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The Negative Economic Impacts of Retail Delivery Fees

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Summary of Findings

As retail e-commerce sales have grown over the years, some legislators are considering them as a potential source of additional revenue for state governments to offset fiscal budget shortfalls. Retail delivery fees—surcharges for deliveries by motor vehicles—are considered possible tax instruments to help infrastructure funding. Colorado was the first state in the nation to impose this type of fee, implementing a 27-cent fee per delivery in July 2022, with an incremental increase of 1 cent each fiscal year. Two years later, Minnesota followed, implementing a 50-cent retail delivery fee in July 2024. State legislators in Maryland, Nebraska and Washington also are discussing retail delivery fee systems for their states.

We use Colorado's experience in the past two years to assess the negative economic impacts of retail delivery fees on consumers, businesses, and ultimately the economy. Although the state government was able to make a small dent in the budget gap, the unintended negative economic impacts are substantial—especially on economically disadvantaged populations and small businesses.

The key findings of the report are:

1. **Retail delivery fees create an additional financial burden on consumers.**
    a. A 29-cent retail delivery fee adds a significant tax burden on essential household products (e.g., 1.2% on paper towels, 1.3% on trash bags, and 2.3% on disinfecting wipes) and takeout food (e.g., 1.5% for a pizza and 3.5% for a turkey sandwich).
    b. In effect, the State of Colorado raised the sales tax for essential household products and takeout food by as much as 120% (e.g., 3.5% delivery fee rate in addition to 2.9% sales tax rate for a turkey sandwich). Taken together, retail delivery fees plus state and local sales taxes cause consumers in several areas in Colorado to pay as much as 14.7% tax on a turkey sandwich.

2. **Since retail delivery fees are a regressive tax, the system imposes a greater financial burden on disadvantaged populations.**
    a. The financial burden of retail delivery fees is 6.5 times higher for households with annual incomes under $25,000 compared to those with annual incomes of $200,000 or more.
    b. People living with a disability tend to have lower incomes and a greater need for delivery services. Therefore, these households pay more retail delivery fees than households without disabled residents and with higher incomes.

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3. **Retail delivery fees hurt small and local businesses disproportionally.**
    a. Since a retail delivery fee is a fixed dollar amount, consumers pay higher rates on lower-priced items, such as flower bouquets and takeout food, often sold by small local florists and restaurants, respectively. Meanwhile, consumers pay lower rates for higher-priced items, such as household appliances and furniture, often sold by large wholesale clubs and department stores.
    b. Since retail delivery fees raise final product prices, consumers reduce their demand for price-elastic products such as flower bouquets and takeout food from small businesses. The negative impacts of retail delivery fees on the demand for price-inelastic products such as household appliances and furniture are less significant.

4. **State governments use retail delivery fees to fill budgetary gaps at the expense of local restaurants and workers.**
    a. In 2023, the State of Colorado generated $14.8 million in retail delivery fees from freshly prepared meals. These retail delivery fees add to the cost of delivered takeout food which in turn reduces the number of restaurant takeout orders by 407,456 and sales by $12.2 million a year. With fewer orders, the workforce loses 234 restaurant workers and delivery drivers who earn $8.6 million in wages a year.
    b. The reduction of sales, jobs, and wages in restaurants creates additional negative spillover effects along the supply chain and surrounding communities. Incorporating these indirect and induced effects, the imposition of retail delivery fees on freshly prepared meals costs the Colorado economy $26.9 million in annual sales, 367 jobs, and $17.1 in wages a year.

5. **The overall impact of retail delivery fees on jobs and wages is substantial.**
    a. In 2023, consumers in Colorado paid $89 million in retail delivery fees to the government instead of allocating those funds to other items such as meals, clothing, entertainment, housing, savings, and even other taxes. If households spent these funds on products and services, instead of on retail delivery fees, it would create 712 jobs and $35.2 million in annual wages across industries in Colorado.
    b. If all states follow Colorado and Minnesota and impose retail delivery fees, consumers will pay between $5.1 billion (29-cent delivery fee as in Colorado) and $8.8 billion (50-cent delivery fee as in Minnesota). The retail delivery fee paid to state governments could have created between 34,453 and 61,686 jobs that earn between $1.6 billion and $2.8 billion in wages across industries.

