

**FINANCE, REVENUE AND BONDING COMMITTEE
PUBLIC HEARING TESTIMONY**

Monday, February 9, 2009

Testimony of

Paul Ferruolo

Mr. Sparkle Car Wash

**H.B. No. 6350 (RAISED) AN ACT ELIMINATING EXEMPTIONS FROM THE
SALES AND USE TAX AND LOWERING THE RATE OF SUCH TAX**

We in the carwash industry find it extremely discouraging that a sales tax is again being discussed on our services.

For those not familiar with situation, several years ago a tax was proposed on all car wash services and then only passed on attended conveyor type car washes. For a brief period of time (2-3 years) attended conveyor type of car washes were burdened with the sales tax. The tax was so disruptive to our industry that we brought our concerns to legislature. It was through their foresight that it was determined that the small amount of income derived and the unfair burden it placed on our small industry the sales tax on car washes be exempt. The following are few of the reasons why the car wash industry must remain exempt from the state sales tax:

- The sales tax on car washes will create a further burden on a number of small family owned businesses that are struggling during tough economic times. Our industry in Connecticut is not one of great glamour. Car washes are a Main Street America Business. They are locally owned and operated, many are family businesses and the industry is in peril. The current economic upheaval, spiraling operation cost, and general unfavorable market conditions

have many operators (myself included) writing checks to their business to keep them going until hopefully things turn around.

- Self service car washes, which include self service bays and atomized type of carwashes and vending machines have no mechanical way to collect a tax, the machinery is all manufactured to function in only increments of quarters or dollars. There is no machinery that is available that can collect a combination of pennies, nickels, dimes, quarters and dollars coins. Because of this any tax imposed on this type of car wash would simply put the burden of the tax on the revenues of the operator because it would be impossible to pass the tax along to the consumer. It is also important to note that some car washes have spent thousands of dollars to re-tool in the last few years to accept the new dollar coin. Which the federal government sold to us as great way to do business that is in dollars rather than quarters.
- Within the industry, self service operators would not be able to collect the tax and should be exempt (for the reason stated above) and this would give them a clear competitive advantage over the attended conveyor car washes that are not exempt, creating an unfair competitive situation.
- Some oil companies give away car washes or give deep discounts on them as a loss leader with the purchase of gas. The small mom and pop operators (which is 70% of our industry) would be faced with not only competing with big business, who in some cases are almost giving their product away, they would now have to further raise their price because of the tax.

- Car Wash operators presently pay sales tax on raw materials and services that go into our final product; we already have to build this tax cost into the price for our customers. Adding a sales tax creates a double taxation situation
- Car washes employ hundreds of entry-level workers across the state. These employees use the workplace opportunities that car washes provide to build a better life for them and their families. Burdening the industry with a sales tax will (and has in the past) put in jeopardy the growth our individual locations and our industry.
- The car wash industry provides an environmentally friendly place to wash all vehicles. You should be aware that all car washes are permitted by the State of Connecticut DEP, and pay permitting fee.

Thank you for the opportunity to testify before you today. I would be happy to take any questions you may have.