



Connecticut Retail Merchants Association

March 22, 2021

Honorable Ned Lamont
Governor, State of Connecticut
State Capitol
210 Capitol Avenue
Hartford, CT 06106

Dear Governor Lamont:

Given your continuing interest in supporting Connecticut's small business community, it is important for you to be aware of our serious concerns regarding the adverse impact of a proposal being considered in the legislature, a tax on digital advertising. As we seek to emerge from the past 12 months and play a role in our state's resurgence, to impose a digital advertising tax would be punitive to small businesses.

Although the proponents aimed the tax at major international companies such as Google, Facebook and the like, it is Connecticut businesses, and particularly small retailers, that will feel the impact. While in concept this approach may seem to be a potentially lucrative source of revenue for the state that would not inflict any harm here, the reality will be far different. The unintended consequences will be felt by Connecticut retail businesses whose success or failure, particularly now, depends significantly on digital advertising, and whose balance sheets are reeling from the economic impact of COVID-19. No matter how the bill is drafted, the State of Connecticut cannot stop these companies from raising their rates to our members to offset the increased cost to them.

We have absolutely no doubt that were Connecticut to impose a digital advertising tax, the targeted global companies will not simply absorb those increased costs – they will instead pass them down directly to digital advertisers from the state of origin, thus increasing our costs, at a time when we can least afford it. The ramifications of a digital advertising tax would harm retail businesses and ultimately our customers and the state's economy.

As you know, retail businesses are an indispensable segment of the Connecticut economy, supporting more than 470,000 jobs and contributing more than \$34 billion to our state's economy. There are roughly 42,000 retail establishments in Connecticut, and in total, the retail industry produces approximately 14% of Connecticut's total GDP. Retail businesses provide good jobs for Connecticut families, and more than 98 percent of all retail companies are small businesses, employing fewer than 50 people.

Surviving this past year has been precarious, a struggle each and every day to navigate extended closures and stay-at-home customers, while adhering to changing state protocols and guidelines to assure the safety of our customers and employees. We have, in many instances, seen substantial cost increases during the year from our suppliers and manufacturers, even as our revenue has plummeted. Yet, we have taken every step we can, given the financial pressures facing Connecticut families, to absorb these additional costs rather than raise our prices. As a former business owner, you understand that is not a sustainable situation.



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At the same time, we have had to rapidly and increasingly turn to digital advertising as the surest means of communicating with our customers and prospective customers. Everyone is online constantly; it is THE way to reach people. Digital advertising has been our lifeline. Imposing a tax on digital advertising, even with the best of intentions, would do more harm than good, and it is the small businesses and residents of Connecticut who will be harmed. If this proposed legislation were to pass, higher costs to retailers are certain. What is aimed at the industry giants will find its way onto invoices in the accounts payable departments of Connecticut's retail businesses.

As established Connecticut business owners – some of us 3rd and 4th generation - we urge you to oppose this proposal, and would welcome the opportunity to work with you to ensure that Connecticut retail businesses will not face yet another obstacle to remaining in business – and remaining in Connecticut – as a result of a misguided policy imposed by our own state government.

We welcome any questions you may have, or additional information you require, and would be pleased to speak with you directly if doing so would be helpful.

Your consideration is greatly appreciated, and we look forward to hearing from you.

Sincerely,

Tim Phelan
President, CRMA

David Director
Connecticut Lighting Centers



Marc Green
Lux, Bond & Green



David Humphrey
ECP-PF Holdings Group



Karen Munson
Munsons Chocolates



Brian Knies
Tile America



Tom Wholley
Connecticut Mattress



Christopher Zane
Zane's



Marc Levin
Malloves Jewelers



Brian E. Phelps
Toad's Place





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Tracy Bonosconi
The Lovet Shop
the lovet shop
Downtown Milford
Business Association



Jody Morneault
Morneault's Stackpole Moore Tryon



Denise Buzy-Pucheu
The Persnickety Bride
Persnickety Promotions



Beth Chapman
The White Dress by the shore



Tony Aitoro
Aitoro Appliance



Brian Gaer
Once Upon A Child
Once upon a child
Plato's Closet
860 Baseball & Softball

Robin Mallove
Mallove's Jewelers



Shawn McCann
Best Cleaners



Tom Maloney
Raggs Fashion
Raggs for men and women

Jim Wilson
Milford Photo



Stephanie Blozy
Fleet Feet



Mike Barbaro
Town Fair Tire



cc: Cmmsr. David Lehman, Department of Economic & Community Development
Sen. Martin Looney, Senate President Pro Tempore
Rep. Matt Ritter, Speaker of the House
Sen. Kevin Kelly, Senate Republican Leader
Rep. Vincent Candelora, House Republican Leader
Sen. John Fonfara, Co-Chair, Finance, Revenue & Bonding Committee
Rep. Sean Scanlon, Co-Chair, Finance, Revenue & Bonding Committee
Sen. Henri Martin, Ranking Member, Finance, Revenue & Bonding Committee
Rep. Holly Cheeseman, Ranking Member, Finance, Revenue & Bonding Committee