

June 2013



Thank you for reading the "printer friendly" version of the MHA's monthly eHELPS newsletter. If you would like to receive eHELPS via email, please send your request to ehelps@midwesthardware.com.

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***Thomes Brothers Hardware
Celebrates 100 Years With MHA***



Congratulations to Thomes Brothers Hardware, Arlington, MN, for 100 years of membership in the Midwest Hardware Association. Thomes Brothers has been an association member through its founder, Nick Thomes, 2nd generation owners Alexander, Edmond and Agatha Thomes, 3rd generation owners Karl, Joe and Ralph Thomes, and 4th generation owner Dick Thomes. Dick's son, Brian Thomes, is now a part-owner, marking the 5th generation of Thomes' to operate the business.

The 100 year award was presented to Dick Thomes by Mac Hardin and John Haka of the MHA.

All Employers Must Issue Notice to Employees of Coverage Options

Beginning October 1, 2013, all employers, regardless if you offer health insurance or not, are required to provide the Notice of Coverage Options to current employees (hired prior to October 1, 2013) and to each newly hired employee within 14 days of an employee's start date.

The Department of Labor has issued temporary guidance and a model notice, which employers may use until the model's scheduled expiration on November 30, 2013, or until permanent guidance is released. For model forms and more information, visit the MHA's [Health Care Reform Resource Center](#) or you may contact Andrea Ramage at andrear@midwesthardware.com or 800-888-1817 ext. 365.

Link: http://midwesthardware.com/index.php?id=1422&id_tier=2640

Longtime MHA Member Store Struck by Fire

McFarlane's True Value Hardware, Sauk City, WI, was severely damaged by a recent fire. The fire broke out late during the night of Monday, May 20, and burned until the early morning hours of Tuesday.

Owner John McFarlane has said he plans to reopen the business in Sauk City, but it will most likely have to be in a new location. The store has been in existence since 1918 and is in its fourth-generation of family ownership.

For a full news article on the fire, [click here](#).

Link: http://www.wiscnews.com/news/local/article_4aa3e9fa-c34e-11e2-9a50-001a4bcf887a.html

Determining if a Worker is an Employee or Independent Contractor

We often receive calls from stores questioning whether an individual working for them should be classified as an employee (and be paid through the store's payroll), or be classified as an independent contractor (thereby avoiding being put on the store's payroll records and allowing the store to sidestep employment taxes and eligibility for certain benefits). Some stores may try to find ways to classify their workers as independent contractors, but misclassifying individuals for the sake of avoiding payroll taxes or minimizing benefit costs is not a good idea. Classification errors can have major consequences that lead to hefty fines and penalties.

So, how do you make a correct determination? There is no simple answer. Each relationship between the store and each of their workers must be evaluated separately. Therefore, just because a worker may be working limited hours in a part-time position, or may work only a seasonal job, does not automatically determine which classification is correct. Rather, factors such as behavioral control, financial control, and the overall relationship between the two parties must be looked at.

The IRS has issued guidance designed to help employers make correct classifications. [Click here](#) for more information on determining whether a worker is an employee, or is an independent contractor.

Link: <http://www.midwesthardware.com/hr/W-4%20or%201099,%20Employee%20or%20Independent%20Contractor.pdf>

Minnesota Minimum Wage: Battle Won, but War Far From Over

By John Haka, MHA Managing Director

The Minnesota legislature recently considered a drastic increase to the state's minimum wage. One proposal (actually passed by the House!) would have raised the minimum wage to **\$9.50 per hour** by 2015. Thank you to the many MHA members who responded to our MHA Action Alerts and contacted their representatives during the crucial days as this issue was being decided.

Due in no small part to your voices being heard, no changes were made to the existing minimum wage rate, at least for now. However, the war is far from over. Rest assured that, during the next session, a significant minimum wage increase will once again be considered.

With the legislative session now over, your elected representative(s) are spending time in their home districts. There's a good chance you may even run into them at a ball game, fundraiser, church picnic, or other local event. These occasions are an ideal time to share your thoughts on minimum wage and to explain how a drastic change in the minimum wage rate will impact your hardware store. If you don't run into them, make a phone call or, at the very least, send them an e-mail and share your story about how a drastic jump in the minimum wage rate would impact your business and your employees.

If helpful, feel free to incorporate some or all of the talking points (click on the link below) into the conversations and communications you have with your elected state representative(s). As a business owner and a voter in their home district, your voice carries a lot of weight. Right now—outside of the hub-bub of the hectic legislative session—is the best time to get their full attention.