Overall, retail delivery fees are a new way for state governments to raise consumption taxes. While state governments look at these fees as a source of income, they cover only a small fraction of budget shortfalls. Retail delivery fees are a form of regressive tax, so they negatively affect lower-income populations more than higher-income populations. With higher taxes, consumers cut back on consumption, which in turn hurts the economy, especially small local businesses. If all states follow Colorado and Minnesota to impose retail delivery fees, the tax revenue generated will come at the expense of consumers and destroy jobs.

I. Background on Retail Delivery Fees

In the United States, retail e-commerce sales have grown by over 25% from $214.0 billion in the first quarter of 2021 to $268.1 billion in the first quarter of 2024. As a share of total retail sales, e-commerce accounted for 15.6% in the first quarter of 2024, up from 14.2% in the first quarter of 2021.[2] Nationwide, countless consumers choose to order online instead of shopping in-person for groceries, takeout food, and daily household items as well as durable goods, like appliances. Delivery within a day or even within an hour is becoming a new norm for American households across economic and demographic groups. Full-time and part-time drivers make millions of deliveries each day all year long to households across the country.

Legislators in several states are considering retail delivery fees—surcharges for deliveries by motor vehicles—as a way for state governments to generate revenue to offset budget shortfalls. Colorado was the first state to impose such a fee starting with a 27-cent fee per delivery in July 2022. Since then, Colorado has increased the rate by one cent each fiscal year, up to 29 cents per delivery in July 2024. From its inception to May 2024, the Colorado Department of Revenue collected over $160.9 million ($75.9 million in FY 2022–23 and $85.0 million for 11 months in FY 2023-24) from 584.7 million deliveries. (Table 1)

Table 1.
Revenue Generated in Colorado from Retail Delivery Fees[3]

	FY 2022–2023 (July–June)	FY 2023–2024 (July–May)	Total
Total Revenues	$75,919,293	$84,990,830	$160,910,123
Number of Deliveries	281,182,568	303,538,679	584,721,247

Two years later, Minnesota became the second state to implement retail delivery fees, with a 50-cent surcharge per delivery starting in July 2024. The Minnesota Department of Revenue projects that these fees will generate $59 million in the first fiscal year, $64.8 million in the second fiscal year, and $65.3 million in the third fiscal year.[4] In July 2024, Nebraska legislators introduced a bill to propose a 27-cent retail delivery fee.[5] Lawmakers in the State of Washington are exploring a retail delivery fee system to help fund roads. In its recent study, the Washington State Joint Transportation Committee estimates that a 30-cent retail delivery fee could generate between $45 million and $112 million in revenues for the state in 2026 and between $59 million and $160 million by 2030.[6] In 2023, New York legislators proposed a 25-cent delivery fee statewide, but the legislation was not enacted. In March 2024, Maryland lawmakers introduced a bill to impose a 50-

[2] Census Bureau. 2024. "Quarterly Retail E-commerce Sales Report: Supplemental Time Series Tables." May 17.

[3] Colorado Department of Revenue. Transportation Fees Revenue Report, July 2022 to Date. (Accessed June 2024).

[4] Minnesota Department of Revenue. 2023. "Sales and Use Tax: Retail Delivery Fee." Oct 26.

[5] LB 26 Nebraska Legislature

[6] CDM Smith. 2024. "Retail Delivery Fee Analysis." Prepared for the Washington State Joint Transportation Committee.

cent fee on retail deliveries and expected to collect $150 million retail delivery fees each fiscal year, but the bill did not pass.[7]

II. Retail Delivery Fees Impose an Additional Tax Burden on Consumers

Since consumers pay an additional fee for each delivery, retail delivery fees place an additional tax burden on them. Like all other goods subject to the fee, consumers in Colorado pay an extra 29 cents for deliveries of essential household cleaning products and restaurant takeout orders, effective July 1, 2024.

To demonstrate the tax burden on consumers, we calculate the retail delivery fee rate of three best-selling essential household cleaning supplies offered on Amazon and the most popular meal at three different restaurant chains in Colorado delivered by Uber Eats and DoorDash. Consumers in Colorado are paying a 2.3% retail delivery fee for a pack of 3 Clorox disinfecting wipes, a 1.3% fee for a box of 110 Glad kitchen trash bags, and a 1.2% fee for a package of 8 rolls of Bounty paper towels. To order meal delivery via Uber Eats or DoorDash, consumers are paying a 3.5% retail delivery fee for a Potbelly turkey sandwich, a 2.6% fee for a McDonald's Big Mac meal, and a 1.5% fee for a 14" Pizza Hut pizza.[8] (Table 2)

Table 2.

