

# **Bottle Deposit Would Be an Expensive Disaster for Tennessee**

Bottle deposit legislation has reared its ugly head again in the Tennessee legislature. In this version, the retailer is supposed to charge the 5-cent deposit to the consumer after sales tax. Also, if the bill passes, it would require retailers with inventory on hand — but not already containing the deposit information — to purchase from the Department of Revenue a 5-cent-deposit sticker to affix to every container.

Bottle deposit is a bad idea for Tennessee. Here are several reasons why:

## **Consumers are not prepared for the realities of the return system:**

- Consumers will not be able to return empties where they purchased them. Due to the health problems with storing large amounts of waste in the same building with, the bill does not require retailers to take back deposits. Consumers will have to go to "redemption centers" to return containers and get their money back.
- Redemption centers may not be conveniently located for many Tennesseans, or open during convenient hours. Proponents say that 500 redemption centers will be established. Based on the size of Tennessee, 500 redemption centers works out to one every 82 miles. There will probably be more centers in urban areas, but even so, most citizens will have to travel some distance to a center, and many, especially in rural areas, will have to travel a long distance.
- Returning containers will be time consuming for consumers. It is likely long lines will occur during peak times and on weekends. Proponents anticipate individually scanning every container. Just think about that for a minute. You are a busy mom — do you have time to wait in a long line of similar customers, and then individually feed each container into a machine?
- Consumers might not get cash back for their deposit. The legislation does not require a redemption center or reverse vending machine to give the deposit back in cash to the consumer. It only requires the "value" to be returned. That could be for store credit somewhere you don't want to shop. Or some other sort of voucher.
- Citizens in areas with curbside recycling won't be able use that convenience for all recyclables any longer. Some items can go in the curby, but the rest of the citizens will have to lug their recyclables somewhere to get their money back — or give up that deposit money.
- Also, this bill guts the funding for curbside recycling by taking out the most valuable item, aluminum beverage containers, from the mix. If this bill passes, it is doubtful that any new cities will initiate curbside recycling and those that do have the program might not have the funds to continue.

## **It's simply not accurate for bottle bill supporters to claim the legislation doesn't impact retailers.**

- Each time you bought a soft drink or bottle of beer, you would pay a 5-cent deposit. The problem is that it would take time to manufacture and distribute new cans with printed

information about Tennessee's deposit. Meanwhile, store clerks would have to apply a proof-of-deposit sticker on every individual beverage container for sale in the state.

- Think about how long it would take for store clerks to apply a sticker to every beverage container in your neighborhood convenience or grocery store. Now consider what's involved in putting stickers on every soft drink, water bottle or beer can in the state.
- An estimated 4.3 billion beverage containers are used in Tennessee each year, according to the legislature's fiscal review note. Retailers would have to buy tens of millions of stickers from the state and get enough employees together to individually label every container.
- The red tape of attaching stickers to beverage containers would make it even tougher for retailers to compete with stores in all bordering states, where taxes are lower.
- Another burden to retailers is reprogramming cash registers. The cost of the deposit must be charged to the customer, with no sales tax applied, which means the receipt would show the deposit charge after the sales tax line. It would cost approximately \$150 per register to print receipts that accurately reflect the deposit. Statewide, this could involve reprogramming tens of thousands of registers and cost business several million dollars.
- A third concern is that retailers and distributors must "upfront" the cost of the deposits. As a retailer, stores must pre-pay the 5 cents on every container and then wait to be reimbursed. It's the same story with the stickers. Every retailer in the state will have to "float" thousands of dollars in deposit money.

