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*Lower priced shoes are among the worst affected by the shoe tax. The Affordable Footwear Act aims to help low-income families by reducing the duties on shoes.*
CREDIT: WAL-MART

# Stomping out the shoe tax

According to the American Apparel and Footwear Association (AAFA), a shoe tax that was introduced in the US back in 1930 is harming footwear retailers and needs to be revoked. A number of other associations and retailers are in agreement and have been lobbying to have the law changed through the introduction of the Affordable Footwear Act of 2007 which, if passed, would abolish the expensive import tariffs on lower- to moderately-priced shoes and on children's footwear.

A website (EndtheShoeTax.org) has been created to raise awareness and to encourage consumers to press for a change in the law. With debt levels rising and consumption levels falling as a result of the global credit crunch, supporters of the act are arguing that there has never been a better time to "stomp out the shoe tax", the campaign's strapline. It is believed this could save US footwear customers millions of dollars and could give the currently lacklustre shoe sector a much-needed boost.



*AAFA president and CEO, Kevin Burke.*
CREDIT: AAFA

## Why change is needed

According to AAFA, a number of changes have been made to existing laws that have helped to reduce footwear duties in recent years. However, it points out that US shoe companies are still paying almost $2 million in duties each year and that duties paid on shoe imports are higher than virtually any other single type of product. The shoe tax can be really costly; in some cases it is as high as 67.5%. Furthermore, it charges higher rates of duty for lower-valued merchandise so that those worst affected are often low and middle income families.

"In this troubled economy, American families are struggling," says AAFA president and CEO, Kevin Burke. "It is shameful that the government continues to charge this additional, pointless tax on something parents have to buy for their children and themselves – shoes."

Not only is this extra cost being passed on to consumers, protesters claim the law is completely outdated and regressive. When the import duties were

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first introduced during the Great Depression, a significant proportion of shoes sold in the US were produced domestically; now 99% are imported and, of these, an incredible 80% are imported from China. President of the Footwear Distributors and Retailers of America, Peter Mangione, has described the tariffs as "an anachronism" and believes they are totally "out of sync" with the way the modern US footwear industry works.

Over the last 20 years, footwear production in the US has practically become extinct and the few remaining manufacturers tend to focus on a particular niche, for example luxury leather shoes or technical sports footwear. Because the Affordable Footwear Act does not affect the types of shoes that are still made in the US, AAFA claims domestic producers have given it their backing. "At the request of the remaining domestic manufacturers, the Affordable Footwear Act does not remove the shoe tax on the types shoes still made in America," explains Mr Burke.



*Children's footwear imported by the US is subject to tariffs as high as 67.5%.* CREDIT: RENE TILLMANN/MESSE DUESSELDORF

## Supporters of the Act

US Representatives Joseph Crowley, Kevin Brady and Nancy Boyda, along with 35 original co-sponsors, officially introduced the Affordable Footwear Act of 2007 on October 23, 2007; however, Congress has still not approved the legislation. Although support within the industry appears to be relatively strong, it has not been seen as a priority by the US government.

In January 2008, liberal think tank the Progressive Policy Institute (PPI) and conservative institute The Heritage Foundation presented a joint policy paper to Congressional staff regarding the positive impact the abolishment of the import tariffs could potentially have on the affected families. According to the PPI, US shoe tariffs are among the highest in the world, compared with the European Union's 17%, Japan's 10% and Chile's 6% duties.

In March 2008, the 100th US Representative agreed to co-sponsor the Affordable Footwear Act, and support has continued to grow across many sectors. Furthermore, on December 19, the AAFA sent a letter to Barack Obama's transition team recommending that the bill should be included in the new administration's economic stimulus package, which is likely to be introduced in the near future. The letter claimed that the Affordable Footwear Act would help to secure jobs, increase consumer spending power and, ultimately, help customers save money on the shoes they buy.

"The American Apparel and Footwear Association, along with the Affordable Footwear Coalition, lobbied the transition team to include the Affordable Footwear Act in the economic recovery package that it and Congress are developing," says Mr Burke. "We are optimistic that the Act will be included in the recovery package because it meets the criteria laid out by President-Elect Obama – the Affordable Footwear Act will have an immediate, direct, widespread benefit for lower and middle-income families while also potentially protecting jobs."

## The difference it could make

As so often happens, it is the lowest earners that are the most negatively affected by the duties. According to the EndtheShoeTax.org website, a young girl's casual canvas shoe retailing at $14.99 is subject to a duty of 28.8%, or $4.32. Meanwhile, men's high-end casual leather boat shoes retailing at $189.95 are subject to duties of just 6.9%, or $13.13. Again, women's low-end, fabric upper, dress shoes, which retail at $17.99 are subject to duties of 28.1%, or $5.06, while women's high-end leather dress shoes retailing at $109.99 incur duties of just 6.6%, or $7.28.

Supporters of the bill believe stiff competition in the US footwear market will ensure that a substantial portion of the duty-savings will be passed on to American consumers if it becomes law. Shoe prices have already fallen 4% since 1998 despite the upward trend of overall retail prices, which have risen 25%. Despite this, the effective duty rate on footwear imports was 9.9%, on average between 2003 and 2006, while average duties on total US imports were just 1.4% during the same period. Although duties will not be completely eliminated if the Affordable Footwear Act is passed, it could make a significant difference in terms of cost to the consumer and, as a knock-on effect, to footwear retail sales.