

Kansas HB 2727
House Committee on Taxation
Written Testimony from the American Suntanning Association
Melinda Norton, president
March 12, 2020

Honorable Chair and members of the committee –

The American Suntanning Association represents 191 professional suntanning facilities in Kansas with 1,518 employees. Each of these businesses is licensed and trained under Kansas statute in cooperation with the Kansas Board of Cosmetology in communities throughout this state.

Since 2010, each of these businesses has already been subject to a 10 percent federal excise tax on tanning services as the very first tax levied under the federal government's Affordable Care Act. This tax was added to the ACA as a last-minute replacement in December 2009 for a would-be 5% federal tax on Botox injections (The "Bo-Tax") and other elective cosmetics surgeries.

That federal 10 percent tax has already closed 244 professional tanning facilities in Kansas – more than half of the tanning businesses in this state. Adding another tanning tax to salons would close even more female-owned tanning businesses.

HB 2727, as we understand it, would create total federal and state taxes on tanning services at a professional salon in excess of 16.25 percent – a burden that would close many of these female-owned small businesses in Kansas, just as it did my female-owned stores in Indiana in the years after the ACA "Tan Tax" took effect.

We encourage you to learn the lesson from the total failure of the federal "tan tax" and remove any addition of tanning taxed as a service from HB2727.

To date, the "Tan Tax" has been a total failure in every way possible. Please review the numbers on the fact sheet we've provided.

- To date, The federal tan tax raised less than 28 percent of what the Congressional Budget office projected in 2009.
- By closing 9,600 businesses and putting 95,000 Americans out of work, what has the "Tan Tax" actually cost The U.S. Treasury in lost income taxes, lost payroll taxes, unemployment insurance and SBA loan defaults? When all of this is considered, we believe the tax may actually have COST the treasury money.

Please remove indoor tanning sunbed usage from this bill. Tanning professionals in Kansas already pay more than enough in tax.



The 10% Tan Tax: A Job Killer That Didn't Work

In 2009, a 10% “Tan Tax” on UV tanning services in tanning salons was included as part of the Affordable Care Act (ACA) as a last-minute replacement for a 5% cosmetic surgery tax. To date, the “Tan Tax” has been a total failure in every way possible.

1. The “Tan Tax” Closed Businesses and Killed Jobs.

- 10,200 businesses have closed since 2010 in virtually every community in America because of the tax.
- 100,000 jobs have been lost since 2010 because of the tax.
- 70% of these closures and losses were female-owned small businesses, compared to the national average of 26%.
- The Tan Tax has killed U.S. Suntanning equipment manufacturing, shifting production jobs almost exclusively to European suppliers.

2. The “Tan Tax” Failed as a Revenue Producer for the ACA

- In 2009 CBO projected the Tan Tax would generate \$270 million per year. OMB and IRS data from 2010-18 reveal that the Tan Tax has raised only \$79 million per year (\$718 million to date) – or just 29% of what CBO estimated.
- The IRS allocates more than \$11 million annually to collect and administer the tax, thereby reducing the net revenue to only approximately \$74 million per year.
- By closing 10,200 businesses and putting 100,000 Americans out of work, what has The Tan Tax actually cost The U.S. Treasury in lost income taxes, lost payroll taxes, unemployment insurance and SBA loan defaults?

3. The Tan Tax Shifted Consumers To Non-Salon Tanning – Increasing Risk

- The Tan Tax has pushed 41% of sunbed users into unsupervised non-salon sunbeds in gyms, apartment complexes and homes¹ — none of which are subject to the tax. Gyms were specifically exempted from the tax.
- The “Tan Tax” backfired scientifically. Research into the potential risks of sunbed usage – when separated by the *location* of the sunbed – shows that non-salon sunbeds are responsible for increased risk, but that U.S. tanning salon sunbeds were not related to significant increase in risk. The tax drove consumers to riskier unattended sunbeds.

4. Professional Tanning Salons Have Helped Save Billions in Health Care Costs.

- An estimated 1.5 million psoriasis sufferers visit tanning salons at a cost of \$250/year/person, while some dermatology estimates show alternative clinical costs to be upwards of \$30,000/year/person.
- A 2015 survey showed that 88% of dermatologists recommend the usage of UV lamps as an effective form of skin treatment and 30% referred their patients to tanning salons as a cost-effective and convenient self-treatment option.

	Year 2009	Year 2017	TOTAL LOSSES
US Tanning Businesses	18,245	8,010	10,235 businesses closed
US Tanning Jobs	164,218	63,679	100,539 jobs lost
Kansas Tanning Businesses	435	191	244 businesses closed
Kansas Tanning Jobs	3,915	1,518	2,397 jobs lost

The female-dominated tanning market continues to suffer at a rate of 500 businesses shuttered and thousands of women’s jobs lost per year. In considering the 100,539 lost jobs, 10,235 closed businesses, the costs to the U.S. Treasury, and the resulting consumer shift to un-attended non-salon tanning, is this failed tax worth the cost to the U.S. economy and your constituents?

Bipartisan bills HR 1150 and S 2600 have been introduced to repeal the Tan Tax. It is not too late to help professional women and their businesses still struggling under this onerous tax. Please co-sponsor today.

SUPPORT HR 1150 AND S 2600 – REPEAL OF THE 10% TAN TAX

¹ Hillhouse J. Prevalence and Correlates of Indoor Tanning in Non-salon Locations. JAMA-Derm. 2015 Vol. 151. No. 10