

Chairman Abney and all other members of the Finance Committee:

I come to you today fully cognizant of the financial challenges facing the State. I fully understand that in an environment like the one we have, making decisions on *eliminating* a tax is a challenge. At the same time, when things were good, I could not seem to catch the attention of the legislature and I view our little industry crashing quickly. Our need persists and so here I am again asking for the legislature to help us.

Enacted in 2012, the pet services tax was created by Governor Chafee in the hopes that by taxing more things, we could have an overall lower tax rate. Once Governor Chafee left office though and his idea was abandoned, the pet services tax remained on the books. Pet services along with a few other small service industries are the **only** services taxed in Rhode Island.

In previous years, I would testify before the Senate and House and argue that the tax is a dramatic impact on the finances of professional organizations – particularly those of us near the Massachusetts border where no such tax exists. This is still true. All things being equal, if a consumer could drive 10 minutes in one direction and save 7%, it seems fairly obvious that they would do so. Given that we are such a small state, the feasibility of consumer choice opting for Massachusetts service providers is high.

This year, however, I want to raise the urgency factor in your minds. Within the past year, at least three large scale pet service providers either permanently closed or were sold to national brands (who may or may not close the facilities this year). The era of small business pet service providers is rapidly closing. There were not many of us to start with, but closure of the other facilities is concerning. All of them closed or sold for financial reasons.

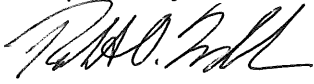
- For the last three years, the numbers of people using licensed facilities has been dropping across the country. While this is likely a function of the overall economy, there is no potential reversal trend on the horizon.
- This is an industry ripe for “underground” action. The explosion of “off book” dog walkers, sitters, groomers, etc. in the past few years is high. These individuals bypass legal, regulatory, and taxation structures to provide substantially lower cost solutions. As there are fewer licensed / regulated / taxed entities available to consumers, the more this underground activity is likely to grow to compensate.
- Most saliently, our State imposes a 7% sales tax that our sister organizations in Massachusetts (and beyond) do not have to factor into their pricing. In an industry with already thin pricing margins, 7% is a substantial disadvantage for those of us trying to compete.

At the tail of the last legislative session, Rhode Island was somewhat forced to make an uncomfortable decision. Citizen’s Bank was contemplating a move to Boston and the only way to stop that move was for the legislature to adopt a tax statute that was identical to Massachusetts. As an industry, pet services is not comparable to the banking industry. I understand that. The underlying theme, however, is exactly the same: We are in dire need of comparability. Without it, I am relatively certain that my own company viability is low. Every year I testify, I offer the legislature the opportunity to come and evaluate my books to demonstrate the honesty of my testimony. This year is no different. I invite all of you legislators to come and examine my books and my situation. It is not hyperbole to say that our viability is low. When

the largest and most established of my competitors are falling and my financial margins are negative, my sustainability is definitely in question.

I implore this committee to please incorporate this measure to the budget. Help us be competitive.

Respectfully,

A handwritten signature in black ink, appearing to read "R.O. Wheeler", written in a cursive style.

Robert O. Wheeler

Member

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