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## THE HIGH COST TO TAXPAYERS: HOW AT LEAST \$39 MILLION COLORADO TAX DOLLARS HELP WAL-MART EARN BILLIONS

*Tax subsidies* are supposed to be a form of “economic development” that strengthen our long-term economic future by creating new and better jobs and improve our communities. Wal-Mart has perverted this system by manipulating cities across Colorado and the nation into pouring millions of our dollars into low-paying jobs that harm our communities. And we can’t even count on these low-paying jobs for long, because when the subsidies expire the company either threatens to close stores in order to get more tax breaks, or it moves on to the next big subsidy elsewhere, leaving a trail of environmental sprawl, abandoned stores, and lost local businesses in their wake.

### WHAT HAVE SUBSIDIES TO WAL-MART COST COLORADO TAXPAYERS?

Estimating the total amount we have spent on Wal-Mart is hard to do, because the state does not require cities to report subsidies (or the impact of those subsidies), and most state tax breaks are hidden in confidential corporate tax returns. Although the actual total including hidden breaks is surely much higher, Colorado has spent at least \$39 million in taxpayer giveaways to Wal-Mart.<sup>[1]</sup>

### WHAT IS WRONG WITH GIVING TAXPAYER MONEY TO WAL-MART?

- **They don’t need our money.** Wal-Mart earns \$10 billion dollars in *profit* annually - it doesn’t need our scarce tax dollars to feed its empire.<sup>2</sup>
- **The costs often outweigh the benefits.** The hidden public costs—such as traffic, police & fire service, state reimbursement for local funds that would have gone for schools, and social services to workers who are underpaid and without health care—have often proven to be higher than the revenue Wal-Mart generates for local economies.<sup>3</sup>
- **They actually harm the long-term sustainability of our economies.** Local businesses create much more local economic activity than national, big-box retail chains like Wal-Mart (70% more per square foot according to one study), and Wal-Mart is actually responsible for driving locally owned grocery stores, retailers and suppliers out of business and out of communities.<sup>4</sup>
- **They don’t create good jobs that grow our economy.** Wal-Mart jobs often displace existing jobs elsewhere in the community,<sup>5</sup> and because workers are underpaid, they have less income to spend on goods and services in their communities, so fewer jobs are created “downstream.”

## Examples of Tax Subsidies to Wal-Mart in Colorado

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### *Lakewood*

In 2003, Lakewood limited sales-tax collection to \$1 million/year for a new Supercenter at West Colfax & Wadsworth, with the remainder going to Wal-Mart until it collects **\$22 million** in subsidies. The day Wal-Mart opened the new store and began reaping these tax breaks, it closed its existing Lakewood store - without notice and nine months early -- and robbed the city of hundreds of thousands of dollars in revenue already budgeted for critical services, including public safety.

### *Westminster*

Sometimes Wal-Mart is not the direct recipient of our tax dollars, but instead benefits from huge tax-subsidies to a developer who paves the way for their stores (known as TIF subsidies). Following a contentious referendum on rezoning for a new store at 72<sup>nd</sup> & Sheridan, the Westminster City Council gave a \$5 million subsidy to a developer building a Wal-Mart.

A Supercenter expansion that recently opened at Sheridan & 96<sup>th</sup> was made possible with **\$3 million** taxpayer dollars, including tax rebates, diverted sales taxes, and permit rebates.

### *Lafayette*

The city has promised **\$2.3 million** in breaks for a new Supercenter that will simply replace another store.

### *Denver*

In Denver, three stores are benefiting from TIF development subsidies:

- Based on the square footage of the Sam's Club at Broadway Marketplace, Wal-Mart's proportionate benefit from tax breaks is about **\$4.84 million**.
- A Wal-Mart Supercenter and Sam's Club also indirectly benefited from the hundreds of millions in subsidies given to the developer of Quebec Square at Stapleton (insufficient data to estimate proportional benefit).

### *Commerce City*

Back in 1999, Commerce City agreed to a **\$1.4 million** subsidy in the form of diverted income taxes for a Wal-Mart Supercenter.

### *Loveland*

A Wal-Mart Distribution Center that opened in Loveland in 1989 received **\$300,000** in "Colorado First" Job Training and Recruitment funds. The majority of jobs paid \$5-6 per hour.

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## Colorado Taxpayers Fight Back!

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### *Alameda Square In Denver*

In 2003, Denver almost displaced twenty local, minority-owned businesses in Alameda Square to make way for a Wal-Mart that would have cost Denver taxpayers **\$13.5 million** dollars in subsidies. A broad coalition including the local business owners, community groups, labor unions and the Front Range Economic Strategy Center fought back and kept Denver from falling victim to this bad deal.

### *Arvada*

The city of Arvada tried to condemn a local lake as "blighted" in order to pave the way for a Wal-Mart and tax subsidies in 2003, but citizens formed "Save Our Lake" and fought the blight designation. A Colorado Supreme Court decision helped put an end to what could have been millions more in subsidized Wal-Mart development in Colorado.

<sup>1</sup> Subsidy information is drawn from media accounts, public documents when available, and several examples were drawn from Philip Mattera and Anna Purinton, *Shopping for Subsidies: How Wal-Mart Uses Taxpayer Money to Finance its Never-Ending Growth* (Good Jobs First: May 2004), available at [www.goodjobsfirst.org](http://www.goodjobsfirst.org).

<sup>2</sup> Wal-Mart, *2005 Annual Report*, p.11.

<sup>3</sup> See for example, Randall Gross, *Understanding the Fiscal Impacts of Land Use in Ohio* (Development Economics: August 2004); and Tischler and Associates, Inc, *Fiscal Impact Analysis Of Residential And Nonresidential Land Use Prototypes* (in Barnstable, Massachusetts) (2002).

<sup>4</sup> See for example, Angelou Economics, *Santa Fe Independent Business Report* (Santa Fe Independent Business and Community Alliance: November 2003) (locally-owned retail stores keep 90% of their operating expenses within the local economy, compared with only 70% for national chain stores); and Don Houston, *Civic Economics, Economic Impact Analysis, A Case Study: Local Merchants vs. Chain Retailers* (LivableCity Austin: December 2002).

<sup>5</sup> Basker Emek, "Job Creation or Destruction? Labor Market Effects of Wal-Mart Expansion," *The Review of Economics and Statistics*, Volume 87, Number 1, February 2005, pp. 174-183(10); and Kenneth Stone, *Competing with Discount Mass Merchandisers* (Iowa State University: 1995).

#### ADDITIONAL RESOURCES

Tony Robinson and Chris Nevitt, *Are We Getting Our Money's Worth? Tax-Increment Financing and Urban Redevelopment in Denver Part II: Who Profits from TIF Subsidies?* (Front Range Economic Strategy Center 2005), p.9 available at [www.fresc.org](http://www.fresc.org).

Wake-Up Wal-Mart.Com, *Research Done on Wal-Mart*, available at <http://www.wakeupwalmart.com/research/>.

Wal-Mart Watch.com, *Wal-Mart & Local Economies: Big Box Giant Busts Towns Across America*, available at [www.walmartwatch.com](http://www.walmartwatch.com).