### **Proponents' claims of job creation don't add up:**

- These "newly created" jobs would depend almost solely on millions of dollars in state subsidies every year. In other words, these jobs would cost taxpayers far more money than they're worth.
- A bottle deposit law would require citizens to pay a 5-cent deposit on every beverage container, such as beer or a soft drink, you buy in Tennessee. You get your nickel back when you return the empty container to a redemption center. Bottle bill supporters say the 500 new redemption centers would create thousands of jobs for workers to accept and sort the containers.
- Redemption centers would pay their employees with money they get from the state — a penny for each container they redeem and process. This would be the major, if not the only, income for the centers. Redemption centers cannot exist without the state subsidizing their operations.
- Where does the state get the money to pay handling fees to redemption centers? The assumption is that 24 percent of consumers would fail to redeem their containers, thus losing their nickel deposits for the total of \$31 million each year.
- Bottle bill supporters claim that no one will notice or feel the pain of a collective \$31 million loss in pocket change every year. \$31 million is a lot of pocket change. You can't convince me that someone won't feel pain from that big a loss.
- How many jobs will this \$31 million dollar subsidy create? The 500 redemption centers expected to be established would have one or two employees per site for a maximum of 1,000 jobs, according to Susan Collins with the Container Recycling Institute in

California. Collins is the expert who testified on behalf of bottle deposit supporters at the House State Government Subcommittee hearing in the General Assembly.

- At a minimum, Tennesseans will be spending \$31 million every year to subsidize 1,000 jobs. That's about \$30,000 per job each year, year after year.
- Usually, when the state "creates" jobs, it means that the state gives certain tax exemptions, credits or grants to get an industry started. The company benefiting from the "job creation" makes a major — usually multimillion-dollar — investment in land and

business construction and commits to employing a certain number of workers. The premise of these credits is that the state makes the money back over time in tax revenue and investment generated by the new employer.

- It would be an unprecedented move for the state to initiate a fee or a tax that would generate \$31 million per year to entirely subsidize jobs, without those businesses doing anything to offset government expenses or ever being able to exist without subsidy.
- The businesses or redemption centers that this legislation "creates" are dependents of the state. They would constantly lobby for higher handling fees, which will have to come from higher fees from Tennesseans who purchase beverages.

**It is doubtful that \$31 million will be enough to support the redemption centers over the long term.**

- The funding depends on 24 percent of consumers NOT returning deposits ... that is where the \$31 million to pay redemption centers comes from.
- What if the program is as successful as the proponents claim, and returns leave the state unable to pay redemption centers?
- The legislation does not take into account fraudulent returns. Many states report 10 percent fraud rates and return rates of 100 percent or higher are reported where bottle deposit states border non-deposit states. With large border populations and higher sales tax rates, Tennessee can anticipate large rates of out-of-state returns.
- No other bottle-deposit state pays redemption centers only 1-cent per container.
- Susan Collins, the proponent's expert who recently testified at legislative hearings, estimated that it costs redemption centers 1.5 cents to sort containers.
- Tennessee's legislation is modeled after that in Maine, where they have an additional 4-cent non-refundable fee on every container that goes to redemption centers. Vermont also has a 4-cent handling fee and New York's fee is 3.5 cents.
- It is very likely that proponents will be back to the legislature within one year asking for additional non-refundable fees for every beverage container sold in order to be able to pay redemption centers.

**State, city and county government will lose millions of tax revenue from increased cross-border sales:**

- Three years ago, Tennessee's cigarette taxes were raised to the highest tax rate of any surrounding state, and retailers reported an average 10 percent drop in Tennessee cigarette sales.
- What would happen if this 10 percent drop in sales were applied to beer, water and soft drinks? Tennessee businesses would lose sales, and our local and state governments would lose tax dollars — tax dollars that support local and state services.
- Tennessee cities and counties took in \$120,063,387 in beer tax in 2009. A 10 percent loss in beer sales would result in a \$12,006,338 loss in revenue statewide.
- On average, Tennesseans consume about 300 million cases of 24/12-ounce or equivalent of soft drinks, bottled water, sports drinks and teas per year. At an average sales price of \$7, the sales tax per case is \$0.6587. A 10 percent loss of sales would cost the state \$19,761,000.
- This would be a tremendous blow to many local governments that are already having budget shortages.