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NEWS RELEASE

Vendors Compensation and Louisiana Retailers

The retail industry is vitally important to the economy in Louisiana. More than 50,000 retail establishments employ approximately 415,000 people in Louisiana.

Louisiana retailers are tasked with the duty to collect and remit state and local sales taxes. We are doing a job for the state, one in which we get no direct benefit. To perform this function, retailers must invest in customized software, train personnel, prepare returns, document tax exempt sales, provide for product returns and submit to sales tax audits. Louisiana retailers experience much more of a burden than retailers operating in most other states due to the lack of a centralized collection system in Louisiana for local sales tax. While retailers in most states remit to one statewide collector, Louisiana retailers have the added burden of collecting and remitting to each and every taxing jurisdiction in Louisiana.

To help defray the costs associated with these collection and remittance obligations, Louisiana law historically has allowed retailers that remit on a timely basis to retain a portion of the collected tax. This retention is commonly referred to as "vendors' compensation." Current law allows retailers to retain 1.1% of the amount of sales tax collected and timely remitted to the state.

A 2006 public-private partnership commissioned a sales tax collection and remittance compliance cost-study performed by Pricewaterhouse

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Cooper, LLP. This study determined that the weighted national average retailer compliance cost is 3.09% of the amount collected and remitted. Compliance costs are much higher for smaller retailers.

Retailers provide a valuable service for the State and its local governments by collecting and remitting a tax that is not even owed by, or collected for the benefit of, Louisiana retailers. Please note that most internet retailers with no physical presence in Louisiana do not collect and remit state or local sales taxes. Brick and mortar retailers must compete with these retailers while shouldering the burden of collecting and remitting state and local sales taxes. It is appropriate to continue compensating retailers at the low rate of 1.1% for their collection and timely remittance of sales taxes.

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The Louisiana Retailers Association was chartered in 1946 and is the non-profit trade organization for the retail industry in the state of Louisiana. Our members include all retail formats and channels of distribution including department, specialty, discount, restaurants, drug stores and grocery stores as well as the industry's key trading partners of retail goods and services.