

JA Joins Retailers Lobbying Against Import Tax

FEBRUARY 23, 2017
Source: National Jeweler

Washington, D.C.--Jewelers of America is joining the growing list of retailers and retail groups speaking out against the so-called Border Adjustment Tax, which would slap a 20 percent tax on goods imported from overseas.

Though not formally introduced in Congress yet, the Border Adjustment Tax, or BAT, is part of a comprehensive tax reform proposal drawn up by House Republicans.

Called the Tax Reform Task Force Blueprint, the plan would shift the emphasis on taxation in the United States from income to consumption, lowering taxes on individuals and corporations while increasing it on consumer goods.

BAT calls for a 20 percent tax on finished and raw goods and materials brought into the United States from abroad, from French wine to German cars, from Italian gold to Burmese rubies.

Proponents of BAT, including House Speaker Paul Ryan (R-Wis.), say it will raise \$1.2 trillion dollars over 10 years and that its cost to retailers will be offset by a stronger dollar and corporate and individual tax cuts.

But individual retailers and retail groups, including Jewelers of America, are coming out against BAT because, they argue, it will increase the cost of products from overseas for retailers and, ultimately, consumers.

Tim Haake, managing director of Washington, D.C.-based Haake Fetzer, which works for the jewelry industry on behalf of Jewelers of America in Washington, said one tenet of House Republicans' Blueprint is that it be revenue neutral, meaning that it must raise the same amount of revenue that is raised under the current tax system.



Tim Haake In order to do this while lowering corporate and individual income tax, Republicans need to have one very large revenue raising provision in the Blueprint, and that's what the BAT is.

"That filled the hole that existed in the Tax Reform Blueprint plan. But the tax is going to fall on people who spend money for things," Haake said.

BAT would be particularly detrimental to the jewelry industry, JA President and CEO David J. Bonaparte said, as it's an industry that manufactures the vast majority of goods overseas and is dependent upon consumers having extra disposable income.

Already working within tight margins, jewelers would have to pass along at least some of the 20 percent tax to their customers, customers who will have less money to spend on discretionary goods as they grapple with higher prices on essentials like clothing, food, cars and gas.

"My feeling is that jewelry would be adversely affected more than other categories because consumers are going to go down the list of needs and jewelry's going to be lower (on that list) now," Bonaparte said.

Haake echoed that sentiment: "Jewelry is a totally discretionary expenditure."

In addition to its lobbying efforts with Haake Fetzer, JA has joined Americans for Affordable Products, a group of businesses and trade associations that are lining up against BAT.

Others that have joined the group include the Fashion Jewelry and Accessories Trade Association, online retailer Gilt, Jewelry Television, LVMH, the National Retail Federation and Neiman Marcus.

JA also has updated its Legislative Action Center, where retailers and suppliers can go to contact their

representatives in Congress to voice their opinion about BAT or other issues.

“We’ve already started to dig our heels in and actively fight this,” Bonaparte said.

Congressional Republicans have been working on serious tax reform proposals for about five years, but those proposals lay dormant until the election of a Republican president in Donald Trump and the party’s victories in both houses of Congress this past fall.



Chris Fetzer BAT is just one provision of the 44-page Tax Reform Task Force Blueprint and, like the entire tax plan, faces a long road ahead; or, as House Speaker Ryan put it: “We’re going to get tax reform done, and there’s going to be a whole bunch of drama.”

Chris Fetzer, Haake Fetzer’s managing director, said the House Financial Services Committee’s Monetary Policy and Trade Subcommittee is expected to hold a hearing on BAT in the coming weeks.

While the tax has support from some key House Republicans, including Ryan, House Majority Leader Kevin McCarthy (R-Calif.) and House Ways and Means Committee Chairman Kevin Brady (R-Texas), Haake said BAT faces a significant challenge from top Senate Republicans.

Finance Committee Chairman Orrin Hatch (R-Utah) has publicly raised questions about how the bill will impact both businesses and consumers.

And Senate Majority Whip John Cornyn (R-Texas) described BAT as being “on life support” as soon as last Friday, before Congress went on a week-long break.