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Business Representatives Group

Assembly Taxation Committee
May 1, 2003

The Gross Receipts Tax

- Unfair
  - Low Margin/High Volume businesses pay more of their profit
    - Grocery stores
    - Auto dealers
    - Banks
    - Gasoline stations
    - Convenience stores
    - Homebuilders
    - Wholesalers
    - Truckers

The Gross Receipts Tax

- In low margin industries, when
  - Cost of goods rises due to outside forces
  - Revenue is increased to cover the higher costs
  - Margins remain constant
  - Taxes paid INCREASE because the tax rate is multiplied by higher revenue
  - After tax profit declines

The Gross Receipts Tax

- Tax is computed on revenue

- As a company increases sales, its tax bill also rises

- Tax is paid at the same rate, regardless of profitability, margin or *ability to pay*

The Gross Receipts Tax

- Economic growth & diversification will be damaged. Whole classes of industry see this tax as discriminatory

- Uncertainty will lead businesses looking to relocate to look elsewhere

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The Gross Receipts Tax

- Pyramids through the entire production and distribution chain

- Taxes the same revenue more than once

- Actual GRT on an item may be several times the initial GRT rate

The Gross Receipts Tax

- Commodity industries cannot pass the GRT through to their customers

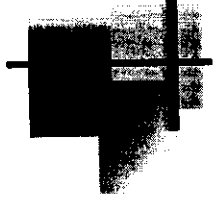- Depending on their margins, they could pay as much as 25-50% of their pre-tax profits in taxes

The Gross Receipts Tax

- GRT is a stealth increase in sales tax for those businesses who are able to pass is through
- GRT is regressive since it will tax items currently exempt
  - Groceries
  - Day care
  - Health care
- Taxes should be honest and transparent-the GRT is neither

The Gross Receipts Tax

- Once in place, it is very easy for

  future legislatures to raise the rate or

  decrease the threshold to meet future

  revenue needs

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