CALL TO ACTION

Higher Unemployment Taxes on Way
If Bill Doesn’t Pass on Final Legislative Day

Alabama businesses could see a $378 increase per employee in federal unemployment taxes if, on the final legislative day of the 2007 regular session next week, the Alabama Senate doesn’t approve a House bill that corrects state tax law.

HB 83 by Rep. Frank McDaniel, D-Albertville, makes a required correction to the 2005 State Unemployment Tax Act, which put the state in alignment with federal law.

Phyllis Kennedy, director of the Alabama Department of Industrial Relations, said failure to pass the legislation would give the U.S. Department of Labor the authority to remove a 5.4 percent tax credit currently in place for Alabama employers, which would “increase the tax exponentially.”

Kennedy said elimination of the tax credit would raise federal taxes from 0.8 percent of the first $7,000 of wages to 6.2 percent of the first $7,000 of wages. That equates to an increase from $56 to $434 per employee!

Retailers should take note that these taxes are due on the first $7,000 of wages of EVERY employee, so consequently businesses with a high turnover rate would be especially hard hit, Kennedy said.

Thursday, June 7th, is the final day lawmakers have to act on this extremely important legislation to employers. Please take time before then to contact your senator listed at the top of this issue of Capitol Retail Report and let them know you want them to make sure this legislation is enacted.

>> Other News

ON THE BALLOT
Get Out the Vote Tuesday and Vote ‘Yes’

Two important constitutional amendments are on the ballot in Tuesday’s special election. Both will impact Alabama’s ability to recruit and land major economic development projects. “Any economic development is good for the retail industry,” said ARA President Rick Brown.

Please urge your employees, friends, family and vendors to vote “Yes” on Tuesday, June 5, for:

- Increasing the bonding cap on the Capital Improvement Trust Fund: The first amendment on the ballot will allow the state to increase the bonding cap authorized for the Capital Improvement Trust Fund from $350 million to $750 million, which will provide the resources needed for the state to continue offering economic incentives to the more than 30 new and existing businesses considering locating or expanding in Alabama, such as the $3.7 billion ThyssenKrupp AG steel plant announced recently for Mount Vernon in north Mobile County.

- Establishing two irrevocable trust funds: The second amendment will establish two irrevocable trust funds to fund future healthcare obligations for public employees. While this amendment will ensure Alabama has the money to meet the healthcare needs of retired public employees, it also helps protect Alabama’s position with bond rating agencies, which is important in keeping construction and economic development project costs down. Alabama currently has one of the highest bond ratings in the nation. That credit score determines the interest Alabama must pay when borrowing - the higher the bond rating, the lower the interest. So this amendment has a direct impact on economic development and the $1.07 billion school bond issue the Legislature gave final approval to this week.

Earlier this year, the Alabama Legislature unanimously approved both amendments in the minimum five legislative days required during a special session. We agree with the lawmakers that these are issues on which we can all agree. Vote “Yes” Tuesday!

ECONOMIC DEVELOPMENT

Call Your Senator to Support 7-Day Alcohol Sales

The Senate Tourism and Marketing Committee this week approved HB 507 by Rep. Craig Ford, D-Gadsden, setting the stage for final passage on the final day of the 2007 regular
Please call your senator (see phone number at the top of this issue of Capitol Retail Report) and let him/her know that you support this bill to allow local voters in 14 cities to decide for their communities if they want seven-day beverage sales.

This ARA-supported legislation allowing these cities to call referendums could increase local jobs, expand payrolls, create economic development and bring tourism to towns and cities throughout Alabama. It benefits the bottom line for retailers, and it means more revenue for schools, seniors and health care.

Another alcohol-related bill that possibly could receive approval on the final legislative day is SB 182 by Sen. Ben Brooks, R-Mobile. Brooks' bill would give the Mobile City Council alcohol license denial powers similar to those held by the Birmingham City Council. It would allow Mobile to deny an application if:

- Applicants have been convicted of a crime involving alcohol or illegal drugs, or of illegally selling alcohol or drugs;
- The business is near a school or child care center and its business hours would harm children;
- Traffic congestion would be created by the business; or
- The business could be found to pose any other risk to residences or public safety and welfare.

E-911 FEES

Wireless Phone Fees Study Panel with ARA Member Gets Final OK

The Senate gave final approval Thursday to HB 318 by Rep. Ron Johnson, R-Sylacauga, which creates a study committee to rethink the procedures, collection, distribution and governing body for the fees wireless phone users pay to fund the state’s Enhanced 911 emergency telephone service.

One member of the study committee will be appointed by your Alabama Retail Association. That seat will be a retail company that sells prepaid wireless telephone service to Alabama customers.