MHA members and fellow retailers need to be planting the seeds now, in hopes of cultivating sensible minimum wage legislation next year in St. Paul. ([Click here for full article with talking points.](#))

Link: http://midwesthardware.com/index.php?id=1442&id_tier=3570

Let Summer Begin

By Rob Karr, MHA Illinois Lobbyist

While the start of summer is dictated by the closing of school for everyone else, for denizens of Springfield, it is governed by the adjournment of the General Assembly's Spring Session. It occurred this year about 10:00 p.m. on Friday, May 31. As is always the case, the final week of session brings a lot of activity and is largely focused on passage of a state budget for the coming fiscal year which starts July 1. In brief, the state's budget crisis continues and reform of the pension systems is still not finalized. There were several proposals of importance to MHA members and retailers in general that were finished in the closing days.

BUSINESS SIGNS

HB 2764 (Rep. Sue Scherer, D-Decatur/Sen. Antonio Munoz, D-Chicago) clarifies state law that business signs and For Sale or lease signs do not require permits under the Highway Beautification Act.

In 1972, the Illinois Department of Transportation (IDOT) signed a bonus agreement with the United States Department of Transportation (USDOT). The USDOT would give the IDOT a small percentage of additional money if the IDOT enforced the federal Highway Beautification Act. Between 1973 and 1982, Illinois received \$3.5 million. The federal government quit paying in 1982. Within the last few years, for reasons that are yet unclear, the IDOT feared that if they did not once again enforce the federal Highway Beautification Act, the federal government would clawback the \$3.5 million. The IDOT hired a contractor for \$5.3 million to survey signs. The contractor, however, utilized a different definition of what requirements the signs fall under in the Highway Beautification Act. Businesses began receiving letters demanding that their business signs (e.g. on the side of their building) be registered and a permit fee be remitted. Retail businesses, along with the Illinois Association of Realtors and the Illinois Manufacturers' Association immediately engaged. After discussions with the IDOT and the Governor's Office appeared to go nowhere, HB 2764 was initiated. By the time HB 2764 passed the House, the IDOT had removed their opposition. The Governor is expected to sign HB 2764 into law.

CONCEAL CARRY

In late 2012, the Appellate Court turned a long simmering legislative debate into a central focus of the Spring Session when they ruled Illinois' prohibition on conceal carry to be unconstitutional. The court stayed their ruling until June 9 to give the state the opportunity to pass a new law that would pass constitutional muster. Since that time, the debate has ebbed and flowed between those who want conceal carry to be allowed anywhere, anytime, by anyone, and those who want so many restrictions as to make conceal carry a practical impossibility. A significant divide was between legislators who wanted to allow local governments to pass their own regulations, and legislators who wanted a uniform statewide standard. After seemingly endless rounds of negotiations and some stops and starts, agreement was reached and amended into HB 183 (Rep. Brandon Phelps, D-Harrisburg/Sen. Gary Forby, D- Benton).

Of importance to retail businesses, HB 183 provides that the owners of private property, including commercial property, may prohibit people from carrying concealed firearms onto the property. The owner(s) must post a conspicuous sign notifying the public of the prohibition. This extends to parking lots as well. However, a person permitted to conceal carry may do so into the parking lot while in their vehicle. Upon arrival, they must store the firearm and ammunition in a concealed case within a locked vehicle or a locked container out of plain view within

the vehicle. The permittee may also carry the weapon in the immediate vicinity of the vehicle for the purpose of storing or retrieving the firearm from the vehicle's trunk.

It appears Governor Quinn will mandatorily veto this bill. It remains to be seen how extensive his suggested changes will be. Some believe he will try to limit clip sizes and make other changes. It is likely that no matter what changes he makes, the Assembly will simply override his veto.

FIREARM TRANSFERS

For those members who sell firearms, you may have a small source of revenue available to you. HB 1189 (Rep. Michael Zalewski, D-Riverside /Sen. Kwame Raoul, D- Chicago), as amended by Senate Amendment #1, requires citizens (e.g. not a registered federal firearms dealer) selling or transferring a firearm to someone to utilize the Illinois State Police's (ISP) dial-up system to verify the recipient holds a valid Firearm Owner's Identification (FOID) card. The seller will be given a unique verification number for that transaction. A seller who does this is granted immunity from civil liability for any misuse by the purchaser. Exceptions to this rule include transactions between immediate family members, including in-laws. Additionally, if the seller transfers the firearm to the purchaser via a federally registered firearms dealer and that dealer runs a background check (for which they may charge a fee of up to \$10), the seller does not have to call the ISP's FOID system.

