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## The taxing business • what's *wrong* with gross receipts?

By Mary Lau, RAN executive director

The opening day of 72<sup>nd</sup> Legislative Session, Feb. 3, 2003, was, as usual, full of pomp and circumstance with the installation of office. Though some of this may appear unnecessary, after a grueling fight to be elected, our legislators deserve some ceremony—especially since this promises to be the worst legislative session since the implementation of the Business License Tax. Even on opening day the hall talk mainly consisted of concern, jokes and jibes about the State of Nevada's economy and the upcoming battle for taxes.

When I look at what the Governor has proposed in his budget, I can only shake my head in awe. No, RAN is not convinced that "everything" has been done to cut spending, nor are we comforted by job positions that are cut in one budget line-item, then increased in another. We'll hear debates, and participate in debates, ad nauseum. Debates on "structural deficit," "cyclical deficit," "shortfall," etc., will permeate the halls and tables of this legislative session; however, regardless of the debate, RAN and its members cannot support a gross receipts tax (GRT) on business in Nevada.

It's very interesting that some of the political rhetoric that surrounds the GRT has stuck. More and more you hear legislators and lobbyists talk about the "out-of-state" companies such as "blank retailer" or "blank bank" that take our

money and send it out of state.

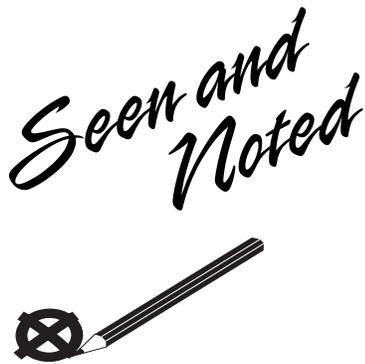
Really, if you think about it, this truly is a foolish concept. In politics, though, it's not necessarily truth and logic that plays out, it's if you can say it enough to sell it. While people are trying to sell this out-of-state concept, they fail to mention that the vast majority of Las Vegas Boulevard South casinos are owned by companies that operate out-of-state and most are multi-national. It's always amazing to hear a one-sided argument, one that fails to include all the facts.

The fact is, out-of-state companies, be they retailers, banks, casinos, manufacturers or whatever, employ people in this state. They pay industry specific taxes, payroll taxes, property taxes, insurance fees, and local taxes and fees. They are active in community support and charitable contribution, and the people that work for them live here, subject to the same taxes as every other Nevada citizen. It's a bogus argument that tries to ignore the out-of-state activities of one industry, gaming, to the detriment of all others.

Gaming, and by that I mean the strip properties, keeps harping on gross receipts being a fair tax and one that is

*Legislative Report*

*The tax business continued on page 4...*



## IMRA includes Nevada in retail concepts study

The Retail Association of Nevada is pleased to report they have partnered with the International Mass Retail Association ([www.imra.org](http://www.imra.org)) on an unprecedented study of new retail concepts from around the world.

Throughout 2003, the most progressive shopper environments in global markets—London, Moscow, Paris, Sao Paolo, Singapore, Toronto—will be analyzed and translated into user-relevant applications, guided by an assembly of industry notables, trade experts and top academic talent. This program, supported by an advisory council of senior leadership from Wal-Mart,

Best Buy, Food Lion, Procter & Gamble and others, is designed to yield information that will help all retailers build better, more customer-centric stores to improve customer satisfaction and loyalty and increase shareholder value.

The only U.S. cities selected for this study are Las Vegas, Atlanta and San Antonio. This report will provide a view of American retailing at its best to the world. To that end, we look forward to working with IMRA to help them learn more about our unique and diverse retail community.

For more information, please contact Paula Payton at [ppayton@imra.org](mailto:ppayton@imra.org).

## Judge drops obesity lawsuit against McDonalds

Obesity is the problem of the person who overeats, says U.S. District Court Judge Robert Sweet. Last month he chose sanity over blame when he dismissed a lawsuit brought against McDonalds' restaurant by a disgruntled group of obese teenagers. In handing down the decision, Sweet said, "If a person knows or should know that eating copious orders of supersized McDonalds' products is unhealthy and may result in weight gain, it is not the place of the law to protect them from their own excesses."

This lawsuit was a follow-up to an earlier legal action that lawyers John Banzhaf and Samuel Hirsch filed against four restaurants on behalf of Caesar Barber, an obese adult who suffered health problems due to a poor diet and lack of exercise.

Richard Berman, executive director of the Center for Consumer Freedom, said, "Common sense prevailed in the justice system today. Judge Sweet delivered a decisive setback to Hirsch and Banzhaf." He added, "It's a shame that the courts had to waste a lot of time and money just to teach a few showboating lawyers what the rest of us have known since kindergarten [too many calories and not enough exercise cause weight gain]."

For background, see "Fat Busters" in December 2002 RAN Nevada News.

