RETAILERS ASSOCIATION OF MASSACHUSETTS

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The Retail Review

THE OFFICIAL NEWSLETTER OF THE RETAILERS ASSOCIATION OF MASSACHUSETTS

UPCOMING EVENTS:

Wednesday, May 10

E-Training for Retailers

F1 Boston

290 Wood Rd, Braintree, MA 02184

9:00 am - 4:30 pm

Thursday, May 18

Spring Board Meeting

Hampshire House, Boston

8:30 am - 12:00 pm

Thursday, September 14

New England Loss Prevention Expo

DCU Center, Worcester

8:00 am - 5:00 pm

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RAM Responds to Health Care Tax Proposal – Focus First on Reducing Health Care Costs

Governor Charlie Baker released his FY18 state budget plan in late January, including in that filing a proposal to bring back a program similar to the old Fair Share Contribution, an assessment on employers that was part of the original MA health care reform law from 2006.

Baker's new proposal was met with immediate opposition from RAM and others in the employer community who saw it as a health care tax on employers. Vast differences were highlighted in comparing the new tax to the old Fair Share program, and Baker's proposal was quickly renamed the Unfair Share Health Care Tax. The new tax is said to be needed to help close a $600 million budget gap in the state's Medicaid program, MassHealth.

Expected to generate upwards of $300 million in the first six months, the "Employer Contribution to Health Care" is a proposed annual $2000 per employee tax that, to some extent, will likely hit most employers with 11 or more full-time equivalent employees (FTEs). When fully annualized, the projected fiscal impact on employers is estimated to be in excess of $700 million. To put that in perspective, in its first year the original Fair Share regulation brought in about $7.5 million, based on a $295 per employee assessment.

Under the Administration's proposal, employers with 11 or more full-time equivalent employees must make a "Minimum qualified offer" to employees working over 35 hours per week, essentially $4,950 per year to an employer sponsored group health insurance plan. All employee payroll hours are included in the calculation to determine an employer's FTE count, including part-time, seasonal, etc.

The test is on a quarterly basis. For each quarter, if an employer does not make any contribution or makes a contribution less than the "minimum qualified offer" toward their employee's health insurance costs, then the employer is hit with the full assessment - $500 times the employer's FTE count for that quarter.

If an employer passes the minimum qualified offer test, the second test is a participation test, with a very high threshold of 80%. If an employer fails to hit the 80%, they will pay a penalty based on their FTE count multiplied by $500, and then multiplied by the percentage difference between their

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RETAILERS ASSOCIATION OF MASSACHUSETTS

The
Retail Review
March /April 2017

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A Letter from the President

Dear Member,

In February, I had the opportunity to testify in the US House of Representatives before the House Education and Workforce Committee concerning HR 1101—the Small Business Health Fairness Act. This legislation would authorize the establishment of Association Health Plans, which could give groups of small businesses the right to group purchase, be self-insured as an industry group, and to utilize efficiencies and tools currently only available to big businesses and big government. I was pleased to appear on behalf of the National Retail Federation, and to give our experience in Massachusetts on our small business health insurance cooperative—RAMHIC—which was authorized under similar state law in 2010.

It was an interesting experience, which created a bit of déjà vu hearing some of the same, tired positions opponents used a decade ago in Boston. Opponents seemed to be inferring that for some reasons, employees of small businesses should be second class consumers versus those that work for big business and big government. You could also read another message in their questioning which seemed to infer that small business owners were less trustworthy than big business and big government.

I reject those biased positions out of hand, and as a lifelong Democrat, I am very disturbed that the positions came entirely from that side of the aisle. The partisan environment on Capitol Hill in DC certainly contrasts very negatively with the bipartisan cooperation we see on Beacon Hill in Boston. The state cooperative law—albeit not as flexible as the proposed federal bill—passed unanimously in our Legislature with the support of then Governor Deval Patrick, a Democrat.

Supporting Main Street businesses and their employees on receiving affordable coverage and equal protections under the health insurance laws should not be a Republican or Democrat position—it should be a primary concern of every elected official who claims to support small employers. It was eye opening and disappointing.

This legislation has passed the US House, yet with only 4 Democrats supporting the bill—none from Massachusetts. We would hope that Senators Warren and Markey would rise above the partisan foolishness we are seeing down in Washington DC to support this important bill.

There is no disputing the facts that the ACA has produced winners and losers. The biggest set of losers have unfortunately been small businesses and their employees. And whether you support retaining the ACA, amending the ACA, or repealing it, elected officials should be unanimous in the position that government should not put up discriminatory, costly requirements for small businesses which don't exist for their big competition, nor for the providers of their own health insurance policies.

