

Madame Chairman, committee members, thank you for scheduling this hearing. My name is Malcolm Bonawits and I own a chain of 10 salons in Monroe, Lackawanna, and Luzerne counties, employing over 100 licensed stylists. I have been in business for the past 35 years, and I myself am a licensed hairstylist.

I wish to address proposed Bill # 1571. This is a Bill that is limited to outright repeal of a law, without adequate guidance as to its replacement. This is often bad public policy. If a Bill like this were to pass it would result in an enormous amount of ruin for the professional cosmetology industry in this state in terms of licensure, consumer protection, commerce, unfair advantage over employee-based licensed businesses, liability, tracking, and enforcement.

Pennsylvania is the envy of all other 49 states. The booth rental concept started in California 20 years ago and has slowly moved into other states. Most never saw it coming except for Pennsylvania. The professional salon and school industry in Pennsylvania lobbied heavily in 2001 to get our current bill passed and signed into law by Governor Ridge. It was a bi-partisan effort led by the leaders of both the House and the Senate, once they understood all the negatives of the term "Booth Rental."

Owners of booth-rental salons are basically landlords; they rent chairs to people, and there are many instances of booth renters not even being licensed as cosmetologists. Unlike my business, a booth-rental salon owner carries no unemployment insurance, workman's comp insurance, liability insurance, nor

health care insurance. In addition, the booth-rental salon owner does not track sales of services, products, and gratuities, with the resulting lack of accountability for revenues, and therefore for applicable taxes that legitimate business owners like me must be responsible for.

Booth renters are not employees; they are independent contractors. The majority pay no taxes or insurance of any kind. If a client comes to a booth renter and experiences damage either by a chemical service, skin burn or rash, nail fungus, etc., the client has really no recourse. They can try to sue and report them to the State Board of Cosmetology, but who can they really sue, certainly not the owners of the booth-rental salon; they carry no insurance, nor are they required to. The renter usually just packs up and moves on to another booth-rental salon. The consumer is left with no form of redress. The salon owner cannot require the renter to adhere to any type of dress code, what products to use and what hours to work, or provide any type of continuing education. If they did, then the IRS would classify the renters as employees. Booth renters usually only deal in cash; they don't take checks or credit cards, -if they did, then the IRS and state could track them.

With regard to unfair advantage over licensed salons, I, as a salon owner who legitimately employs over 100 licensed professional cosmetologists, could not compete with this type of business, nor could any other salon owners like me. As legitimate employers, we must ensure our employees are duly licensed. We must carry unemployment insurance, workman's comp insurance, liability insurance, and perhaps soon health care insurance. In addition, we have to track and report sales of services, products, and gratuities, and be responsible for payment of applicable taxes such as FICA .

In terms of enforcement, passing of this bill would place a tremendous

burden on a system that has always had its own internal problems.

For the local towns and municipalities, the amount of money lost in occupational and wage taxes would be enormous. The state and federal governments would also lose revenue, in the form of unpaid tax dollars on undeclared income.

I hope this helps you better understand how devastating the booth-rental practice is not only to the professional salon industry and to the business insurance community, but most importantly to the consumers of Pennsylvania, and to the state and federal governments. As for us legitimate salon owners, the number one benefit a booth-rental salon owner offers a booth renter is something I cannot and would never offer: "you, as a booth renter, will never have to pay taxes on any income, services, gratuities, or the sale of products."

Thank you for allowing me to testify before this committee.