## Nevada retailers & tobacco

*Good marks for reducing tobacco sales to minors*

Tobacco sales to minors continue to decrease, a sign that efforts by retailers in Nevada are increasingly effective. John Albrecht, chief tobacco counsel with the Nevada Attorney General's office, reported that out of 321 tobacco compliance checks in the state from November 1, 2002, through January 2003, there were only 32 illegal sales, a 10 percent buy rate by minors.

Albrecht says that a random probability study in spring 2002 projected a buy rate of 18.26 percent. Although the time frame for the study isn't completed, if the latest compliance check is indicative of a trend, Nevada is doing a good job.

If retailers need help in reducing illegal sales of tobacco to minors, there are a number of places to contact. The We Card program offers materials such as point-of-sale and other store signage declaring "We Card," and training programs. The program also offers on-site training for groups of 40 or more. Contact David Glenn at 888-872-4603 for more information about training. If you don't have a group of 40, Glenn can help by combining your group with others so you can benefit from the live training.

To learn more about Nevada's tobacco program, call Albrecht, based in Reno, at 775-688-1872.

# A look at the 2003 Executive Budget

Governor Kenny Guinn's Executive Budget for 2003 – 2005 calls for \$980 million in new revenue. When Perry Comeaux, director of the Department of Administration, presented the Budget to the Legislative Commission Joint Budget Subcommittee, he began his testimony by stating that Nevada is dealing with a "structural problem," and that since 1999, General Fund revenues have declined 5.2 percent while the needs of the state, specifically for education and human services, have increased.

Comeaux only addressed the short-term tax proposals and did not touch on the much-debated gross receipts tax. (see *Gross Receipts Tax* article on page 5 for more information). Here are components of the Governor's tax increase proposal and the timeline for each tax increase, as well as the total revenue each tax would generate for its respective fiscal year. Here are the numbers. You do the math. How will this affect your bottom line?

## **Taxes to begin April 1, 2003**

- An increase of the business license tax from \$100.00 to \$300.00 annually per employee. The exemption for Sole Proprietors will be removed, and they will be required to pay the head tax. It's projected that the tax will generate \$42.7 million in the fourth quarter of Fiscal Year (FY) 2003, \$176.1 million in FY 2004 and \$190.7 million in FY 2005.
- An increase in the cigarette tax from 0.35 cents to \$1.05 per pack. The increase would raise the price of a \$3.50 pack of cigarettes to \$4.20 and bring in \$29.7 million in FY 2003, \$120.9 million in FY 2004 and \$122.8 million in FY 2005. Assemblyman and Chairman of the Ways and Means Committee Morse Arberry (D-Clark) expressed concern that the tax would not generate the amount of revenue as projected in the budget.
- An 89 percent increase in alcohol taxes. Beer tax, now 9 cents per gallon, would increase to 17 cents. The 40 cent per gallon wine tax, would increase to 76 cents per gallon. The liquor tax, now \$2.05 per gallon, would increase to \$3.87 per gallon. The increase would bring in \$4.2 million in FY 2003, \$17.3 million in FY 2004 and \$17.7 million in FY 2005.
- A 50 percent increase in all Secretary of State filing fees. This tax would generate \$6.8 million in FY 2003, \$28 million in FY 2004 and \$28.9 million in FY 2005.

- A 33 percent increase in restricted slot fees generating \$600,000 in FY 2003, \$2.3 million in FY 2004 and \$2.4 million in FY 2005.

*The total amount of projected revenue generated by the above taxes for FY 2003 is \$83.9 million.*

## **Taxes for FY 2004**

- The business license fee will be changed from a one-time \$25 fee to an annual tax of \$100.00. This increase would generate \$9.1 million in FY 2004 and \$10.3 million in FY 2005.
- A 7.3 percent tax on admission to movies, professional sporting events and strip clubs, and on amusements such as videocassette and DVD rentals. Participatory events such as golf and bowling are exempted. Assemblywoman Chris Giunchigliani (D-Clark) questioned why golf and bowling should be exempt and why watching a movie with your family should not be. Comeaux stated that the new tax would produce \$82.5 million in FY 2004

and \$84.8 million in FY 2005. *The total amount of projected revenue generated by the above taxes for FY 2004 is \$436.2 million.*

## **Taxes for FY 2005**

- A property tax increase of 15 cents per \$100.00 assessed value will be deposited in the State's General Fund. Assemblyman John Marvel, (R-Battle Mountain) stated that local governments would be negatively impacted because the state would be taking revenue that currently goes into their coffers. Comeaux replied that the Legislature would need to raise the statutory cap on property tax of \$3.64 per \$100.00 assessed value to take away the negative impact. This tax increase would raise \$99.5 million in FY 2005.