Don't show up for photo ops on Small Business Saturday and pretend to be fully backing Main Street, if you don't back it up with your votes.

Jon Hurst

Voter's Views on Sales Tax Provides Food For Thought

RAM recently conducted public opinion polls by Princeton Research Associates to determine the views of voters and consumers in the Commonwealth about the state sales tax, it's fairness, and possible alternatives.

Members are increasingly concerned with the sales tax, seeing themselves at a goverment imposed 6.25% competitive price disadvantage versus online competitors not required to collect. Frustration on this issue was then compounded by lawmaker opposition last year to a sales tax holiday.

Here are some hightlights:

- 95% of the voters view the retail sector as important for our economy.
- 52% opposed sales tax collections on Internet sales, a view which would seem to be in conflict with the first bullet.
- Yet, a wide shift occurred when asked if they would support the sales tax on Internet sales IF it boosted local, small retailers, was coupled with a reduction in the tax rated from 6.25 to 5% or lower, and didn't mean an overall loss in state revenues–61% then supported online tax collections.
- 60% also supported a broadening of the sales tax to items like soda, if it was coupled with a sales tax rate cut.
- After having no Sales Tax Holiday in 2016, a whopping 79% said they strongly supported authorizing a MA Sales Tax Holiday.
- 56% supported applying the sales tax to nonprofits like universities and foundations if accompanied by a tax cut for consumers.
- Given the upcoming "Millionaires Tax" vote, a very strong 79% said they supported a reduction in the sales tax to about 4%-4.5% to make the tax system fairer and to support local retailers.
- Given that nationally 18% of all holiday gift purchases this past year were made online—and many of those internet sellers do not collect the sales tax—83% said it was important to lower the 6.25% sales tax to help local retail shops.
- 78% of the respondents said it was important to provide some kind of sales tax relief soon.
- And finally 66% of the voters believe the proper sales tax range for Massachusetts would be in the 4% to 4.5% range.

We will be soon doing an important member survey and will be looking for member input on how we best address government imposed discrimination against local sellers in the age of mobile commerce.

The poll numbers are from two surveys; one conducted 11/11-14/16, N=495, +/- 4.4%; and the other 3/14-19/17, N=550, +/-4.4%

RAM Responds to Health Care Tax Proposal

Continued from Front Cover

actual participate rate and 80%. Under this scenario, many employers that offer quality health insurance to all of their employees will still be penalized for failing to reach the 80% threshold.

In reaction to the proposal, RAM and others in the business community have argued that employers are being asked to solve a problem that they did not create. The Commonwealth elected to expand Medicaid under the Affordable Care Act (ACA) and removed the prohibition on employees accessing state subsidized plans if they had been offered employer sponsored coverage. Employers cannot force employees to take up their offer of health insurance and we all get our insurance from different sources – employers, parents' plan, spousal coverage, TriCare, etc.

An alternative proposal that has been discussed involves temporarily increasing the existing tax, known as the Employer Medical Assistance Contribution (EMAC), that most employers now pay as part of their unemployment insurance taxes. EMAC funds are used to pay for subsidized health care for low-income residents of the Commonwealth. All employers of six or more employees contribute to EMAC. This proposal is said to generate lesser revenue and spread the cost more evenly across all employers. While this approach may be viewed by many as the preferable choice if there were only these two options on the table, we cannot forget that employers alone did not create this problem, and they should not be asked to carry the cost load.

The Commonwealth, to date, has failed to address in a real manner the ever increasing problem of health care costs growth. The state has a cost growth benchmark which it has exceeded in both of the past two years, yet there are no consequences. The Health Policy Commission (HPC) has been working to address the cost issue and just recently released a Roadmap of Opportunities for Improving Care and Reducing Costs. The state should aggressively pursue the seven scenarios highlighted in the Roadmap, which include reducing readmissions, shifting care to the appropriate community setting, and reducing the rate of growth in prescription drug spending. The HPC estimates that the projected savings of the opportunities presented in the Roadmap could fall between $300 and $800 million, with an unknown portion of that savings benefiting the MassHealth program.

Employers should not be asked to pay more until the state takes meaningful steps to reduce health care costs, to lower small business premiums, to address issues of provider price variation, and to reign in unnecessary provider and hospital spending.

NRF Federal Update

With Obamacare Repeal on Hold, Retailers Move on to Other Washington Priorities

By J. Craig Shearman

Efforts to repeal and replace Obamacare have collapsed – at least for the moment – but the National Retail Federation is still working to protect debit card swipe fee reform that has saved retailers and consumers billions of dollars and to defeat a proposed "border adjustment" tax that would drive up the cost of imported merchandise.

