

Representative Berger, Senator LeBeau, and members of the Commerce Committee, Good morning, my name is Eric Mueller. I am President of the Connecticut Vending Association, and I'm here today to testify in support of H.B. 6424 an act to expand the tax exemption for the vending industry. The vending industry is experiencing unprecedented hard times due to the following:

- Diminishing avenues to conduct business.
- Unprecedented rise in food costs.
- Increased competition from Operators in Massachusetts and New York with stronger sales tax exemptions (Our companies are being purchased and operations moved across State lines).
- Negative perception of our industry being responsible for the obesity epidemic.
- Difficulty with passing along the costs of increased gas prices (no invoicing).
- Unfair competition from smaller local operator's not observing local ordinances and proper licensing
- Our industry is mandated by the federal government to support BESB (Board of education and services for the blind). All vending taking place in any federal or state building is the property of BESB. We're essentially required to split all profits from these locations with the organization. I do not know of any other industry with such a mandate.
- And most recently, the peanut butter recall in which we are in the midst of. We are still unable to equate what the long term damage this will cause, but the short term damage is significant.

Although not a fix all, we believe H.B. 6424 will be a great stride forward in preserving our industry. We feel that this is as much a tax relief issue as it is a tax fairness issue, and it is completely competitive.

Expanding the exemption will even the playing field with vending machine operators from neighboring states.

Collecting Sales Tax for Vending Machine Operators is an unusual burden. Since we are unattended, the sales tax must be built into the purchase price. At no point in time, are the sale and the tax ever separated. We never do actually collect this tax. It is essentially just a built in expense. Furthermore, the formula to equate the tax becomes quite complicated since it is built in. A 75 cent candy bar must first be divided by 1.06 (.70754717) and then that new amount needs to be multiplied by .06 =(.04245283) which that new number now becomes the tax. The consumer never really knows the exact breakdown of the purchase and the tax, and it is the consumers right. Sales tax was never intended to be hidden, or elusive, and it should never be so complex. In regards to sales tax, we are clearly at a disadvantage with those industries that are able to provide the breakdown for their customers, due to the misconceived perception of value.

States throughout the Union have recognized the need for relief of sales tax for our industry.

The following are reasons why this legislation makes good sense for our State.

It is a well known fact that Vending Businesses spend most of their expenses locally. We are the equivalent of little stimulus packages in each town.

Our industry is labor intensive. We provide some of the best jobs, many of them union jobs with full benefits. Census data shows vending machine businesses had 3,650 paid employees and a total statewide payroll of \$14.6 million in 2005. Our services must be provided here in Connecticut, so our "Jobs Stay Here".

Our jobs are unique in that higher education is not required for most. For many of our employed, these jobs serve as a primary source of income for their families. Since many of these jobs are well paid with benefits, our industry is crucial for bridging the divide among social classes. I'm here today as proof of this. 20 years ago, I began working in this industry as a route driver. I am now a business owner and President of our Association. Few industries provide for this type of opportunity to as many people. Not all of us are equipped to wear a lab coat and there is a great many of us that for one reason or another will not pursue a higher education. This doesn't mean that we would not like to share in the "American Dream". Legislation like H.B. 6424 carves out the paths so that industries like ours can provide the avenues for so many to flourish. In closing I would like to say "Thank You" to all the members of the Commerce Committee for raising this bill.