*The total amount of projected revenue generated by the above taxes for FY 2005 is \$558.1 million.*

Comeaux said that some of these short-term solutions could be phased out when more long-term and broad-based solutions are implemented

## **\$\$ Expenditures \$\$**

Some members of the subcommittee had questions regarding the wisdom of having the state provide portable classrooms for all-day kindergarten. Assembly Minority Leader Lynn Hettrick (R-Gardnerville) and Senate Majority Leader Bill Raggio (R-Reno) expressed great hesitation that a precedent would be established by having the state provide facilities that have traditionally been provided by the counties. Assemblywoman Giunchigliani stated that unless the state provides facilities for all-day kindergarten, it could be considered an unfunded mandate and would, therefore, be unconstitutional.

## The taxing business

continued from page 1

comparable to what they pay. Also, they magnanimously claim that they will pay their "fair share" of gross receipts in their non-gaming areas. Simply put, they don't pay gross receipts. However, let's take one look at their gaming "product" or "service" - what is their commodity? It's money, plain and simple. Gaming can claim it sells gambling as entertainment, but the only commodity of this is money, and money is what they agreed to when they established the rules to become legitimate. So, money is what they are taxed on.

Now, before we start hearing the cry that I'm picking on gaming, I'm not. I'm only saying, let's get real. Gaming made its deal with the State years ago, and in spite of the promise to up the tax if there was a need, gaming is trying to deflect its responsibility of paying its fair share by vilifying other businesses. Unfortunately, while the sound bites keep getting repeated, no one is paying attention to the future. In politics, rhetoric and fact are seldom related.

The fact is, gaming always touts its percentage of the General Fund, which is only one of the budgets of the State. They also, when comparing it to sales tax revenue, fail to mention that only 2-cents of the sales tax dollar goes to the general fund. Again, sound bites and politics. But more to the point, how do we correct the misconceptions? We lobby, and you, as members of RAN, contact your legislators. In fact, contact all the legislators and contact them often. Don't think that one phone call or letter will suffice for the session, because it won't. This matter is so serious that all of you will have to be diligent and forceful if you want business's voice to be heard.

Bertrand Russell said, "The whole problem with the world is that fools

and fanatics are always so certain of themselves but wiser people are so full of doubts." This quote reminds me that this tax is not a done deal and that there are plenty of legislators who are full of doubts about it. They are wise to doubt it

**For further explanation of the gross receipts tax, please see "Gross Receipts Tax Will Undermine Nevada's Economy," this page and page 5.**

## Gross Receipts Tax will undermine Nevada's economy

It is now a forgone conclusion that Nevada needs additional sources of revenue. No matter how you crunch the numbers, the fact is the Executive Budget calls for an additional \$980 million in new revenue and the money committees rarely cut much

from a governor's budget. ••

***But it's essential that additional funding sources and taxes do not disrupt Nevada's economy, which has some of the best job creation and business start-up statistics in the country.***

### Nevada's economy

#### Fastest job creation per capita of any state

- One of the highest per capita investment rates
- One of the highest percentages of new business start-ups
- Considered one of the top 10 places to start a business

The reason for our success is that Nevada is the **ONLY** state that does not have some sort of corporate income tax or personal income tax.

### A sensible approach to taxes

The business community has worked to put together a group of taxes that will meet the immediate revenue needs and resolve the long-term structural issues of Nevada's tax base. Increasing the annual registration fee with the Secretary of State and the Business License Tax (BLT), or head count tax, would raise much of the dollars needed to fund the shortfall. It would also expand the tax base revenue generated by business in Nevada.

For additional funding and resolution of the long-term revenue requirements, expanding the sales tax to services, with the necessary exemptions for health, education, and other services for which the tax would have the most regressive impact, could fill any remaining gap and allow for an overall reduction of the current sales tax rate on goods. Expanding this tax to include services would adjust Nevada's tax structure to capture revenue from our primarily service-based economy.

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*For a look at the Governor's budget as presented on January 21, 2003, please turn to page 3. Look at the budget, then you do the math. Remember, contact the legislators and contact them often.*

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*Gross receipts tax continued on page 5...*

# Gross receipts tax

continued from page 4

The Governor's Task Force is considering a .25% gross receipts tax as the revenue source to fill the long-term, structural deficit. A gross receipts tax would significantly undermine Nevada's economy.

