



IMMEDIATE RELEASE

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Accelerated Sales Tax Scheme Speeding Out-of-Control ***VRMA Calls Legislature to Repeal Unfair Practice Targeting VA Retailers***

(RICHMOND) – Budget language passed in the 2002 session of the General Assembly required retailers who reported taxable sales of \$1.3 million or more for the twelve-month period ending June 30, 2001 to make an accelerated sales tax payment of anticipated revenues yet to be collected by the retailer. The acceleration of the sales tax payments was estimated to generate \$118 million dollars for Fiscal Year 02, today the estimates are at \$181 million. This year, the legislature wants to continue raiding retailers' bank accounts to pay for a lack of fiscal responsibility by the Virginia General Assembly.

“It is time to stop playing this shell-game. The accelerated sales tax scheme is speeding out-of-control and we need to put the brakes on this poster child for Enron accounting,” said Laurie Peterson, president of the Virginia Retail Merchants Association. “These accelerated payments amounted to a one time fix in 2002. Our merchants were required to pay sales tax to the government before they owed them or even collected them. This required retailers and other businesses that collect sales tax to submit 13 payments that fiscal year. In doing so they created a hole in the next year's budget, therefore they are forced to do this again and again each year to balance Virginia's books. Virginia's bond rating is being threatened in part because of the use of such gimmicks.”

The elimination of the accelerated sales tax payments was in the Senate's original budget. It was not however included in the original House budget, although in 2003 the House voted 94 – 0 on HJ656 a Constitutional amendment to prohibit the Commonwealth from ever allowing such a practice again. Then during this Special Session the House passed HB5018, the Tax Reform Compromise Act of 2004, which included the elimination of the accelerated payments. However the Senate then proposed a substitute version of HB5018 and although they were all for eliminating this gimmick in their own original budget they removed it's elimination from HB5018.

“VRMA is calling for the General Assembly to put the brakes on this accounting scheme. This is a smoke and mirrors remedy that makes the government's books look good, while threatening the viability and survivability our retailers and merchants across the Commonwealth,” said Peterson. “The Commonwealth is borrowing money from retailers. It is ridiculously unfair for the legislature to raise taxes and yet continue the practice of balancing their budget on the backs of retailers.”

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The Virginia Retail Merchants Association was established in 1905. VRMA is a not-for-profit trade association representing retailers to educate, inform, and serve as a resource. VRMA and its retail member associations represents more than 5,400 retailers and other associated businesses throughout the Commonwealth of Virginia.

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