



March 29, 2010

The Honorable Bob McDonnell
Governor's Office
P.O. Box 1475
Richmond, VA 23218

Dear Governor McDonnell;

On behalf of the 3000 members of the Virginia Retail Federation, we are extremely concerned about a number of items in the budget that impact the retail industry. The retail industry, the state's second largest employer, has suffered a hard-hitting blow during the economic downturn. Many of our retail members are barely making ends meet and many are closing their doors. Between 2005 and 2008, retailers lost an average of 10,000 jobs in Virginia. Without your support, our retail members face dire consequences including further massive job loss and closed brick-and-mortar stores.

We know that the challenges of the current budget have dictated drastic cuts in core services and the search for revenue sources was difficult. However; the retail industry is one of the economic engines that drives needed tax revenues to the Commonwealth. In order to keep this industry as productive as possible during these difficult times, we need your help.

Our most pressing issues are:

Accelerated Sales Tax Payment – We adamantly oppose restoration of the accelerated sales tax payment, especially for smaller retailers who do not report their tax collections electronically. It is an accounting gimmick which forces retailers to pay taxes they have not collected. We worked hard with the General Assembly to eliminate this unfair tax several years ago and hoped it would not be used again.

Dealer Discount – We appreciate the partial restoration of the Dealer Discount for smaller retailers who do not report their sales tax liability electronically. The budget states that this restoration provides some allowance for all but 2% of the Commonwealth's retailers.

Serving as the sales tax collector for the Commonwealth has a real cost associated with it. Consequently, we ask that you amend this section in the budget and add language that would require the Department of Taxation to convene a series of meetings with representatives from your office, the Department of Taxation and representatives of the retail industry to determine a fair level of Dealer Discount for the retail industry and use that determination during the next budget cycle.

The Virginia Retail Federation is the legislative arm of two associations, Retail Alliance and Retail Merchants Association, dedicated to serving Virginia-based retailers throughout the Commonwealth. We listen to our members and report their issues directly to you. We appreciate your past support and urge you to consider the above requests.

We also thank you for your leadership during these most difficult times and look forward to working with you to grow the Commonwealth's retail economy.

Please contact us if you have questions or need further information.

Sincerely,

**George C. Peyton
Vice President, Government Relations
Retail Merchants Association**

**Margaret F. Ballard
Vice President, Advocacy
Retail Alliance**

**Nancy C. Thomas
President/CEO
Retail Merchants Association**

**Susan L. Milhoan
President/CEO
Retail Alliance**

**Cc: Eric Finkbeiner
Martin Kent**