## Arguments against the gross receipts tax

- **Nevada is different.**  
Nevada is the only state with "No Corporate Tax" (i.e. corporate income tax, gross receipts, or some sort of franchise tax). Nevada has a product (i.e., no corporate tax) that is different than the other 49 states.
- **Jobs!**  
Over the past 5 years (ending 12/2001), the Nevada Development Authority (NDA) has brought over 35,000 non-gaming jobs to Clark County alone, and over the last 10 years (1992-2001), the NDA reported that direct gaming jobs in Nevada have declined from 28.5% to 24.9% (NDA Statistics). The gross receipts tax would have a chilling effect on the continued growth of non-gaming businesses in Nevada and would also make it very difficult for some large corporations that have relocated in Nevada to stay here.
- **Diversification of the tax base.**  
Nevada would become more dependent on the gaming industry for tax revenue as growth in the non-gaming sector would slow due to the imposition of the gross receipts tax. Paradoxically, the gaming industry could face tax increases in the future to pay for these shortfalls.
- **Small business exemption is temporary and so is the .25% rate.**  
The proposed exemption for the gross receipts tax (\$200,000 to \$500,000) would be temporary. Within a decade, this exemption will undoubtedly be lowered in an effort to increase the tax base. Already, there are members of the Governor's Task Force who

believe there should be no exemption for the small business-person. Furthermore, there will be pressure to increase the .25% rate in the future to meet the state's revenue needs.

- **Nevada will lose its draw as a corporate Mecca.**  
Currently, Nevada has over 200,000 entities registered with the Secretary of State. Conservative estimates show that 70-80% of these entities are from out of state (Nevada Listed Registered Agent Association). These entities are entirely portable and will move to another state, such as Delaware, where there is no requirement to file a tax return and there is no gross receipts tax. This will result in a loss of fee-based revenue by the Secretary of State by over \$30 million annually.
- **The gross receipts tax is very complex.**

While meeting the State's funding requirements, we must continue the trend of job creation and economic diversification. The business community supports and has proposed instituting new taxes ***paid by businesses*** to meet the revenue shortfalls in the coming years and help keep Nevada's economy strong. The gross receipts tax would undermine Nevada's economy by stifling growth and capital investment.

So, if the above hasn't concerned you, then I guess you're ready for retirement. But if it does, please write your legislators, call them, keep in touch—they need to know that Nevada businesses don't want gross receipts taxed, and they aren't fooled into compliance by the lure of \$450,000 thresholds.

If you're comforted about that threshold, then look again. In 1991 when the Business License Tax was instituted, the threshold was sole proprietors. Guess what. The Governor's budget includes those people now. As far as that goes, we don't think the \$450,000 and .25% rate will hold for this session, much less for years to come.

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*"The State of Nevada would need another huge bureaucracy for collecting and auditing the GRT, possibly creating Nevada's own IRS."*

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In order to ensure that the tax is equitable, the imposition of such a tax may require numerous types of exemptions and different rates for certain industries. By simply imposing a uniform gross receipts tax, many low margin industries will be adversely affected.

- **Gross receipts tax does not work in other states.**

Washington State is one of the few states that has a "gross receipts tax." There is overwhelming evidence that companies are fleeing Washington due to the onerous tax burden of the gross receipts tax. Boeing is the perfect example, having just moved their headquarters to Chicago.

- **Oversight and audit.**

The State of Nevada would need another huge bureaucracy for collection and audit of the GRT, possibly creating Nevada's own IRS.

# Count on JFG Systems, Inc. to update you to today's best technology

Do you look around your office and think, these computers are old, the printers are slow, and we have no system! Are you wishing for a magical IT person to appear to help you out of a phone system quandary? Do you wish there was someone who could explain to you what the heck an IT person is? Maybe you need to give JFG Systems, Inc. a call.

JFG Systems, located in Carson City, has been helping solve problems for the technologically disadvantaged for 10 years. Cheryle Schaum, chief financial officer for the company, says, "We want to make companies more proficient through the proper application of technology." It's all about what a customer wants and what critical issues need to be resolved first, Schaum says.

Network is the language of convenience for a busy office with at least five computers. If one employee has to move from computer to computer to get into different applications—say an accounting program or an inventory database—and in doing that has to disturb another employee who is busy at work on the target computer, the business is losing money. A client/server network can solve the problem.

The client/server network connects each desktop PC (client) to a more powerful PC (server) that allows employees to access the same programs, but each at their own computer. Time saved = money saved. That same server, or as I like to call it, the mother ship, has the added ability to centralize security and backup.

As telecommuting replaces

the current I'm-late-to-work road rage commuting, JFG Systems is there to give you all the modern conveniences. Network those distant offices to the mother ship. One of JFG Systems' customers, a company that builds luxury resorts, communicates via satellite network between Squaw Valley, CA, and Mammoth, CA. Another customer says he's saving \$5,000.00 a month after networking the main office to another site that's just a few miles away.

Then there's the 3COM® NBX® 100 communications system, which is a registered trademark and a fancy way of saying you can have your phones, computers and all that goes with them—voice mail, email, messaging, etc.—in one system. JFG Systems can put it all together for you, teach you how to use it and be your IT person.

So, who is IT? IT is the person who services the office technology. If you can't afford to hire that much-needed employee, you can rent-an-IT from JFG Systems. That person will visit regularly to perform maintenance, install updates and generally make sure that everything is working properly. By the way, the acronym "IT" stands for information technology.

