America. Now offers such benefits as: no hidden fees, reduced or eliminated cash reserves, unparalleled support, and online transactions.



Stable Rate Electricity Program

Freedom Energy Logistics

Since 2008, RAM has offered one of the most unpredictable costs for small employers in Massachusetts, energy. Featuring flat and stable rates for periods of one or two years.

For more information on RAM Member Benefits please contact:

Joe Barnes, Business Development Director

P: (978) 478-7430 E: jbarnes@retailersma.org

Welcome

63 New Members

4 M Fruit Distributors, Inc. Everett	Crema Cafe Cambridge	Pine Straw Wellesley	Sulmona Restaurant Group LLC Cambridge
7-Eleven, Inc. Swampscott	Crescent Creamery, Inc. Pittsfield	Reading Lumber Company North Reading	T & S Auto Repairs, Inc. Topsfield
Adam Street Motors Dorchester	Empire Vaping Company Andover	Robinson's Truck and Auto, Inc. Attleboro	Tavern in the Square Littleton LLC Somerville
Adams Department Store Everett	Gas-N-Go Reading	Royal House of Roast Beef Methuen	The Castle Beverly
Advantage Embroidery Wilmington	Hideaway Restaurant Middleboro	Ruggiero's Market Jamaica Plain	The Corner Store Worcester
Agave Mexican Bistro Newburyport	Holden Fruit & Produce Co., Inc. Chelsea	Sake Bomb Worcester	The Federal Agawam
Al's State Street Cafe Boston	Horseshoe Grille North Reading	Seaport Inn Fairhaven	The Fish Market Marblehead
Ayer Shop & Save LLC Ayer	Leo's House of Pizza Newburyport	Sixteen Acres Garden Center, Inc. Springfield	The Landing at 7 Central St. LLC Manchester
Beacon Hill Wine & Gourmet Melrose	Lost Dog Pub, Inc. East Dennis	Sona's Corp. Brockton	The Wild Duck Wine Spirits Boston
Blaze Pizza Milford	MacFarlane Office Products, Inc. Pittsfield	South Easton Motor Sales, Inc. South Easton	Vape Exchange LLC Stoughton
Boulanger Plumbing & Heating Easthampton	Mass Inspection Somerville	South Street Veterinary Services Pittsfield	Waterside Market Vineyard Haven
British Beer Company Plymouth	Medina's Mini Supermarket Springfield	Stock Exchange, Inc. Essex	
Bunker Floor Supply, Inc. Marlboro	Mikes Pastry II, Inc. Somerville		
Cafe 12 Chelmsford	Murphy's Automotive Framingham		
Carlstrom Pressed Metal Westborough	Oceanside Pools Harwich		
Carr Hardware Pittsfield	Osterville Fish Osterville		
Charles Frederick Jewelers Chelmsford	Ouimillie LLC Boston		
Cherry Tree Restaurant Newton	Pa Raffa's Italian Restaurant, Inc. New Bedford		
Court Street Mobil Plymouth	Papercuts JP Jamaica Plain		
Craft Beer Cellar Swampscott	Performance Truck & Trailer Repair Fitchburg		



{ www.retailersma.org }



18 Tremont St.
Suite 810
Boston MA 02108

Governor Baker Proposes Sales Tax Changes

The Baker Administration's FY18 budget proposal included a troubling provision opposed by RAM to require "real time" sales tax collection and remittance by third-party processors (credit card companies) on transactions made at businesses with 50 or more employees. This proposal would not generate any new revenue for the state, but it would result in significant technology upgrade costs for retailers to come into compliance. "Real time" collection does not exist in any form in any state. This system relies on "sales tax approximation", which provides zero relief to the retailer who must still, collect, remit, reconcile accounts, file returns, and comply with audits and enforcement actions. The budget now goes to the House of Representatives.

The Governor also recently announced plans to pursue regulatory changes at the Department of Revenue (DOR) to allow the state to collect sales tax from online retailers who, 1) do not have a physical presence in state, and 2) have more than \$500,000 in annual sales into the state. The budget is counting on this change to bring in \$30 million in new sales tax revenue. RAM has long supported efforts such as this one to level the sales tax playing field between brick-and-mortar and online retailers. More details will become available on this issue when draft regulatory changes are filed.