The study committee is to review the process by which wireless phone services collect the fees and make recommendations to the Legislature by the fifth day of the 2008 regular session.
Social Security # Removal Bill Ready for Final Passage

HB 178, which would require Social Security numbers and birthdates be removed or covered on documents recorded in a probate office, is one step closer to final approval. The Senate gave the bill by Rep. Victor Gaston, R-Mobile, its second reading this week, putting it in line for possible passage on the final legislative day.

Under the approved substitute version of this bill, the exceptions include federal and state tax liens and whenever the birth date is required by law in the document. Access to original, complete versions of state and federal tax liens are necessary to protect the integrity of credit reports. After the Alabama Retail Association raised this issue, Gaston drafted the substitute that exempts those documents from the bill, thus retaining the integrity of credit reports. ARA appreciates Rep. Gaston’s cooperation.

The bill also gives the probate judge personal immunity for failure to comply through mistake or error. However, the probate judge is responsible for having any error, mistake or omission corrected promptly upon learning of it.

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HEALTH

Early Prostate Cancer Detection Bill Still Alive

The Senate this week passed SB 255 by Sen. Rodger Smitherman, D-Birmingham, which encourages insurance companies and self-insured plans to offer policies that include prostate cancer screenings for men older than 40. It only calls for the companies to “offer” the coverage rather than “mandating” they pay for it. Virtually all major private health care insurers in Alabama already provide for screening for prostate cancer in their coverage. The House Health Committee also OK’d the bill this week, setting it up for possible passage on the final legislative day.

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TIME RUNS OUT

ARA Will Push Late Fee Increase Again

Tuesday, the Alabama House of Representatives carried over HB 323 by Rep. Leslie Vance, D-Phenix City, which called for a modest $8 increase in late fees for delinquent consumer credit payments. This ARA-supported bill was on a special order calendar that limited debate to 10 minutes or less. The
discussion lasted longer than the allotted time, forcing the bill to be carried over.

Unfortunately, there is not enough time remaining in the regular session for this bill, which was the first item the ARA board approved as part of the ARA’s 2007 Legislative Agenda, to pass.

>> Read ARA’s Legislative Agenda

However, ARA will continue to advocate passage of this needed legislation in future sessions.

Right now, a creditor can charge $10 or five percent of the scheduled payment, whichever is greater up to a cap of $100, when a credit payment is 10 days late.

That has been the case since 1997, when the Alabama Legislature increased the late charge from $5. Obviously, the cost to a creditor for collecting delinquent payments has increased in the past 10 years, while the value of the late fee has decreased to $7.10 based on inflation.

Your association will ask again for an increase to $18, which is still 38 percent to 54 percent of what out-of-state banks and credit-card companies can assess and can assess sooner.

The Senate companion was SB 168 by Sen. Bobby Denton, D-Muscle Shoals.

>> Read ARA’s Issue Brief on this topic

FINAL DAY

More ARA Bills of Interest Left to Session’s End

Several of the 125 bills your ARA has been tracking throughout the 2007 regular session could be considered when the Alabama Legislature reconvenes Thursday, June 7, for the 30th and final day of the 2007 regular session. Besides those already mentioned, others are:

SMALL BUSINESS

Small Biz Regulatory Flex Act

Thursday, the Alabama Senate carried over The Small Business Regulatory Flexibility Act, also known as Reg Flex. It is possible HB 84 by Rep. Frank McDaniel, D-Albertville, which will save on regulatory compliance costs for small business owners and reduce burdensome paperwork, could be brought back up for discussion on the final legislative day next week.

McDaniel’s bill requires state agencies that regulate businesses to consider the impact of proposed rules and regulations on
employers with fewer than 100 full-time employees or with gross annual sales of less than $6 million. Any state agency that proposed a new rule or rule change that affected those small businesses also would have to prepare a small business regulatory flexibility analysis, including a small business economic impact statement. **ARA supported this legislation and will support it in future legislative sessions if it fails to be acted on next week.**

**UNEMPLOYMENT COMPENSATION**

**Bill to Adequately Fund UC and Employment Offices**

**HB 701** by Rep. Frank McDaniel, D-Albertville, would allow the Alabama Department of Industrial Relations to access funds from the federal 2002 Reed Act distribution to the states. Reed Act funds are distributed to the states when the balance in Federal Unemployment Tax Act (FUTA) tax accounts exceeds the ceiling set by Congress. FUTA taxes are paid by employers to fund state unemployment agencies, as well as other employment related purposes, so this is tax money Alabama employers already have paid for the explicit purpose of running the Alabama unemployment programs. At the time of the 2002 distribution, the Alabama Legislature provided for 15 percent of the $111 million distribution to be used for administrative purposes. HB 701 will allow an additional amount, not to exceed $7.8 million, to be used for administration, as long as the withdrawal does not change the employer state unemployment compensation tax (SUTA) rate schedule for 2008.

