Retailers welcome tax relief in minimum wage bill

by Bend Weekly News Sources

The National Retail Federation welcomed today's Senate passage of an important change in depreciation rules and other tax relief as part of legislation that would increase the federal minimum wage.

"This legislation gives small businesses in the retail industry the tax relief they need in order to continue to compete when faced with the additional expense of a higher minimum wage," NRF Senior Vice President for Government Relations Steve Pfister said. "This is a fair and balanced bill that increases the minimum wage while recognizing its impact on the business community. The House should follow the Senate's example and move quickly to adopt the tax relief package provided by the Senate."

"Passage of this measure shows that while Capitol Hill has been mired in acrimony and political finger pointing, it is still possible to reach out across the aisle and work in a bipartisan fashion," Pfister said.

The Senate today approved an amended version of H.R. 2, the Fair Minimum Wage Act of 2007, by a vote of 94-3. Like the original bill passed by the House in January, the Senate version would increase the current $5.15 minimum wage to $7.25 over two years. But the measure also includes $8.3 billion in tax relief for small businesses that originated in legislation sponsored by Senate Finance Committee Chairman Max Baucus, D-Mont., and Ranking Member Charles Grassley, R-Iowa.

The House refused to consider tax relief when it voted on the wage hike last month, but Senate Majority Leader Harry Reid, D-Nev., and Minority Leader Mitch McConnell, R-Ky., agreed to work together on a wage hike/tax relief acceptable to both parties, resulting in the package drafted by Baucus and Grassley. The Senate last week rejected the House minimum wage-only bill and moved on to consider the Baucus/Grassley package adopted today. House and Senate negotiators must still agree on a final version of the bill.

Of particular importance to small retailers, who will be hit hardest by a minimum wage increase, is language that would end the difference in depreciation rules for improvements made to stores that are leased and those that are owned. Under current law, improvements made to leased stores can be depreciated over 15 years but improvements made to stores that are owned must be depreciated over 39 years. The Baucus/Grassley language would extend the 15-year depreciation period for leased stores (currently set to expire December 31, 2007) through March 31, 2008, and expand it to owned stores, making the depreciation period 15 years for both.

NRF has led the retail industry's efforts to have the depreciation period set at 15 years for both leased and owned stores.

"Retailers generally remodel their stores every five to seven years to reflect changing customer tastes and to compete with newer stores," Pfister said. "Forcing retailers to take almost 40 years to depreciate those costs hinders their ability to grow their businesses. This bill gives us a depreciation period that is realistic and treats all retailers the same without discrimination."

"This bill is particularly important for small, Main Street retailers who have been in business for generations and are more likely to own their stores than national competitors leasing space at the mall," Pfister said.

Approximately half of retail stores are owned and the other half leased. Studies conducted by the Treasury Department, the Congressional Research Service and private economists have all found that the 39-year depreciation period not only exceeds the life of improvements made to buildings but actually exceeds the economic life of the building itself.

The legislation would also grant the Work Opportunity Tax Credit program a five-year extension. The program is widely used by retailers to help low- income would-be workers move into the workforce.

Retailers welcome tax relief in minimum wage bill by Bend Weekly News Sources