JFG Systems is a guru of technology and maintains that position through testing any hardware or software before recommending it to a customer. They also offer on-site training in the technology, which includes making it clear to your employees that, as Schaum says, "This is not your computer. This is how to treat it." They can help you with human resource issues like creating new-hire papers that spell out what will and will not be acceptable when using a company computer.

Want to find out more about tech stuff you don't understand but know it would make your life simpler and your business more profitable? In this modern business world of ever-changing options and better technology, wouldn't it be nice to know that

there is someone who can show you how, and rather painlessly? Look no further than JFG Systems, Inc., a tech solution company that serves the greater Northern Nevada area.

Whether your business is an all-in-one shop or spread wide on the map, JFG Systems can help you through the intricacies of finding what can help you work better.

*"We want to make companies more proficient through the proper application of technology."*

*— Cheryle Schaum, Chief Financial Officer*

## Legislature contact information

The following toll-free phone numbers will connect you directly with the Nevada State Legislature. By calling these numbers, an operator will be able to connect you with any of the needed services or information listed below.

### **1. Toll Free (800) Numbers to reach the Nevada State Legislature**

(800) 992-0973 (Toll Free From Anywhere)  
(800) 995-9080 (Toll Free From Anywhere)  
(702) 486-2626 (Toll Free From Southern Nevada)

### **2. Legislative Hotline**

(775) 684-1385

Legislative Counsel Bureau staff members will answer your questions regarding the following: bill status, bill summaries, legislator votes on particular bills, committee hearing times and legislator contact information. They can also mail you copies of legislation.

### **3. Legislative Message Center**

(775) 684-6789

The Legislative Message Center allows you to leave personal messages for legislators. We believe that you are the most effective advocates on issues of importance to business.

### **4. Fax**

To fax a member of the *Nevada Senate*, dial 1-775-684-6500  
To fax a member of the *Nevada Assembly*, dial 1-775-684-8533

### **5. Mail**

Nevada Legislature  
401 S. Carson Street  
Carson City, NV 89701-4747

***The Taxation Committees meet at the following times in the locations indicated. Included is contact information for the respective members.***

#### **Senate Taxation**

2:00 p.m. T. and Th.; Rm. 2135 • Committee Manager, Mavis Scarff - 684-1442

##### **Republican**

Mike McGinness (Chairman) 684-1442  
Dean Rhoads (Vice Chairman) 684-1447  
Randolph Townsend 684-1451  
Ann O'Connell 684-1457  
Sandra Tiffany 684-1481

##### **Democrat**

Joe Neal 684-1429  
Bob Coffin 684-1427

#### **Assembly Taxation**

1:30 p.m. T. and Th.; Rm. 3142 • Committee Manager, Joyce Hess - 684-8821

##### **Democrat**

David Parks (Chairman) 684-8821  
David Goldwater (Vice Chairman)  
684-8541  
Bernie Anderson 684-8563  
Morse Arberry 684-8587  
Kathy McClain 684-8835  
Harry Mortenson 684-8803  
Peggy Pierce 684-8599

##### **Republican**

Dawn Gibbons 684-8855  
Tom Grady 684-8507  
Lynn Hettrick 684-8843  
John Marvel 684-8851

You can get up-to-date BDR and bill information at the Legislature's website, [www.leg.nv.us](http://www.leg.nv.us).

## • Seminars •

### **March - 2003**

#### **FMI Advertising Marketing Executive Conference**

March 30 - April 1, 2003  
Las Vegas, NV  
Contact: Elizabeth Newton @ [202-452-8444](tel:202-452-8444) or [www.fmi.org/events](http://www.fmi.org/events)

### **April - 2003**

#### **FMI 2003 Pharmacy Conference**

April 13 - 15, 2003  
Palm Springs, CA  
Contact: [202-452-8444](tel:202-452-8444) or [fmi@fmi.org](mailto:fmi@fmi.org)

#### **NACHA Payments 2003**

April 27 - 30, 2003  
Orlando, FL  
Contact: [800-487-9180](tel:800-487-9180) or  
[www.nacha.org/conferences/](http://www.nacha.org/conferences/)

#### **nacs.tech 2003**

April 28 - 30, 2003  
Dallas, TX  
Contact: [703-684-3600](tel:703-684-3600)

### **May - 2003**

#### **The FMI Show Delivers**

May 4 - 6, 2003  
Chicago, IL  
Contact: [202-220-0899](tel:202-220-0899) or  
[www.fmidelivers.com](http://www.fmidelivers.com)

### **June - 2003**

#### **PMA Retail Produce Solutions Conference**

June 6 - 9, 2003  
Monterey, CA  
Contact: [www.pma.com](http://www.pma.com) or Dianna Garvey at [dgarvey@mail.pma.com](mailto:dgarvey@mail.pma.com)

#### **NACDS Marketplace 2003**

June 7 - 10, 2003  
San Diego, CA  
Contact: [703-549-3000](tel:703-549-3000)/[www.nacds.org](http://www.nacds.org)

### **Abbreviations**

**FMI** • Food Marketing Institute  
**NACDS** • National Association of Chain Drug Stores  
**NACHA** • The Electronic Payments Association  
**NACS** • National Association of Convenience Stores  
**PMA** • Produce Marketing Association

## FTC • the spam buster

If you bought an international driver's permit (IDP) over the Internet, you may just have lost a bundle of money. The U.S. Federal Trade Commission (FTC) shut down six spam-scammers in January who were selling the bogus licenses for between \$65 and \$375.