LOSS PREVENTION

High-tech scammers use a device commonly called a "zapper" to steal financial information. The zapper is surreptitiously installed into point-of-sale devices (e.g. registers, ATM's, credit/debit card scanners, etc.) as software/malware. In an effort to discourage their use and give law enforcement/prosecutors adequate options, HB 49 (Rep. Jack Franks, D-Woodstock/Sen. Pamela Althoff, R-McHenry) makes it a Class 3 felony to knowingly sell, purchase, install, transfer, possess, use, or access a zapper. HB 49 passed both chambers and now awaits consideration by the Governor.

MEDICAID EXPANSION

SB 26 expands Illinois' Medicaid program and that is actually a good thing for Illinois retailers. Under the Affordable Care Act (ACA), states are incented to expand Medicaid eligibility because the federal government is offering a 100% match on all newly enrolled adults between 100% and 138% of the Federal Poverty Level (FPL). This 100% match continues through 2016. After 2016, it is supposed to go no lower than a 90% match. If it does, SB 26 cancels the expansion.

From an employer perspective, Medicaid expansion is important due to other provisions of ACA. Under ACA, beginning in 2014, an employer with 50 or more full-time and full-time equivalent employees may be liable for a penalty that is not deductible as a business expense if the employer fails to offer “minimum essential coverage” (MEC) that does not exceed 9.5% of a full-time employee’s (30 hours or more per week) W-2 wages, rate of pay, or the federal poverty level for a single household (\$11,505 for 2014). For these employers, failure to provide MEC only results in a penalty if at least one full-time employee accesses premium assistance to purchase coverage on the exchange. Employers are not penalized if an employee enrolls in Medicaid. According to data used in a recent Jackson Hewitt Tax Service study, approximately 46% of uninsured individuals earning between 100% and 138% of the FPL are employed full-time at firms with 50 or more employees. The same study indicates that passage of Medicaid expansion will save employers at least \$106 million, because the aforementioned employees will be eligible.

The Dance of Taxes: Income, Sales, and Reform

By Doug Johnson, MHA General Counsel and Wisconsin Lobbyist

As this is written, the Legislature’s powerful budget writing committee (Joint Finance Committee) has just completed its work and has sent its version of the state budget to the State Assembly. Although both Houses are controlled by the Republicans, you’d often not know they belong to the same party.

The state Senate’s more moderate positions frequently stand out in contrast to the Assembly’s more vocal conservative caucus members. Recently, 11 members of the Assembly Republican caucus members wrote to leadership stating more conservative positions must be taken. Critics in that Republican caucus say that Governor Walker is just not conservative enough. These 11 members have threatened to not vote for the budget unless their concerns are acted upon. That means the budget would not have enough votes to pass, unless several Democrats would jump ship and vote for Walker’s budget. No one expects that.

Needless to say, Governor Walker’s liberal critics, starting with Democratic leadership in both Houses, are scratching their heads. They too take significant issue with Governor Walker’s budget proposals, but for far different reasons. They consider Governor Walker’s proposals to be beyond conservative. You may well recall the huge protests from which back-to-back recall elections arose in just the last two years.

In any case, it’s time for the next state budget to be born. The July 1 deadline looms. Don’t be surprised that these Republican-controlled Houses are so divided on several basic issues that a conference committee may be required to find compromise. A conference committee is usually created when one House is controlled by one party and the other House by the other party. Not this time.

This year's budget could be a lead-in for significant income tax reductions and possible dramatic income tax reform. The JFC has proposed a cut to income taxes by \$680 million. Keep in mind that just two years ago, the state budget deficit was \$3.5 billion. Spending cuts and taxes from an improving state economy are credited for allowing there to be any consideration of income tax cuts. Still, the economy must continue to improve or, as Democratic critics point out, the sky is falling. We'll see.

There remains multiple issues underscoring this tax cut debate. Who benefits? Who should? Why not use this money for other needs such as education and health care? The more spending is reduced in Medical Assistance, BadgerCare, and education, the more money there will be for tax cuts and vice versa. Then, there's state borrowing. Cuts in borrowing impact demands for larger tax cuts. These borrowing cuts also could jeopardize major building and repair projects across the state. Conservative Assembly members see borrowing as spending in sheep's clothing.