**PHARMACY**

**Bill to Allow Charitable Pharmacy Donations**

Under existing law, legend drugs dispensed to a patient at a hospital, nursing facility, assisted living facility, or hospices may be donated and transferred to charitable clinics to be used by charitable patients without charge if certain conditions are met. **HB 687** by Rep. Ron Johnson, R-Sylacauga, would authorize the drugs under the same conditions to be donated and transferred to charitable pharmacies and be dispensed to charitable patients. The bill also would authorize charitable clinics and charitable pharmacies to receive samples from physicians.

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**Final Legislative Day**

**2007 Regular Session to End Next Week**

The Alabama House and Senate meet at 10 a.m. Thursday, June 7, 2007, for the 30th and final legislative day of the 2007 regular session.
FEDERAL

ARA Explains Interchange Fee Concerns to Birmingham News

The Alabama Retail Association and two of its members sat down with the Birmingham News editorial board Thursday to discuss credit card interchange fees and possible solutions to these rising costs for retailers and businesses throughout the United States.

The three major points the group made to the Birmingham News on Thursday were:

- Credit card companies and their banks collected $36 billion in interchange fees in 2006;
- Only 13 percent of the fees went to processing costs. The rest goes to pay for rewards programs and credit card marketing campaigns; and
- There is no competition among credit card issuers as VISA and Mastercard control 80 percent of the market.

Because of this monopoly, retailers and consumers are kept in the dark about the amount of the fees charged, why and the complicated rules attached to credit cards.

Consumers have no idea that the average American family pays about $300 annually in these hidden interchange fees because retailers are forced to pass the cost along to their customers in the form of higher prices.

ARA and the Merchants Payment Coalition are seeking a congressional investigation into interchange fees.

Western Supermarkets comptroller Tom Downs, left, and Simply Fashions CFO Mark Smith discuss interchange fees with the Birmingham News. Both businesses are ARA members.

Western Supermarkets comptroller Tom Downs told the Birmingham News editorialists the interchange fees on an average transaction at the stores in this Birmingham-based group can range from 38 cents to 98 cents. There are 16 different rates on the 16 different cards the supermarket accepts.

If the credit card companies made their policies and rates transparent, consumers and businesses alike would be better able to make decisions on credit card usage, Downs said.

Mark Smith, chief financial officer for Simply Fashions, said his
company has seen a 425 percent increase in its interchange fees in the past 10 years. Thanks to prudent cost reduction measures and that most of its customers use standard credit cards, Simply Fashions experience has been better than the experience of another group of retailers. Supermarkets have seen a 700 percent increase in these fees over the past decade, according to the Food Marketing Institute.

Alabama’s congressional delegation is in the position to make a strong statement about these fees. Sen. Jeff Sessions, R-Mobile, is on the Senate Judiciary Committee, which conducted a hearing last summer on the issue. Sen. Richard Shelby, R-Tuscaloosa, is the ranking minority member on the Senate Banking Committee, which certainly could have some input, and U.S. Rep. Spencer Bachus, R-Birmingham, serves on the House Financial Services Committee.

Representatives of ARA’s board of directors will take this issue up directly with the congressional delegation when they go to Washington, D.C., from June 11 to 13.

Besides Downs and Smith, ARA President Rick Brown and Doug Kantor with international law firm Steptoe & Johnson, representing the Merchants Payment Coalition, were at Thursday’s meeting at the Birmingham newspaper.

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**Senate to Take Up 'Card Check' After Recess**  
*Alabama’s Senators Say They Will Oppose It*

Legislation dubbed the Employee Free Choice Act (**H.R. 800**) could be taken up next week when Congress returns from its Memorial Day recess. The legislation already has passed the U.S. House and is in line to be considered by the Senate.

The Alabama Retail Association, the National Retail Federation, the Food Marketing Institute and other business groups **strongly oppose this legislation**, which denies secret ballot election on the important question of union representation.

>> [ARA letter sent to Alabama’s senators concerning H.R. 800](#)

Your ARA will reiterate its position on this legislation when board representatives are in Washington, D.C., June 11-13 for visits with Alabama’s congressional delegation.

**Thanks for contacting Alabama’s senators and letting them know you oppose this anti-business legislation.** Because of concerns raised by you and many others, Sens. Richard Shelby and Jeff Sessions have announced their opposition as well.
Cramer Co-Sponsors Death Tax Repeal Bill


H.R. 2380 has been referred to the U.S. House Ways and Means Committee.

The estate tax is being phased out as part of a $1.35 trillion tax relief package signed into law by President Bush in 2001. The full elimination of the tax becomes complete in 2010 but would last only one year, with the tax returning to the 2001 rate in 2011.

The estate tax is punitive to family-owned businesses, often causing a family to liquidate a business upon the death of a family member in order to pay this extraordinarily high tax. ARA supports the permanent repeal and applauds Cramer for introducing this needed legislation.

The Capitol Retail Report is another Benefit from the Value of Alabama Retail Association membership. For more benefits, go to www.alabamaretail.org