The IDPs had great appeal for people whose licenses had been suspended or revoked or those wanting to get a U.S. photo ID. The spam-scammers promised to put you back into the driver's seat with a license that could protect you from getting speeding or other traffic

tickets and could serve as legal U.S. identification.

The FTC filed six federal district court complaints against the firms that sold the fake documents. "The defendants deceptively marketed bogus documents," said J. Howard Beales III, director of the FTC Bureau of Consumer Protection. "They misled people with limited English proficiency and those whose licenses have been revoked about the value and the purpose of the IDP."

IDPs aren't a substitute for a government-issued driver's license, but simply serve as a booklet that translates a government-issued driver's license into different languages. They're only accepted by countries that signed the United Nations Road Traffic Convention of 1949, and they confer no special privileges. The American Automobile Association and American Automobile Touring Alliance are the only agencies that sell authentic IDPs in the U.S. The legitimate IDPs cost \$10.00, but using a bogus IDP can result in "severe" consequences. The FTC says a driver using an IDP can "be charged with driving without a license or driving with a suspended or revoked license." Further, if you can't produce valid identification, an officer can assume that you're trying to withhold your identity and arrest you.

Spam isn't illegal in the United States, but the FTC pursues spammers who violate existing deceptive and unfair trade practices. It maintains and monitors a spam database to identify emerging trends and developments and has used it in a number of cases such as pyramid schemes, money-making chain letters, credit card scams, credit repair scams, bogus weight-

loss plans and fraudulent business opportunities. They've even set up a system to help Internet users stop receiving spam.

Tired of an email box where two of the messages are ones you want and the other 100 are spam? A Pew Internet & American Life Project study released in December reported that 65 percent of the respondents said that email wasn't a problem. Pew surveyed 2,447 Internet users. Apparently they weren't one of the 200,000 consumers who actually took the time in 2002 to report spam to the FTC. They also aren't one of Brightmail, Inc.'s customers. The San Francisco company that creates anti-spam software is growing healthily as spam increases.

Brightmail reports that spam messages increased 300 percent from 2001 to 2002—from 14,078,511 to 55,683,103. Eight percent of all email was spam in September 2001. That increased to 40 percent by December 2002. It's gotten so bad that the Direct Marketing Association (DMA) says it's getting tough for legitimate spammers, like its 4700 members, to compete.

The DMA is calling for anti-spam legislation that it once decried. The association wants it required that all spammers list a real physical address and contact information, and be prohibited to use false subject lines. It also wants each spammer to prominently display an "unsubscribe" option. Ignored unsubscribe options are on FTC's hit list.

Internet users often find that the unsubscribe button doesn't take them off a particular spammer's list, and may even place their names on more lists. The FTC responded to such complaints last year and after testing reported sites, sent out warning letters to 77 marketers. The agency now monitors "remove me" offers."

### *Consumers can fight back*

The FTC's website has pages of information on the problems of spam and advice for consumers to stop the intrusion. Consumers can take steps to stop the spam machine. Report it, says the FTC, by forwarding a copy of unwanted or deceptive messages to [uce@ftc.gov](mailto:uce@ftc.gov).

Find more about what you can do to thwart unwanted email at FTC's website. They also want to hear about your efforts to be removed from an email marketer's list. Contact the FTC at [www.ftc.gov](http://www.ftc.gov), or call them toll-free at 877-382-4357; TTY, 866-653-4261.

#### **Suggestions include:**

- Avoid displaying your email address in public spaces, including newsgroup postings or chat rooms, on websites, or in an online service's membership directory.
- Read and understand website forms before you transmit personal information. If possible, select the opt-out choice if the website plans to share your information.

## Catalogs & retail websites work best together

Don't dump the catalogs in favor of a website for retail sales, say the latest statistics. The Direct Marketing Association (DMA) reports that mail-order shoppers averaged a healthy 15 catalog purchases annually. Lands' End found that out the hard way in 1999 when it decided to mail fewer catalogs in favor of its online offerings. Sales lagged and Lands' End mailed more catalogs.

Such stories don't mean that retailers should ignore the Internet. The best results come from using each medium to its best advantage and as complements to one another.

