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October 6, 2009

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Pelosi,

On behalf of the Retail Industry Leaders Association (RILA), I write to express our grave concerns about establishing a national value-added tax (VAT) to address the nation's fiscal situation and offset the cost of health care reform. Regardless of whether this tax is imposed through the manufacturing process or at the point of retail sale, the victim of this tax will ultimately be the American consumer who will face higher prices at the register.

By way of background, RILA is the trade association of the world's largest and most innovative retail companies. RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. Its members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

While we certainly appreciate the current fiscal constraints, sales taxes are highly regressive and pose particular harm for low- and middle-income consumers who spend a higher percentage of their earnings on basic necessities such as food, clothing, and household products. In addition, state and local governments already apply sales taxes to many goods and services. A similar tax at the national level would simply add to the tax burden consumers are already asked to shoulder.

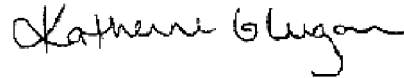
Moreover, the retail industry represents the third largest employer in the United States – behind only government and healthcare. In 2008, the retail industry saw \$3.96 trillion in annual sales and employed more than 15 million American workers. A national value-added or sales tax would significantly depress retail sales and have a devastating impact on this important sector of our national economy and the critical jobs it provides. Such a tax would also create significant administrative burdens for retailers already responsible for complying with the complex federal income tax system and the remittance of disparate state and local sales taxes.

Finally, from the perspective of leveling the international playing field, a VAT would only worsen the competitiveness of American businesses. Today, the United States has one of the highest corporate tax rates – second only to Japan. At a time when other members of the Organisation of Economic Cooperation and Development (OECD) are pursuing measures to *lower* their taxes, adding a VAT in this country would increase the tax burden on American

businesses and intensify the competitive disadvantage they already face in trying to compete in a global economy.

With the nation's economy showing some signs of recovery and the holiday shopping season right around the corner, the last thing this country – our businesses and our consumers – needs is a new supplementary tax system that will increase retail prices and threaten American jobs. Accordingly, we do not believe there is any room at the table for a VAT or national sales tax.

Sincerely,

A handwritten signature in black ink that reads "Katherine Lugar". The signature is written in a cursive, flowing style.

Katherine Lugar
Executive Vice President, Public Affairs

cc: The Honorable Steny Hoyer
Majority Leader
U.S. House of Representatives

The Honorable John Boehner
Minority Leader
U.S. House of Representatives

The Honorable Harry Reid
Majority Leader
U.S. Senate

The Honorable Durbin
Majority Whip
U.S. Senate

The Honorable Mitch McConnell
Minority Leader
U.S. Senate