



Our View - By Sun Journal Editorial Staff

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Being friendly to business but not giving away store

Maine has tax incremental financing. It has Pine Tree Zones. It also has community block grants, seed grants and WIRED grants. All these economic development tools, however, are weak in comparison to pure common sense.

This week, outdoor retailer Cabela's dropped its request for a waiver on sales tax collection on catalog and Internet sales inside Maine, after what appears to have been some good old-fashioned horse-trading by the company and state and local officials.

Cabela's has plans for a 125,000-square-foot store in Scarborough, right off Turnpike Exit 42, as the centerpiece of a \$75 million development. In other states, Cabela's was freed from collecting catalog and Internet sales tax because of legal loopholes relating to the operation of subsidiaries.

The retailer will now reportedly establish a call-center or other subsidiary operation in Maine to avoid the sticky question of the Internet and catalog sales tax, which is great news for a state littered with vacant but turnkey facilities, especially after the consolidation of former MBNA sites this year.

In seeking the tax break, Cabela's was apparently rebuffed by a state government unwilling to offer an advantage unavailable to established retailers, according to the Portland Press-Herald.

They must have expected this. This is L.L. Bean country, and the state wasn't going to make it easy for some flatland interloper to invade Bean's turf. It would have been a swift mukluk to the shin of Maine's signature company, which provides incalculable benefits to the state's marketing, reputation and brand.

Yet Cabela's was disinclined to budge and jeopardize its tax-exemptions elsewhere. Maine government was apparently ready to stand its ground. But instead of one side walking away, they found a resolution to satisfy everyone without tax breaks.

Why applaud a fair agreement that plays by the rules? Because it doesn't happen enough.

Common sense remains an effective, but underutilized, economic development policy. Cabela's is worth having in Maine, but on Maine's terms. State government was right to stand firm, and then negotiate for the best deal possible for Maine, not Cabela's.

Eventually, federal lawmakers need to address Internet and catalog sales tax exemptions as a whole. A 2004 study by the National Governor's Association and National Conference on State Legislators concluded states lost approximately \$16 billion from untaxed Internet sales in 2003 alone.

And in Maine, voluntary "use tax" payments on Internet transactions are simply toothless. The Maine Revenue Service reports the state loses between \$30 million and \$100 million annually from untaxed Internet and catalog sales.

For now, though, the Cabela's deal is an example of strong, but sensible, economic development. Maine needs to be friendly to business, but not give away stores to do it.

