

BORDER ADJUSTABLE TAX:

BAD FOR CONSUMERS, BAD FOR RETAILERS, BAD FOR AMERICA

Retailers have long supported comprehensive tax reform that will benefit industry and consumers alike. At 36.4%, the retail industry's effective tax rate is the fourth highest domestic effective tax rate of all the 18 major industrial sectors. While we're pleased with some aspects of the House Republican Tax Reform Blueprint — specifically reducing the corporate tax rate to a globally-competitive 20% and the territorial tax approach — the inclusion of a border adjustable tax will significantly hurt retail customers and some of the country's largest employers.

WHY A BORDER ADJUSTABLE TAX HURTS CONSUMERS & RETAILERS

- ⊗ **Higher Consumer Pricing.** A border adjustable tax will force retailers to significantly raise prices on consumer staples such as food, medicine, clothing, electronics, and home improvement items. Retail supply chains and sourcing operations are complex and involve many factors, such as pricing, access to raw materials, availability, and cost of labor. Taxing imports would have a disproportionate impact on U.S. retailers, who by necessity import much of their product.
- ⊗ **Many Imported Items Have No Domestic Equivalent.** Many personal necessities like life-saving drugs and items essential to the operation of U.S. small businesses, such as computers, have no domestically manufactured equivalent and won't for the foreseeable future.
- ⊗ **The Exchange Rate Myth.** Some economists claim that higher prices would be immediately offset by changes in exchange rates or currency fluctuations. However, at least two large countries that we import from—China and Vietnam—do not have a floating currency. Furthermore, many contracts for imported products are based on dollars rather than the local currency, rendering currency fluctuation meaningless. In the real world it is unrealistic to expect that currency fluctuations would make up for a huge additional tax imposed on consumers.
- ⊗ **Punishes America's Second Largest Private Employing Industry With A Huge Tax Increase Placed On Retailers.** Retail businesses employ nearly 18 million Americans and support more than 10 million more jobs in other industries. Increasing taxes on this industry would devastate consumers and force some retailers out of business. For some retailers, the effects of the border adjustable tax would be to have tax liability exceed net income. Businesses in that position would not remain viable despite efforts to cut costs and the need to raise prices on consumer goods.

DID YOU KNOW?

Many products consumers demand, like **clothing, food, electronics, and prescription drugs**, are either unavailable or in short supply in the U.S.