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# WatchDog

*Guarding the Business of Print*

June 2011



## *Long Beach Regulates Bags*

Long Beach joined Santa Monica and Manhattan Beach to adopt an ordinance banning single-use plastic bags from retailers such as supermarkets, pharmacies and convenience stores. The ordinance also places a 10 cent per bag fee on consumers who use paper bags and becomes effective on August 1st for large retailers and January 2012 for smaller stores.

Proponents argue that the ban is necessary to cut down on waste and encourage consumers to use reusable bags, which they argue are better for the environment. Opponents, however, argue that the 10 cent fee on paper bags may violate the provisions of Proposition 26 that requires voters to approve by a majority vote (or two-thirds vote of the legislature) any new fees or levies.

## *Internet Sales Tax Bill*

A bill by Assemblyman Charles Calderon (D-Whittier) alters current law that allows Amazon.com Inc. and other Internet retailers to avoid collecting California sales taxes on purchases made via computer.

The bill would require companies with bricks-and-mortar stores in California, such as Best Buy Co., Wal-Mart Stores Inc., and Barnes & Noble Inc. to collect taxes. The state and local governments are losing an estimated $1.1 billion in annual revenues because of untaxed Internet sales, proponents contend.

Calderon's bill, which passed on a 47-16 vote and moves to the state Senate, would address an exemption carved out by a decades-old U.S. Supreme Court ruling that frees retailers from having to collect state sales taxes on purchases as long as they do not have any physical presence in the state.

The bill would reinterpret California law to consider the presence of related companies sufficient to require that sales taxes be collected. In Amazon's case, that presence would be established by counting an Amazon-affiliated company that manufactures Kindle e-book readers.

Amazon, which opposes the Calderon bill and related legislation, has threatened to pull some of its business from California rather than start collecting sales taxes.

A second bill in the Internet-sales tax package would close another loophole by requiring Internet sellers to collect sales taxes on California purchases any time they do business through so-called affiliates based in California. Affiliates earn commissions from Amazon and other e-sellers for referring business through links on their Web pages.

Amazon, Overstock and other companies have threatened to fire their California affiliates if the bill becomes law.

The stakes are high; let's see who wins out.

## *JULY 1: Change in Sales Tax Rate*

Effective July 1, 2011, unless the legislature acts before that date, the statewide sales and use tax rate will decrease from 8.25 percent to 7.25 percent. The temporary one percent tax increase implemented in April 2009 expires on June 30, 2011. If the change goes into effect, we'll provide a list of the new tax rates.

## *Collecting sales tax*

The retailer is required to pay sales taxes to the Board of Equalization; you may be reimbursed by your customer for the tax you owe on a sale. For example, if you are required to pay $15.75 in sales tax, you may pass that cost on to your customer, provided it is agreed to as part of the sale.

## Workforce Makeup

According to research from the Employee Benefit Research Institute, a private nonprofit research institute focusing on health, savings, retirement, and economic security issues, a higher percentage of people age 55 and older were in the workforce in 2010.

The study found that the percentage of Americans age 55 and older who were in the labor force declined from 34.6 percent in 1975 to 29.4 percent in 1993. But since then, the overall labor-force participation rate has steadily increased, reaching 40.2 percent in 2010.

The institute said the increase is likely to continue as full benefits from social security continue to come at later ages, Medicare premiums continue to climb, non-Medicare-covered health costs continue to climb, recognition of longer life spans and issues of long-term care increase as workers care for their aged parents, and the number of workers "very confident" of their ability to maintain their lifestyle in retirement remains low.

## I Can't Come To Work Today

Recently online job site CareerBuilder released its annual list of the most unusual excuses for calling in sick. It also reported that the survey shows that 29 percent of the workers polled have played hooky at least once this year. Twenty-seven percent of employers think they're seeing an increase in bogus sick excuses from employees because of stress and burnout caused by the weak economy.

On the excuses front, here are some of the unusual reasons for missing work: An employee's foot was caught in a garbage disposal; an employee called in sick from a bar at 5:00 p.m. the night before; an employee fell asleep at his desk while working and hit his head, causing a neck injury; an employee's finger was stuck in a bowling ball; an employee had a hair transplant gone bad; and an employee was in a boat on Lake Erie and ran out of gas and the Coast Guard towed him to the Canadian side.

## California's Bill For Unemployment

California owes the federal government $10.9 billion for money it borrowed to pay unemployment benefits over the last three years. A lot of other states are in a similar boat. These states—thirty and the Virgin Islands—also owe the federal government to the tune of an additional $33.2 billion. But California's debt is the largest, outdistancing second place Pennsylvania by $7.9 billion. Moreover, California's deficit is estimated to reach $12.7 billion in 2012.

The proposed state budget calls for the $312 million interest payment due in September to be borrowed from the state disability trust fund. The payment is just for interest. However, California — and all the other states that have borrowed — may get a reprieve from the September deadline. There are talks in Washington about extending the interest payment deadline in light of the slow recovery.

The state will eventually have to repay the $10 billion-and-counting it borrowed. The repayment will come from an increase in employer Federal Unemployment Tax Act contributions. California employers currently pay $56 per employee in FUTA taxes. Beginning in January 2012 employer contributions are expected to increase by $21 to $77 per employee.

## Senate Votes to Raise Vehicle Fees

Under Senate Bill 223 (D-Leno), California counties could vote to raise vehicle fees. The bill passed the Senate and now is in committee in the Assembly. The bill allows a county board of supervisors, with a two-thirds vote, to authorize a vote for higher fees on county residents. If a majority of county voters signs off on the plan, their vehicle fee effectively would return to the original 2 percent rate.

In 2003, Governor Arnold Schwarzenegger dropped the rate of what essentially is an annual tax on a vehicle's present value. The rate change, from 2 percent to 0.65 percent, took away a chunk of revenue counties relied on to pay for public safety and social services. A temporary increase to 1.15 percent went into effect in May 2009 and expires at the end of this month. Gov. Jerry Brown's budget plan calls for moving the expiration to 2016.

## Minimum Wage Increase

AB 10 (D-Alego) raises California's minimum wage in January 2012 from $8 to $8.50 and then automatically index the wage rate upward every year according to the annual percentage of inflation reflected by the California Consumer Price Index.

PIC opposes AB 10. This bill will increase operational costs for employers and result in the loss of jobs, especially in the small business sector. Moreover, while the bill may increase the wage for some workers, it will have a deleterious effect on the state's economy. Employers may be reluctant to hire additional workers, and perhaps even let some higher paid workers' go, since a possible annual increase in the minimum wage will have a ratchet effect—that is, as the minimum wage increases pressure will be to increase wages for other pay grades.

PIC Printing Industries of California OPPOSE