After years of attempts, Obamacare repeal appeared to be within grasp in March, when the American Health Care Act was brought to the House floor with the support of President Trump. But the measure was withdrawn at the last moment after conservative Republicans said the budget reconciliation process being used to roll back key provisions did not go far enough and refused to vote for the measure.

"This bill doesn't do everything that should be done, but real reform could have been achieved," NRF Vice President for Health Care Policy Neil Trautwein said. "By holding out for a perfect proposal that might never make it to the White House, the House has squandered an opportunity to pass realistic legislation."

NRF opposed Obamacare when it was passed in 2010, and sought repeal while working with Congress to mitigate its most onerous provisions. Rather than lowering costs, the controversial law emphasized mandates that have driven up health insurance expenses instead.

Backers of repeal used budget reconciliation because it would have allowed the measure to pass the Senate with only 51 votes and they did not have the 60 votes normally required. But doing so meant the bill could only address issues with a revenue impact. The employer mandate requirement that businesses provide health insurance to full-time workers, for example, would not have been repealed outright, but financial penalties for non-compliance would have been reduced to zero.

Trump and House Speaker Paul Ryan, R-Wis., said health care could be revisited, but that for the near-term they would shift gears and work on tax reform instead.

NRF has been a longtime champion of comprehensive tax reform that would eliminate tax breaks that benefit only some industries and use the revenue saved to lower rates for all businesses. Ryan's tax package includes many elements sought by NRF, and would reduce the federal corporate tax rate to 20 percent from the current 35 percent. But it also includes a border adjustment provision that would impose a new 20 percent tax on all imported merchandise.

Retailers, who rely heavily on imports, would be unable to easily switch to domestic suppliers because much of the merchandise affected is no longer produced in the United States in sufficient quantities. Some merchants could be hit with tax bills three to five times the size of current profits, and retailers would have no choice but to pass the costs along to consumers. NRF estimates the new tax could cost the average family $1,700 a year, causing declines in retail sales that could drive some retailers out of business.

NRF responded with a massive lobbying and public relations campaign that included a television commercial aired on Saturday Night Live and other programs watched by Trump that parodied "as seen on TV" ads.

"Too much dough got you feeling low?" a fast-talking pitchman asks. "Then you need the BAT tax! The all-new BAT tax is specially designed to make your disposable income disappear!"

The ad quickly went viral, sparking widespread coverage in the mainstream media that has helped increase public opposition to the proposal. Opposition is also building in the Senate, where even Ryan's fellow Republicans have joined Democrats in speaking out against the new tax.

Action on House legislation that would repeal the Federal Reserve's cap on debit card swipe fees as part of a larger rollback of the Dodd-Frank Wall Street Reform and Consumer Protection Act has been pushed back until May. NRF is trying to convince the bill's sponsor, Financial Services Committee Chairman Jeb Hensarling, R-Texas, to remove repeal from the final bill, arguing the cap has helped end anti-competitive price-fixing that allowed banks to charge as much as they like.

"If debit reform is repealed, the savings that have benefited consumers would quickly be reversed," NRF Senior Vice President and General Counsel Mallory Duncan said. "Our nation's economy cannot afford to allow that to happen."

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E-training Program

RAM, in conjunction with the Executive Office of Labor and Workforce Development and the Commonwealth Corporation, is proud to announce a free social medial 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 next one will take place **Wednesday, May 10 at F1 Boston, 290 Wood Rd, Braintree, MA 02184.** 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

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.

The False Promise of "Real Time" Sales Tax Remittance

RAMblings

Bill Rennie, Vice President

Much has been said and written about Governor Baker's $300 million employer Medicaid tax proposal, which when fully annualized over the course of the year projects out to more than a $600 million tax increase on employers, and rightly so, as that is a big number. Less attention has been paid to another proposal in the budget that is also meant to generate significant revenue from employers by adopting what the Governor describes as a "Sales Tax Modernization Timing Change," more commonly referred to as "real-time" sales tax collection. The Administration counts on this change to bring in $125 million in the next fiscal year – another big number. However, like the proposed Medicaid tax, the "real-time" proposal is flawed.

This sales tax timing change, included in Section 34 of the Governor's FY18 budget, would require third party payment processors to collect and remit sales tax from retailers in real time, on all third party credit and debit card purchases. Currently, retailers collect and remit all sales tax to the state, and they are responsible for the accuracy, reconciliation and auditing of their payments and accounts. That process would continue under this proposal for all purchases made not using a third party credit or debit card, such as purchases made using cash, gift cards, checks, store brand cards, and split tender transactions.

