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From PBA's Director of Government Affairs, Sam Leyvas

Obama and the New Congress: Potential Issues & Threats that May Impact the Professional Beauty Industry

Phoenix, AZ (November 24, 2008) As the “voice” of the professional beauty industry, the **Professional Beauty Association (PBA)** aims to keep its members abreast of legislation that has the potential to impact their businesses, as well as provide a collective viewpoint to Congress and other government officials on the ramifications legislation could have on the beauty industry. As Director of Government Affairs for PBA, Sam Leyvas keeps PBA's membership informed of issues relevant to the beauty industry and informs members on how they can become involved in helping their government representatives understand how certain policies will affect their business and employees. With a new administration, control of Congress by the Democrats and significant changes to many state legislatures, Leyvas has outlined some of the key issues members should be aware of:

Negative Impact

“Card Check” Law (Employee Free Choice Act): This law could have a significant impact on the beauty industry and many other Main Street businesses. While the bill was approved by the House in 2007, it died in the Senate this year – it will most likely resurface in early 2009. With Democrats traditionally supporting organized labor's agenda and with unions aiming to fold more employees into union membership, this law would completely change the economics of union organizing. Card Check would make it cost effective for unions to go after Main Street businesses, such as beauty/nail salons, spas, restaurants and other retail establishments, which have never experienced unionization before. The law would do away with the secret ballot process currently used for unionization in the workplace and replace it with a Card Check system. Once a union persuades more than half of workers to sign membership cards, the union would automatically be certified. Without the secret ballot process, employees would be exposed to intimidation and bullying tactics from union organizers. From large-scale beauty manufacturers to salon and spa owners, this is a law that could have serious consequences for the beauty industry.

Positive Impact

FICA Tax Credit for Salons/Spas: While this proposed legislation has actively been supported by PBA for the last few years, the bill's principal sponsor (Shelley Berkeley D-NV) retained her seat in the House and is poised to keep this issue a priority. Additionally, 2009-2010 are likely to be years in which we will see a flurry of tax legislation in Congress – giving our industry newfound opportunities to advocate for a FICA tax credit. The FICA Tax Credit would give salon/spa owners a dollar-for-dollar tax credit on the FICA taxes paid on employee's tip-income (employer's currently do not share that income but are taxed on it) – putting the professional beauty industry on equal footing with the restaurant industry. This legislation would significantly help small and large salons and spas to lower their tax liability and allow them to further invest in their businesses.

Negative Impact

Elimination of LIFO Accounting Method: Distributors and manufacturers take note as the permanent repeal of the use of “Last-In, First-Out” inventory accounting would translate into massive tax increases for hundreds of thousands of American businesses. Although the proposed repeal of



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LIFO was recently defeated in Congress, with a new Congress controlled by one party and the increased pressure to close the federal “tax gap” along with finding additional revenues to cover budget deficits, it is likely to resurface. The restricted use or outright repeal of LIFO would have far-reaching and potentially damaging effects on companies within the professional beauty industry that rely on effective inventory management to remain profitable – principally distributors and manufacturers.

Positive Impact

Credit Card “Interchange Fees”: For years, small businesses like salons and spas, restaurants and other merchants have been waging a quiet war with the credit card companies over “interchange fees” – the hidden costs of processing credit and debit card transactions that can gobble up a store’s profits while earning banks a pretty penny. With a new Democratic Congress set to take power in January, it’s likely to see the resurrection of the “Credit Card Fair Fee Act” – federal legislation that would require credit card companies with “substantial market power” to negotiate with merchants and retailers on terms for fees paid when processing card transactions. “Interchange” is a percentage of each transaction that credit card companies collect from merchants every time a credit/debit card is used to pay for a purchase. The fee varies with type of card, size of merchant and other factors, but as much as \$2 of every \$100 consumers spend goes to card issuers.

“In order for the entire professional beauty industry to move forward, we must have a unified voice and actively engage government officials on the issues that have an impact on our livelihoods, our employee’s livelihoods and the future prosperity of the industry as a whole. I urge everyone to become active with PBA’s government affairs efforts and do your part for the betterment of our industry,” states Lee Rizzuto Jr, Chair of PBA’s Board of Directors and Senior Vice President of Conair.

From events such as Welcome to Our World, where members of the industry converge on Capitol Hill to lobby their representatives on issues that affect their business and provide an evening of beauty treatments to officials and their staff, to simply signing the **License Mobility** petition allowing for professionals to transfer their licenses across states without further examination – your voice is needed! Interested parties can also **Sign up** to receive **The Washington Update** - an e-newsletter designed to keep you informed on the latest legislative and regulatory news affecting the professional beauty industry. The Washington Update is published 8 times a year and delivered directly to your inbox.

For additional issues that have the potential to impact the industry and/or ways in which to get involved, please contact Sam Leyvas at 800.468.2274 x3437, sam@probeauty.org or visit probeauty.org.

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