

**Statement to
Electronic Commerce Study Committee
December 21, 2012**



My name is Jessica Dunker and I am the president and CEO of the Iowa Restaurant Association. We represent Iowa's 6,000+ restaurants and bars. The issue of interchange fees charged on sales tax is one of real dollars and cents to Iowa's hospitality establishments. Under the current system, Iowa's hospitality operators, like other retailers, are not only acting as the state's tax collectors, but we are paying for the pleasure of performing this function.

I would have liked to have some operators here today to share their feelings on the topic-but today-December 21st, the Friday before Christmas, is one of the busiest restaurant days of the year as hospitality establishments across the state are home to holiday functions, a respite for weary last minute shoppers and favorite gathering spots for families who are coming together to kick off a holiday weekend.

To provide some perspective on how waiving, providing a vendor allowance, or giving a tax credit on interchange fees on state sales tax might impact a typical Iowa operator, I looked at a cross section of Iowa's restaurant industry.

Today there are more than 2,200 restaurants in the state with sales between \$500,000 and \$1 million. The vast majority of those establishments employ between 10 and 49 people. If one were to assume that 75% of patrons use a credit card to pay their bill and that a typical interchange fee is approximately .25-then the average establishment stands to save more than \$1,100 per year just on the cost of interchange fees related to 6% sales tax. Those with more revenue would save more, and those with less revenue would save less. But it is hard to imagine a hospitality establishment that doesn't stand to save at least \$500 if they are not forced to pay interchange fees on sales tax.

What does \$1,100 mean to a restaurant? It could be the cost of food for a full day of operation, it could mean a new piece of equipment-fueling growth and jobs in areas outside of hospitality. It could be two month's salary for a \$9 per hour part-time busser who works 15 hours per week after school. In short, in an industry with margins as razor thin as ours, it's real money.

Iowa's restaurant industry employs 10 percent of the state's workforce-we are the second largest private sector employer category after healthcare. In 2013 Iowa's hospitality industry is projecting sales of more than \$3.4 billion dollars. This seems like a large dollar figure until one realizes that our projected growth rate as an industry ranks 47th in the nation. What would removing the burden of paying interchange fees for sales tax mean for Iowa's restaurant industry? Nearly \$4 million invested back into restaurant improvements, employees, food and operational costs.

The hospitality industry is one that finds its profits in pennies. Four million dollars is a lot of money to us. I hope that with everything the committee has heard today, you will walk away with a shared belief that small businesses need relief somewhere and that alleviating the burden of interchange fees on sales tax is a simple means to do just that. Please don't make us pay out of our own pockets to collect sales tax on the behalf of the state. I urge you to create a legislative solution that addresses this issue next session. The by-product of such legislation will be a significant example to hold up as evidence that Iowa is seeking creative solutions to fuel growth and investment in hospitality and other retail businesses.