



JEWELERS OF AMERICA

## 2009 LEGISLATIVE OUTLOOK

### GENERAL TAX LEGISLATION

Jewelers of America will keep a close watch on any new tax legislation that could affect small businesses – or the affluent consumers that jewelers count as customers.

### SALE TAX FAIRNESS LEGISLATION

Jewelers of America will continue to lobby for the passage of sales tax fairness legislation, to level the playing field between brick and mortar jewelers and their online counterparts, who are not required to collect state sales taxes.

A number of factors – including record state budget deficits and the continued growth in e-commerce – will add fuel to the fire to pass the legislation this year. Experts say the significant Internet tax revenue that could be collected with its passage would inject cash-strapped states with much-needed funds. Jewelers of America maintains an aggressive posture on this issue and it will be a vocal leader in the fight for sales tax fairness until this legislation is signed into law.

### LIFO REPEAL

Repeal of the last in, first out (LIFO) inventory accounting method has been proposed by the Obama Administration in its 2010 budget. Jewelers of America has mounted an aggressive campaign to fight repeal, joining the steering committee of the business-based LIFO Coalition and calling on all businesses across the industry to write to their legislators.

This repeal would be of major concern to many businesses, which often use the LIFO inventory accounting method to decrease their profits and thus minimize taxes. LIFO can help small businesses maximize after-tax cash flow, which in turn may reduce the need to borrow and incur additional financing costs. It is also a useful accounting method when the costs of inventory are rising, as they are currently in the jewelry industry.

### ESTATE TAX REFORM

Jewelers of America favors fair and reasonable reform of the estate tax. Under current law, a full repeal of the estate tax was planned for 2010, with the tax returning to its much higher 2002 levels in 2011. We believe those 2002 levels are unfair to jewelers, whose businesses are often family-owned.

The new budget is expected to address the estate tax and a compromise could emerge between the Obama Administration, which proposes freezing 2009 estate tax levels, with a \$3.5 million exemption and a 45 % top rate, and proposals by Senate Republicans to create a \$5 million exemption and a 35% top rate

### HEALTH CARE REFORM

Like other small business owners, jewelers generally understand that providing health benefits is the best way to retain good employees and cut down on the costs of employee turnover. In fact, more than one in three small business owners in a December 2008 survey by the Robert Wood Johnson Foundation list the rising cost of health care as their top concern. Almost eight in 10 of the small business owners surveyed said they would support a reform package that combines government-sponsored national purchasing pools with tax credits to make offering insurance more affordable for small businesses.

Jewelers of America supports responsible healthcare reform that would help small business owners across the country offer affordable, comprehensive coverage to their employees. The association is closely following the Health Reform Dialogue, in which leaders from widely diverse national organizations, including the Business Roundtable and the National Federation of Independent Business, are meeting to identify consensus policy approaches to support enactment of comprehensive health care reform in this Congress. The Dialogue's principles align closely with the objectives of the lawmakers working on reform in Congress.

## EXTENSION OF THE 15-YEAR DEPRECIATION ON LEASEHOLDER/OWNER IMPROVEMENTS

This depreciation measure, included as part of a tax “extenders” package, expired at the end of 2007, but it was given another (partially retroactive) two-year extension by Congress and signed into law by President George W. Bush, as part of the financial rescue bill passed in October 2008.

The measure, which was previously only available to leaseholders, has now been expanded to include property owners. In the challenging and competitive luxury retail environment, being able to keep stores updated and refurbished—thanks to speeded-up depreciation of store improvements—is a key component for retail success. The measure enables retailers to continue to write-off improvements on stores over a period of 15 years, instead of the 39 years that previously had been mandated.

Jewelers of America worked to have this important change to tax law included in an economic stimulus package passed by Congress in the aftermath of 9/11. Given that the extenders will expire again at the end of 2009, JA will once again push for an extension during the legislative year.