

## **The Effects of National Chain Businesses on Gross Receipts Tax in Santa Fe**

The following uses a three month average of City of Santa Fe gross receipts tax using the reporting months of November and December of 2003 and January of 2004

The purpose of this paper is to shed light on what possible trends there are in the amounts of tax revenue in the retail and food /accommodations sectors the city could expect to receive over the next few years.

At the present time, using the three month average mentioned above, a total of \$109,147,000 exchanges hands per month in the retail and food/accommodations sectors with tax revenue to the city of approximately \$3.3 million, which is a bit more than half of the total receipts the city receives, which are \$6,344,000

We do not know how many of these dollars flow out of the city due to spending with businesses that are owned elsewhere, nor do we know how many of these dollars are spent with businesses owned here in Santa Fe.

We do, however, have studies that repeatedly show that approximately 13% of dollars spent in businesses owned elsewhere will recycle again in Santa Fe. This compares to more than 45% that will recycle if those dollars are spent with locally-owned companies. (See attachments or go on-line to the following studies, Andersonville, Illinois and Austin Texas at [www.civiceconomics.org](http://www.civiceconomics.org) )

We also know that national chains in Santa Fe are growing faster than independents - 2.5 times faster - and bring new competition and pressure to the small business community. (From the Santa Fe Independent Business Report of November 2003 prepared by Angelou Economics)

Therefore, we can determine that we are losing our tax base as more and more large chain businesses move into Santa Fe.

So, let-s go back to the figure of \$3.6 million per day that is spent in the retail, food/ accommodation sectors. If all of this was spent with businesses from out of town only 13% or \$468,000 would be recycled into Santa Fe. On the other hand, if all of this was spent with locally-owned businesses, 45% or \$1,620,000 would recycle into the local economy, a difference of \$1,152,000.

Right now, today, we are somewhere between these two extremes, but headed towards the smaller number. While the tax revenue on \$468,000 is \$14,040, the tax revenue on \$1,152,000 is \$34,560, a difference of \$20,520 a day or \$615,600 a month. This should alarm all residents, locally-owned business owners, employees, and city government leaders because we are headed for lower tax revenue that will lead to ever higher tax rates.