State Representative Dan Kooyenga has proposed overhauling the income tax code altogether. He proposed a phased-in plan that cuts five brackets to three, eliminates many income tax credits, and cuts \$400 million more than Walker's \$348 million cut. The JFC took some of his ideas. Among them is to collapse the third and fourth highest tax brackets into one, leaving the tax code with four tax brackets.

Most Republicans see Kooyenga's plan, as well considered and credit him for his effort and hard work. Given JFC's consideration of Kooyenga's plan this may only be the beginning of a major tax reform effort over the next several years. Keep in mind that it is this state budget that Governor Walker and Republicans in both Houses will run on (or against) in the state election next year.

On another matter of importance to MHA, long-time MHA member and former MHA President David Warren, who operates Ace hardware stores in Milton and Evansville, recently invited me to join him at a luncheon featuring his good friend (and Republican Wisconsin Congressman) Paul Ryan. There were about 80 other guests; but we both still had time to speak with Ryan, who holds significant influence in Congress. Ryan continues to be mentioned as a possible candidate in the next Presidential election. By the way, so does Governor Walker, but that's a story for another day.

Dave took the opportunity to ask Representative Ryan candidly about the chances of the Marketplace Fairness Act (requires Internet and other direct mail sellers to collect and remit state sales taxes) being passed in the House. Enacting this legislation has been a big priority for MHA for many years. The MFA recently passed the US Senate and is now in the House, where Ryan has a lot to say about its future. He told Dave and me that the chances for passage are good. Some amendments are expected, primarily to make sure any new collection laws would not lead to unexpected taxes. He pointed out some administrative fixes that he expected would be made. This is as far as this legislation has ever gotten, and Ryan tells Dave there's reason for optimism. We hope so.

P.S. This luncheon visit between MHA's Dave Warren and Congressman Ryan has a history. Both are from the same area and have become political and personal friends over many years. It takes time and effort to develop these ties. Hats off to Dave for years of work that now just might pay off. The lesson here is get to know your legislators. Invite them to your store(s). Attend a luncheon or dinner or other event. Politics is not a spectator sport.



Business Forms and Supplies

Remember to make MHA your first contact when it comes to business forms and supplies. MHA members can purchase a variety of forms/supplies such as:

- Credit Forms
- Gift Certificates
- Purchase Order/Receipt Books
- Employment Applications
- Labels and Tags
- Personalized Envelopes and Letterhead
- Checks and Deposit Slips
- Promotional Items

Member Testimonials

"MHA makes it so easy to order/re-order checks and envelopes. Within two minutes, I can call the office, tell them my name and store, and ask to order/re-order my computer generated checks with the self-sealing, dual window envelopes. It doesn't get any easier than that. I wish the rest of my daily tasks went that smoothly."

Beth Grill
Gus Bock's Ace Hardware
Dyer, Indiana

For more information about MHA's Business Forms & Supplies, please contact Judy Borski by phone (800-888-1817 ext.361) or by e-mail (judyb@midwesthardware.com).

Sales Trends (April 2013)

Here are the most recent Illinois, Minnesota-Dakotas, and Wisconsin hardware store sales trends, gathered from association members using the MHA's monthly accounting service. The figures derived for each region includes sales data from the following number of stores:

Illinois - 34 stores

Minnesota-Dakotas - 16 stores

Wisconsin - 96 stores

	Month	YTD
Illinois	13.83%	-6.28%
MN-Dakotas	-12.57%	-4.74%
Wisconsin	-4.76%	-5.38%

Classifieds

Members of the Midwest Hardware Association may place a classified ad in the *eHELPS* monthly newsletter and on the MHA's website, FREE for three months. Members may submit their ad via the MHA's Members Only section under [Post a Classified Ad](#), by fax on company letterhead to John Haka at 715-341-4080, or by e-mail to johnh@midwesthardware.com.

Store For Sale

Store for sale—Schutts' Hardware Hank in Kerkhoven, MN. 5000 sq/ft. Small town, good school. Great place to raise kids. Asking \$50,000 for building & fixtures. Approximately \$100,000 in merchandise at cost.

Cost: \$50,000
Name: Tom Schutt
Email: tschutt@tds.net
Phone: 320-264-3711

2007 Fluid Management AcuTinter 1500

Automatic tint machine that accepts Valspar colorant; 12 canisters. It will mix quart, gallon, and 5 gallon pails. Also comes with computer, monitor, and keyboard.

For all questions please contact Jeff Kyhos, Charlie's Hardware, Mosinee, WI.

Cost: \$2,500
Name: Jeff Kyhos
Email: jeff@charlieshardware.com
Phone: 715-693-2630