Prices of Selected Household Products and Takeout Food in 2024

	Retail Price	Retail Delivery Fee Rate (RDF/Retail Price)
Bounty Quick Size Paper Towels	$24.42	1.2%
Glad Trash Bags	$21.77	1.3%
Pizza Hut 14" Large Pizza	$19.14	1.5%
Clorox Disinfecting Wipes Value Pack	$12.47	2.3%
McDonald's Big Mac Meal	$11.29	2.6%
Potbelly Turkey Sandwich	$8.39	3.5%

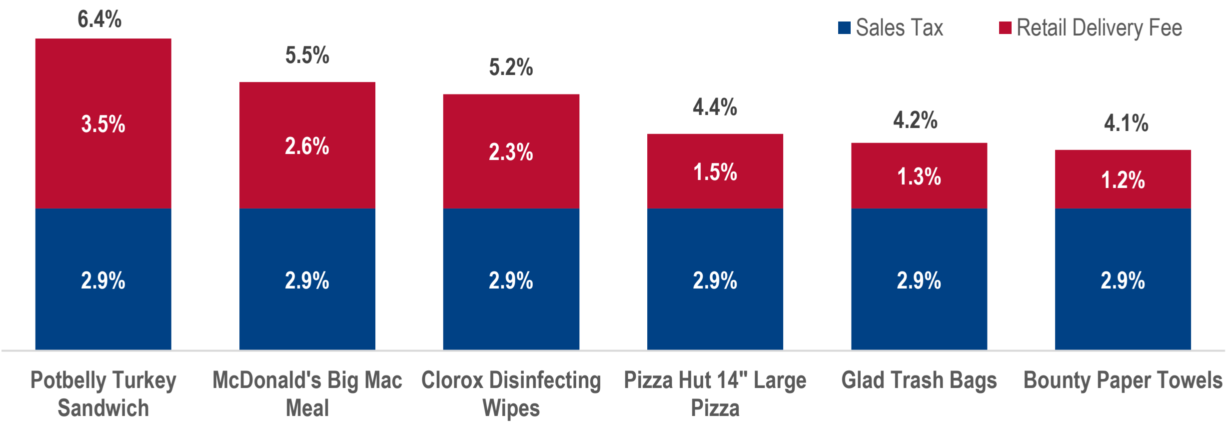
When consumers pay an extra 29 cents for deliveries of essential household products and takeout food, they pay the State of Colorado between 4.2% and 6.4% in consumption taxes. In effect, Colorado raised its current sales tax of 2.9% by 41% for Bounty paper towels (1.2% / 2.9%) and 119% for a Potbelly turkey sandwich (3.5% / 2.9%). Since Colorado also has local sales taxes as high as 8.3% in Winter Park in Grand County, consumers there are paying a 14.7% consumption tax for a box of 8 rolls of Bounty paper towels and 12.4% for a Potbelly turkey sandwich to be delivered to their homes.[9] (Figure 1)

[7] House Bill 1215, Maryland General Assembly 2024 Session.

[8] Retail delivery fee rates are calculated as the retail delivery fee divided by retail price of the product.

[9] Tax Foundation. Taxes in Colorado. (Accessed June 2024).

Figure 1.
Total State Tax Burden of Selected Household Products and Takeout Food in Colorado, 2024



III. Retail Delivery Fees Are a Regressive Tax and Have a Greater Financial Burden on Disadvantaged Populations

The retail delivery fee system in Colorado and Minnesota applies a fixed dollar amount to each delivery. Since all income groups pay the same fee, the retail delivery fee system in Colorado and Minnesota is a regressive tax system. Like all regressive taxes, retail delivery fees place a greater financial burden on lower-income populations. Indeed, the President's Advisory Panel on Federal Tax Reform found that sales tax, a regressive tax, has a greater burden on lower-income households and heavily favors high-income households.[10] The unfavorable financial burden on lower-income groups is more profound in the current retail delivery fee system in Colorado and Minnesota since they are a fixed dollar amount applied to all income groups.