Customers like to keep catalogs handy and do so for up to three months or until the new catalog arrives. Catalogs offer customers the comfort of reclining in a chair and browsing through the merchandise. They may buy from the catalog's website even though the inclination to purchase came from the catalog. The DMA survey shows that there is a "continued convergence of catalog and Internet shopping." Sixty-nine percent of catalog users placed orders by phone, while 14 percent ordered from the catalog's website.

Customers who use the Internet site to purchase may also look for information about a product before visiting the brick and mortar site. A recent survey of its customers by Best Buy electronics store found that more than half of its customers check its website before coming into its stores.

Brick and mortar stores that also use websites to sell products have learned to market differently for each area. Wal-Mart found it more profitable to cut back its Walmart.com stock to focus on merchandise that doesn't duplicate what's offered in its stores.

Multichannel selling can be profitable if used correctly. Outdoor

goods store REI says it can give detailed information about a product on the website which would be cost-prohibitive in a catalog. On the other hand, because color displays better in catalogs, presentation can be more effective in catalogs.

Lands' End, now owned by Sears, Roebuck, expected its online sales to grow from 25 percent in 2001 to 30 percent in 2002, but it's still going to mail out 270 million catalogs. The company has found that customers buy from each at different times and for different reasons.

Creative marketing will rule the game.

*Source: FMI Stores, 12-02; DMA; New York Times, 12-02.*

### *What is a Q-PC? Do I need it?*

Is it time to outfit your car with a desktop computer? If so, ADT Inc. has the gadget for you. It's created a computing system, the Q-PC, which allows drivers and passengers to access the Internet. It can also play MP3s and DVDs.

If you gotta have it, hand over the cash. The Q-PC, which is an after-market product, costs from \$3,500 to \$4,500.

Oh—you probably know what the PC stands for, but the Q? Remember the gadget guru in the James Bond movies? That's it, Q is in honor of the character of fiction.

## Internet helps travelers keep track of flights

U.S. airlines are using the Internet and other technology to make flying just a little easier for their passengers.

Because customers worldwide are using electronic ticketing to book flights, carriers like Delta Air Lines and Northwest Airlines are extending the usefulness of the e-ticket. Both airlines cooperate with each other and with other airlines to allow customers of one airline to use a single e-ticket for travel on the cooperating airlines.

Northwest has agreements with American, United, Continental and Delta, while Delta cooperates with United and Northwest. Customers of these airlines no longer have to get a separate e-ticket for each carrier. The Delta/ Northwest agreement enables both airlines to accommodate customers holding e-tickets on changed itineraries. Previously, ticket holders from one airline would have to get a paper ticket from that carrier or purchase a new ticket from the carrier to which they were being transferred.

Delta reports that nearly 90 percent of its customers worldwide use electronic ticketing. Northwest says in November, 88 percent of its domestic customers and 79 percent of its worldwide customers used e-tickets.

American, Delta, United, Northwest and Continental are also using technology that allows passengers to get flight status notification in a number of ways. Customers can sign up for automatic notifications on arrival and departure times and can receive information about delays, gate changes, and in some cases, where baggage can be picked up. Airlines use their websites to notify customers and can also send messages to any device that can receive voice, text or email (computer, pager, handheld organizer, mobile phone).

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## Important Information for SIG Members

The NRS governing self insured groups requires notifying members of all new members to the Group. New members for NRNSIG as of January 10, 2003, are listed below. For a complete member list, please call RAN at 775-882-1700.

Please Note: Due to the many new members added each month to NRNSIG, we are able to list only new members on this page. For information on NRNSIG or NCNSIG, please see information below.

### NRNSIG

Baum Healing Arts Center  
Big O Tires 28830  
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Computer Base Tahoe  
J & J Health Foods  
L & M Inc.  
Las Vegas Ace Hardward  
Pahrump Texaco Xpress Lube  
Reno Tahoe Open Foundation  
Solution Inc.  
Sparky's 4 - Sports Bar & Grill

**NRNSIG** members who wish to register a negative vote on a new group member, write NRNSIG at 810 E. Fifth St., Suite A, Carson City, NV 89701, indicating which member and the reason(s) for the negative vote.

**NCNSIG** members should contact Joseph Burgess at CHSI, PO Box 33250, Reno, NV 89533, indicating the member and the reason(s) for the negative vote.

### Membership Information

Find out more about RAN's self insured groups by calling Willie Kerschner at 775-720-8125 or 775-882-1700, or toll free at 800-690-5959. Don't forget to check the website, [www.RANNV.org](http://www.RANNV.org).

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# Supporting Customer Service

*A simple, supportive practice demonstrates a profound impact*

What do these employees have in common?

