SENATE TAXATION
EXHIBIT NO. 6
DATE 2-15-05
BILL NO. SB 272

Taxing gross receipts of big box retailers

Providing an incentive to pay a living wage.

Impacts of Big Box Retailers

- Positive
  - Lower prices
  - Convenience
  - Employment
  - Local tax base
- Negative
  - Sprawl Development
  - Low multiplier
  - Local businesses
  - Low wages

Big Box Tax Basics

- Progressive tax on gross receipts
  - 1% on every dollar over $20mm
  - 1.5% on every dollar over $30mm
  - 2% on every dollar over $40mm

- The effective rate of the tax is much lower than the stated rate because the first $20mm is exempt from the tax

The Exemptions

- A store is exempt if. . . .
  - Entry compensation package of $22,000
    - (Wages + Insurance + Sick/Vacation etc.)
  - Less than 50% part-time workers
    - (see sponsor's Costco amendment)
  - Temporary or seasonal workers
    - (less than 90 days)

Purpose of the tax

- Level the playing field for local retailers
- Encourage to pay a living wage
- Prevent subsidy for low wages
- Keep money in Montana

The problem?
Low wages amount to subsidy

- Congressman George Miller's report on Wal-Mart employment
  - $2, 103 public subsidy per employee
  - $420,750 for a 200 employee store

Wal-mart- Net Income $7.1 Billion

- CEO Lee Scott
  - Annual Salary
    - 12.44 MM
    - $5980 per hr
  - Stock owned
    - $45.6 MM
- CFO Thomas Schoewe
  - Annual Salary
    - $2.68 MM
    - $1288 per hr
  - Stock owned
    - $10.7 MM

Target-Net Income $1.09 Billion

- CEO Robt Ulrich
  - Annual Salary
    - $6.08MM
    - $2923 per hr
  - Stock Owned
    - $48.3MM
- CFO Doug Scovanner
  - Annual Salary
    - $1..29 MM
    - $620 per hr
  - Stock Owned
    - $3.7MM

Home Depot-Net Income $3.9 Billion

- CEO Robt Nardelli
  - Annual Salary
    - $22.2MM
    - $10,673 per hr
  - Stock Owned
    - $85MM
- CFO Carol Tome
  - Annual Salary
    - N/A (?!)
  - Stock Owned
    - $10.5MM

Lowes-Net Income $1.68 Billion

- CEO Robt Nibblock
  - Annual Salary
    - $6.41 MM
    - $3,081 per hr
  - Stock Owned
    - $165,595
- Robt Hull
  - Annual Salary
    - N/A
  - Stock owned
    - $548,320

Is it about responsibility?

- US President $400,000
- Vice President $202,900
- Chief Justice Supreme Court $202,900

The Average Wal-mart worker

- 32 hours per week
- $13,694 per year
- 2 year wait to be eligible for insurance
- High deductibles and co pays

It's about fairness . . . .

According to SEC reports, big box retailers have gross profits ranging from 11% to 35%. There are immensely profitable businesses which can afford to pay their workers a living wage.