



June 16, 2009

The Honorable Charles Rangel
Chairman
Ways and Means Committee
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20510

The Honorable Dave Camp
Ranking Member
Ways and Means Committee
U.S. House of Representatives
1139E Longworth House Office Building
Washington, DC 20510

Dear Chairman Rangel and Ranking Member Camp:

On behalf of the National Retail Federation (NRF), I am writing in response to press reports that the House Ways and Means Committee is considering enactment of a value added tax (VAT) to pay for health care reform.

By way of background, the National Retail Federation represents an industry with more than 1.6 million U.S. retail establishments, more than 24 million employees - about one in five American workers - and 2008 sales of \$4.6 trillion.

In the current economy, enactment of a direct tax on consumer spending would be devastating. Consumer spending represents more than two-thirds of GDP but has plummeted dramatically over the past two years. The current recession will not end until the consumer regains his footing. Placing an additional tax on consumer spending would further depress spending, and lengthen and deepen the current recession.

A VAT would also greatly hurt the states. Forty-five states rely on sales taxes as a major source of revenue. The enactment of a federal consumption tax would greatly crowd out the ability of the states to raise their own sales taxes at a time when they are desperately in need of revenue. Finally, a VAT is a highly regressive tax, hitting lower and middle income taxpayers much harder than wealthier individuals.

We urge the Ways and Means Committee to reject enactment of a VAT to pay for health care or in any other context that it may be discussed. If you have questions, please have your staff contact NRF Vice President and Tax Counsel Rachelle Bernstein at (202) 626-8168. Thank you.

Sincerely,

Steve Pfister
Senior Vice President
Government Relations

cc: Members of the Ways and Means Committee

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