- 1) A nurse in an acute care wing of a hospital who tends to an elderly, deaf patient who has come from the recovery room with a pin in her hip. This patient is refusing all liquids and her veins barely tolerate IVs. She doesn't understand when attempts are made to explain why she must drink.
- 2) An airline ticket agent who learns that a flight has been cancelled but faces a gate full of people who expect to take that flight.
- 3) A youth care worker who has broken an unruly youth's arm while attempting to calm him and prevent him from harming himself or others.
- 4) A retail clerk who must stop and wait for a price check for a young mother with a fussy baby while a long line of customers wait.

What do these people share? Each has emotional needs that will compete with the emotional needs of the people they serve, making it more difficult to provide the interpersonal concern and care that's needed. The nurse will harden herself to prevent overwhelming sadness from reducing her to tears. The airline clerk will become mechanical to prevent personal attacks from arousing his anger and his desire to retaliate. The youth care worker will feel guilt and anxiety and will avoid similar situations. And the retail clerk will think of her aching feet and avoid the angry customers' stares.

Because of these reactions, the nurse's patients who need emotional care the most will encounter a hard, unfeeling nurse. The airline passengers will best remember the ticket agent who didn't seem to care if their travel was disrupted. Unruly youth will pose a greater danger because of the youth worker's reluctance to act. And the retail customers will try to find another store for future shopping trips.

These employees are not unique. We can find people carrying private burdens because of stressful encounters in nearly every business. Is there something business owners can do to help them? Victoria Parker, from Boston University, believes there is.

Professor Parker explored the relationship between the quality of care provided and the features of



employees' work groups. She found a simple practice that supervisors employed in one of the settings she studied that had a profound impact.

At the beginning of staff meetings, a period of unstructured time is allowed for casual discussion of difficult encounters and problem patients. This discussion usually begins with follow up on concerns raised in the previous meeting. Sometimes a comment will lead to fifteen minutes of discussion. Sometimes it will pass by almost unnoticed.

There is no agenda for this open discussion, but the supervisor initiates it and guides it. The result, says Parker, is a quality of social support in the group that is very helpful.

This social support enlists the helpfulness of each person to provide emotional concern, instrumental aid, information, and informal appraisal—information that helps people quietly evaluate themselves. It is a preventive measure that balances client needs and employee needs. It gives people the benefit of others' insights and others' responses to difficult situations. It gives people strength knowing that others share their concerns and experience similar stresses. And it gives them something to watch when they return to their jobs. They can watch how others handle situations to see if what they say matches what they do.

The results Parker observed were dramatic. Employees were able to remain engaged and responsive in difficult encounters. They used good listening skills, and they were able to respond to vulnerability in customers and clients without indifference or flight. Their customer service was superb.

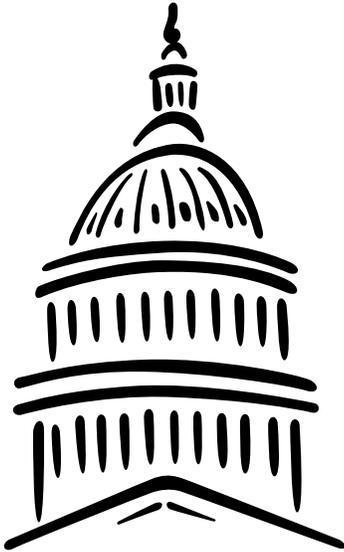
Work groups, says Parker, need to be conscious of themselves as groups that serve important functions in supporting the work of their members. The greater this consciousness, the more support they'll provide, and the better the customer service will be.

Reference: Parker, Victoria A., (2002) "Connecting Relational Work and Workgroup Context in Caregiving Organizations." *The Journal of Applied Behavioral Science*, 38 (3), 276-297.

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*Washington  
Watch*



**Court rules against Bush drug discount card**—In a move applauded by the National Association of Chain Drug Stores (NACDS), Judge Paul Friedman of the U.S. District Court ruled against President Bush's Medicare Endorsed Discount Program. S. Lawrence Kocot, senior vice president and general counsel of NACDS, said, "While we applaud the Administration's good intentions to address this problem, we are very pleased with this decision because it shifts the debate back to Congress where a number of creative solutions and viewpoints should be considered. We look forward to working with Congress and the Administration to achieve this important national objective [affordable prescription drugs for seniors.]"

**Smallpox vaccine compensation fund debated**—With nearly 440,000 hospital and public health workers

targeted to receive smallpox vaccinations, lawmakers and others are calling for the government to set up a compensation fund for those injured by the vaccine. It's estimated that out of the 440,000 people vaccinated, one person will die and eight or more others will suffer serious injuries. The Bush Administration says a compensation fund isn't necessary because employers' workers' compensation programs and health insurance policies will cover any expenses. The Institute of Medicine, advisor to lawmakers and policymakers on scientific issues, says the fund is necessary, and that any worker who volunteers to receive the vaccine should be told if compensation for adverse reactions is available. Health care unions asked Bush to stop the vaccinations until a compensation fund and a medical screening program are set up.

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