

Tax Reform: Lowering the Burden on a Major Employer

According to a PwC report prepared for the Retail Industry Leaders Association (RILA) entitled *U.S. Retail Trade Industry: Employment, Taxes, and Corporate Tax Reform*, revenue neutral corporate tax reform that reduces the retail industry’s financial statement federal income tax rate to the current average for all industries, could have a substantial and immediate effect on retail’s contribution to the economy. Tax savings could be used to add new jobs, increase wages, lower prices, or increase capital investment, or some combination of these.

REVENUE NEUTRAL TAX REFORM COULD:

- Create more than **327,000 jobs in Year One**
- Save Consumers **\$10.2 billion**
- Increase Salaries and Wages by more than **\$10 billion**

Estimates represent upper bounds if resulting savings are applied exclusively to listed purposes.

The Retail Industry: America’s Second-Largest Private Sector Employer and Job Generator Across Economy

Retailers pay billions of dollars in federal, state, and local taxes each year, and collect and remit billions more in sales taxes to state and local governments. In addition, the more than \$553 billion in labor income and more than \$3.8 trillion in annual sales generated by retailers, big and small, make the industry one of America’s most powerful economic engines. But the retail industry’s most significant contribution to the economy is arguably its role as America’s second-largest private employer. With nearly 17.7 million Americans in retail jobs and more than 10 million additional jobs supported by retailers, few industries have a greater impact on the U.S. economy than retail.

RETAIL & RETAIL SUPPORTED JOBS

(Jobs by Industry [millions])

RETAIL

Retail Trade 17.7

RETAIL SUPPORTED

Services 6.5

Finance, Insurance, Real Estate 2.0

Transportation, Warehousing 0.7

Manufacturing 0.6

Other industries 1.2

TOTAL..... 28.7 million

Source: bea.gov, PwC IMPLAN Model

The Retail Industry: Paying Among the Highest Tax Rates of All Industries

At 36.4 percent, the retail industry pays a significantly higher domestic effective corporate income tax rate than most other industry sectors. In fact, the retail industry’s domestic effective corporate tax rate is nearly 10 percentage points higher than the average for all other industries.

Under current law, the retail industry has the 4th highest domestic effective tax rate out of the 18 major U.S. industrial sectors. Given the enormous employment footprint of the retail industry, comprehensive tax reform could stimulate job growth in the retail sector and the industries supported by retail.

TOP INDUSTRY DOMESTIC EFFECTIVE TAX RATES

(Federal & State [%])

Other Services (ex. Pub. Admin.)	40.4
Educational Services	39.6
Wholesale Trade	37.5
RETAIL	36.4
Transportation & Warehousing	36.1
AVG (All Industries ex. Retail)	26.6

Source: Company Financial Reports 2007-2011

Conclusion: Tax Reform Cannot Come Soon Enough

The status quo is unacceptable. The retail sector – one of the largest employing industries – is taxed at an effective tax rate that is significantly higher than the average levied on other industries. Tax reform that broadens the base, substantially lowers the rate, simplifies the tax code, and treats all industries equally, will free U.S. retailers to compete globally, invest, expand their businesses, and most importantly, create new jobs.

