

## Buying into the sales tax break

One of the few spending proposals Democratic lawmakers and Republican Gov. James Douglas agreed upon during the recent two-day special session in Montpelier was gifting Vermont businesses with two sales-tax holidays, one in August and the other next March.

That's a good thing, proving what most Vermonters already know - that compromise moves the state forward.

Douglas had called for the sales-tax holiday earlier in the session, arguing that it would provide a small, but significant, boost in purchases for Vermont businesses that are struggling in the current economic downturn. He based that belief on past experience; a similar tax holiday implemented one weekend last July gave Onion River Sports in Montpelier a 300 percent jump in sales.

But legislative leaders initially rejected the idea, worried about the cost of such a holiday. Waiving the sales tax for two days could cost the state between \$1.5 million and \$2.7 million - and that's not chump change in a year when leaders are scrambling to find every penny to help balance the state budget.

Testimony from local businesses seemed to change their minds in the final hour.

First, retail is a significant part of Vermont's economy, a \$12 billion industry that employs about 18 percent of the state's workforce. Unfortunately, sales for food and retail in the United States are down about 9 percent year-over-year, a disturbing reality. And no one is sure when we can expect a turnaround in the numbers.

Small Dog Electronics owner Don Meyer said the 2008 sales tax holiday provided his Vermont business with a whopping 2,200 percent increase in sales for that weekend, lifting his July 2008 sales overall by nearly 100 percent. Meyer argued correctly that those kinds of numbers offset any loss in state revenues from the holiday.

On a question such as this, it's always best to listen to the experts: Vermont business owners. Like lawmakers trying to balance the state budget at a time when more money is going out than coming in, small companies are also struggling to get through this recession and looking for every break to survive.

And it's imperative that we keep our employers as healthy as possible because they employ the workforce and keep unemployment rolls lower, in many cases help provide the health care benefits that otherwise might fall to the state to cover, and pay the tax revenues that keep government functioning.

Vermont businesses didn't get a free ride from this Legislature or the Douglas administration. As Rutland business owner Norm Lash noted, employers will see their unemployment tax climb a bit to help cover a looming shortfall in the fund.

So the sales tax break is especially important to help ease the fiscal pain for employers.

It does hurt to lose the state tax revenues from those two days of sales, but Lash was right when he noted the Vermont's economic fortunes rise and fall alongside its businesses.

Douglas was right to propose the tax holiday and lawmakers correctly relented.

---