

IFI Bulletin

April 2019

www.incentivefederation.org

Who are the Incentive Federation's members?

The Incentive Federation is the only organization whose membership and leadership includes all the industry's national trade associations, as well as individual industry companies. It is under The Incentive Federation umbrella that the collective interests of the Incentive Marketing Association (IMA), the Promotional Products Association International (PPAI), The Incentive Research Foundation (IRF), the Recognition Professionals International (RPI) and Society for Incentive Travel Excellence (SITE) are discussed, nurtured and advanced.

Some Perspective

% of U.S. businesses using non-cash rewards

1996 – 26%

2015 – 84%

\$\$ in Incentive Marketplace

1996 - \$27 billion

2015 - \$90 billion

IFI's Legal Counsel Offers Primer on Tariffs

Ever since the administration of President Trump began imposing tariffs on foreign goods, the president has often asserted that when the United States places a tariff on a foreign import, that other country directly pays the bill. Like many of his other assertions, this one is also incorrect, but that does not prevent the president from repeating it. For example, on November 29, 2018, Trump tweeted, "Billions of Dollars are pouring into the coffers of the U.S.A. because of the Tariffs being charged to China, and there is a long way to go."

When trying to understand how tariffs work, perhaps the first question that would arise is who is responsible for paying them? Logically, it might seem that either the foreign government or a company that sells the foreign goods in the United States would be liable for tariffs. When the U.S. government imposes a tariff on foreign goods, however, neither the foreign government nor the company selling the goods in the U.S. is technically responsible for the paying the tariff.

Tariffs are usually paid by companies that import goods here. Most American importers do not handle the paperwork on imported products themselves. They retain the services of entities commonly known as an importer of record. These companies navigate the process of importing goods into the United States, a complicated process as evidenced by a 211-page publication from the U.S. Customs and Border Protection (CBP) titled *Importing into the United States A Guide for Commercial Importers* (last revised in 2006.) The importer of record has experience in dealing with CBP and its system for inspecting imports and levying any duties on them. (Broadly speaking, "duties" are a tax or fee placed on an import. Tariffs are a form of duty.) Thus, when imported goods first enter the U.S. in a port of entry, the importer of record receives the initial bill for the tariff.

This is where the question of who ultimately bears the cost of tariffs becomes a bit more complex. An importer of record is little more than a middleman that provides a service, and its business model would not survive the cost of paying tariffs. Service providers nearly always pass on costs to their customers. Therefore, a company that contracts with an importer to bring goods into the United States will almost always see the costs of that contract rise after a tariff has been imposed on goods it imports. For example, as a result of the tariffs, the importer of record might wind up paying between 10 and 25 percent more to bring in the exact same product it imported before the tariffs. Those costs are passed on to

the company that intends to sell the goods in the United States, which means the selling company faces a choice regarding those additional costs.

For the complete text of the Spring Washington Update prepared exclusively for the IFI by George Delta, Esq., the IFI's Legal Counsel, visit [here](#).

Promotional Products Sales Hit Record \$24.7 Billion In 2018

The Promotional Products Association International (PPAI) has reported that distributor company sales accelerated at a rapid pace in 2018, posting annual growth of 6.27 percent and pushing industry sales to a record \$24.7 billion for the year, according to PPAI's Sales Volume Survey. The Association's survey, an annual estimate of U.S. distributor promotional products sales, registered particularly robust performance among the industry's smaller distributors—sales under \$2.5 million—who experienced a 12.27 percent increase over 2017. Larger companies in the survey saw only a 1.92 percent increase in sales.

“It was definitely a strong year for small distributors in particular and for distributors overall,” says PPAI President and CEO Paul Bellantone, CAE. “This was the first year since 2016 that small distributor companies enjoyed the lion's share of sales growth. Not only did that segment of distributors grow at a much higher rate than large distributors, but they rebounded from less than one percent growth in 2017 and reported total orders of nearly \$10.9 billion.”

The industry-wide survey, conducted this spring and reflecting the experiences of 24,240 distributor companies, also highlighted the online channel's continued growth as a share of promotional products sales. Online sales represented 25.3 percent of the sales volume in 2018, up 2.1 points from 23.2 percent in 2017. Total online sales grew 16.2 percent to \$6.27 million from \$5.4 million in 2017.

PPAI's survey also registered a 10.6 percent year-over-year increase in sales from non-industry providers in 2018. On average, distributors earned \$3.75 billion in sales of products sourced from non-industry providers, or 15.2 percent of the total sales volume.

“For more than 50 years PPAI has been collecting, analyzing and reporting annual distributor sales and noting the nuances and trends that affect them,” says Bellantone. “And in that time, our research has evolved to reflect the changing face of the industry. For example, this year we looked specifically at sales of retail-branded products used in incentive and recognition programs and found that the segment comprises almost 15 percent of total industry sales. This is the kind of data that helps our member companies see the industry's big picture and get the smaller snapshots, too.”

PPAI maintains an extensive industry sales information library. Its annual distributor sales survey reflects actual sales data reported by U.S. distributor companies and is considered the most definitive and comprehensive of its kind in the industry.

A snapshot of key findings will be available at www.ppai.org/research on May 1.

Incentive Research Foundation Held Webinar on IRF's Spring 2019 Academic Quarterly

If you missed the IRF's Webinar on the Spring 2019 issue of The IRF Quarterly Academic Review on March 27, 2019, you can still access it. The webinar focuses on the conditions in which non-cash rewards are most effective and how non-cash incentives can impact a “21st century talent culture.” Get high-level summaries and actionable take-aways from the results of field and lab experiments reported in six papers, including contributions from 13 researchers across 11 universities in four countries. [Click here](#) to access the full webinar recording. [Click here](#) to access this recording via Soundcloud.

PPAI Presented Webinar on the Impact of the U.S. Supreme Court's *Wayfair* Sales and Use Tax Decision on the Promotional Products Business

If your company is dealing with the sales and use tax changes prompted by the U.S. Supreme court decision last year, you may want to access an important educational webinar presented by PPAI earlier in February. The IFI reported on this webinar in our last issue, of the IFI Bulletin, but you may have missed it.

What was the decision in South Dakota v. Wayfair and what does this ruling mean for businesses? Which states do I have to collect sales tax for and when do I have to start collecting? What are some options for complying with the numerous state and local sales tax collection requirements? Receive answers to these questions and more during this webinar delivered by Craig Johnson, executive director of the Streamlined Sales Tax Governing Board and Patrick J. Reynolds and Fred Nicely from the Council on State Taxation, an organization comprised of some of the largest multistate businesses nationwide.

Questions following the webinar focused specifically on the structure of the BTB promotional and incentive marketplaces which include sellers, re-sellers, end-buyers and ultimate users of merchandise.

The webinar was held on February 20, 2019 and IFI members can still download the hour-long presentation [here](#).

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If you have questions, advice for the Board, or want to raise issues for the Board to think about, please contact Steve Slagle at steves3309@gmail.com or 864-710-6739.