However, a second payment system would need to be built to accommodate the state's "real-time" collection and remittance process. Retailers, credit card companies, processors and even the state Department of Revenue would incur millions of dollars in new expenses to build out and maintain this new system – costs that would be passed onto consumers and taxpayers. For what? No "new" revenue is generated. You're just grabbing sales tax a month early, in what amounts to be a one month's advance in your allowance. How? The Administration proposes for this section to take effect on June 1, 2018 – one month prior to the end of the FY18 fiscal year. In doing so, the state would grab the sales tax due in July one month earlier, moving the funds from FY19 back into FY18. It's a budget gimmick that only works once, because then you'd be on a forward schedule – but you'd also have created yourself a new hole in the FY19 budget.

Also, there will be costly fees that will be associated with the processing costs of this new network. Or do we assume that the credit card and processing companies are going to do this for free? Retailers have served as the state's tax collectors since 1966 and they receive no compensation for providing that service. Meanwhile, 28 out of the 45 states that have a sales tax do compensate their sales tax collectors – retailers and restaurants – via some form of a vendor discount or collection allowance. We simply cannot ask our local sellers to fund two collection processes which will not net the state any additional new revenue.

"Real-time" sales tax collection does not exist in any form in any state. The National Conference of State Legislatures' (NCSL) Executive Committee on State and Local Taxation reviewed this issue for a year and concluded that this was not a process to be recommended to the states and that "the purported "real time" sales tax process is not a solution." The Commissioner of the Revenue Department in Connecticut, Kevin Sullivan, testified last year that this was "a solution in search of a problem, or at least it's the wrong solution."

The Administration has repeatedly highlighted the fact that in just two short years, they have proposed to reduce the state's reliance on the use of one-time revenue in the budget from $1.2 billion to just under $100 million, and achieved a near structural balance. Unfortunately, they've proposed to get there in this budget on the backs of retailers and employers with dubious proposals like this one, and hundreds of millions of dollars in new employer taxes.

The Legislature would be wise to discard this potentially costly and unproven proposal.

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

Welcome

36 New Members

Baker Street Market and Deli, Inc.
West Roxbury

Best Bagel, Inc.
Georgetown

Black Arrow Restaurant
Manchester

Bravo Auto Sales & Service
Ware

Brighton Self Storage
Allston

Cafe Trevi
Mashpee

Castle Street Cafe
Great Barrington

Chez Nous
Lee

Cleat and Anchor
Dennisport

Contract Sources
Boston

Crossroads Market
Leicester

E.P. Wine, Inc.
Barre

East Street Video and Variety
Pittsfield

FSP Books and Videos, Inc.
Hudson

Gary Drug Company
Boston

Holmes-McDuffy Florist
Brockton

Home Decor Group
Peabody

Il Montebello, Inc.
Yarmouth Port

Interstate Transmission
Auburn

Jai Gitanjali, LLC
Somerville

Jewelcraft
Hyannis

John's Building Supply
Pittsfield

Keepers Restaurant
Nantucket

Nice Car Care, Inc.
Franklin

Northfield Food Mart
Northfield

Oceanview Grille at Fairview Inn
Marshfield

Old Post Donut Co.
East Walpole

Oxford Auto Sales, Inc.
North Oxford

Parkside Market
Falmouth

Pat's Auto Sales, Inc.
West Springfield

Raos Coffee Roasting Company, Inc.
Hadley

The Sandbar at Jetties Beach
Nantucket

Vine Brook Tavern
Lexington

Volkswagen of North Attleboro
North Attleboro

Westfield Food Mart
Westfield

White Truck LLC
Boston

Why Pay-As-You-Payroll?

HINT: TO AVOID COMPLICATED, TIME-CONSUMING AUDITS

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RAM Health Insurance Cooperative

RAM would like to remind members to explore the cost saving options offered through the RAM Health Insurance Cooperative (RAMHIC). RAMHIC offers a variety of plan options from Fallon Health and Blue Cross Blue Shield of MA (BCBSMA). All plans offered come with a 1% upfront premium discount and cooperative membership provides members with access to additional cost saving options not available in the open market. To start taking advantage of these cost saving options members may contact their broker or our providers directly to request a quote.

Vision Plan

RAM is also now offering a NEW Vision Insurance Plan through OneDigitaI Health and Benefits. The Group Vision Benefits start at $10.76 a month per employee and include an annual eye exam, frame allowance, and lens coverage.

Dental Plan

RAM also offers a dental plan through MetLife which includes $1,250 of coverage at a monthly rate of $45.50 for an individual plan and $132.00 for a family plan. These rates are locked in until April 1, 2018.

For more information regarding these offerings as well as additional ancillary benefits please visit our webpage at www.retailersma.org/RAMHIC.

Members may also contact RAM's Insurance & Human Resources Director, Larry Mulrey, at (617) 523-1900 ext. 180.