A recent survey from EY found monthly spending on retail delivery fees varies by income and demographic group in Colorado. The number of delivery orders, mostly from e-commerce and freshly prepared meals, rises with income. In 2023, the average monthly deliveries in Colorado ranged from 6 orders for households with annual incomes less than $25,000 (72 per year) to 11 orders for households with incomes above $150,000 (132 per year). The survey also found that e-commerce orders account for the largest number of deliveries across all income levels.[11] (Table 3)

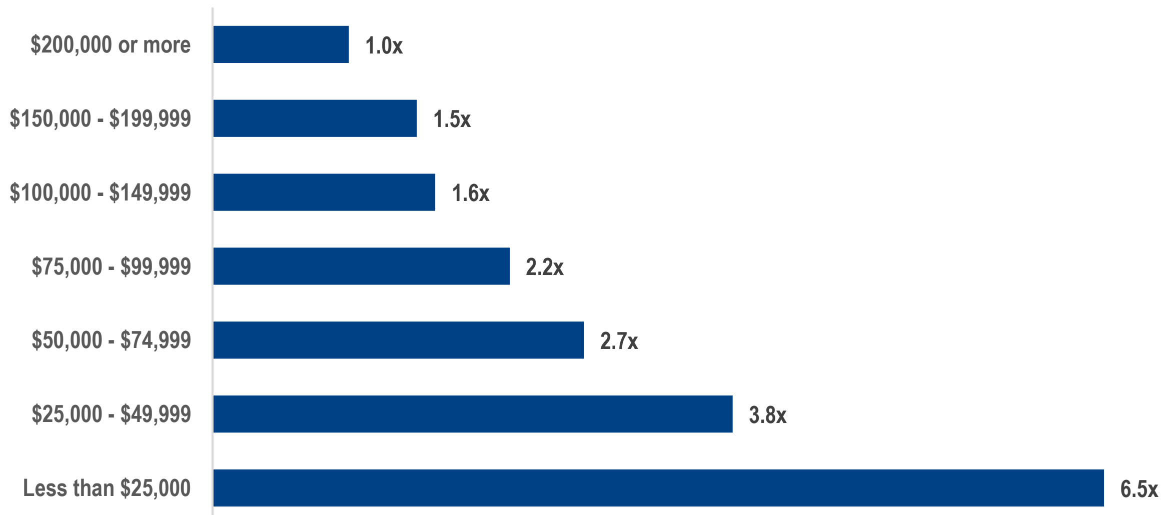
[10] President's Advisory Panel on Federal Tax Reform. 2005. "Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System."
[11] EY. 2024. "Colorado Retail Delivery Fee and Household Delivery Orders." Feb.

Table 3.
Estimated Average Monthly Delivery Orders in Colorado by Income Group

	Grocery	E-commerce	Freshly Prepared Meals	All Orders
Less than $25,000	1	3	1	6
$25,000 - $49,999	1	4	2	7
$50,000 - $74,999	1	5	1	8
$75,000 - $99,999	1	5	1	8
$100,000 - $149,999	1	6	1	9
$150,000 - $199,999	1	7	2	11
$200,000 or more	1	8	2	11

The financial burden of retail delivery fees is substantially greater for lower-income households in Colorado. Indeed, the share of retail delivery fee to household income rises for lower income brackets and is 6.5 times higher for households with incomes less than $25,000 than in households with $200,000 or more in income.[12] (Figure 2)

Figure 2.
Retail Delivery Fees Paid as a Share of Annual Household Income Relative to Household Income with $200,000 or more



[12] The share of retail delivery fee to household income is calculated as the annual fee paid ($0.29 x number of deliveries) divided by annual household income (the highest income in each income bracket and $300,000 for the highest income group).

Delivery orders in households with people living with disabilities are higher than in households without people living with disabilities. In Colorado, households with people living with disabilities make an average of 9 delivery orders per month (108 per year) compared to 8 times per month (96 per year) in households without.[13] (Table 4)

Table 4.
Estimated Average Monthly Delivery Orders in Colorado in Households With and Without People Living with Disabilities

	Grocery	E-commerce	Freshly prepared meals	All Orders
With People Living with Disabilities	3	5	1	9
Without People Living with Disabilities	1	5	1	8

Not only do households with people living with disabilities pay more retail delivery fees than households without, they also have lower incomes, compounding the burden. In particular, annual household incomes for households with people living with disabilities are approximately 19% lower than households without.[14]

IV. Retail Delivery Fees Hurts Small Businesses Disproportionally

In Colorado and Minnesota, state governments impose a fixed fee per delivery regardless of the product prices, the number of items in each order, and the delivery distance. In other words, the retail delivery fee system disfavors less expensive items, frequently purchased products, single-item deliveries, and shorter distances.

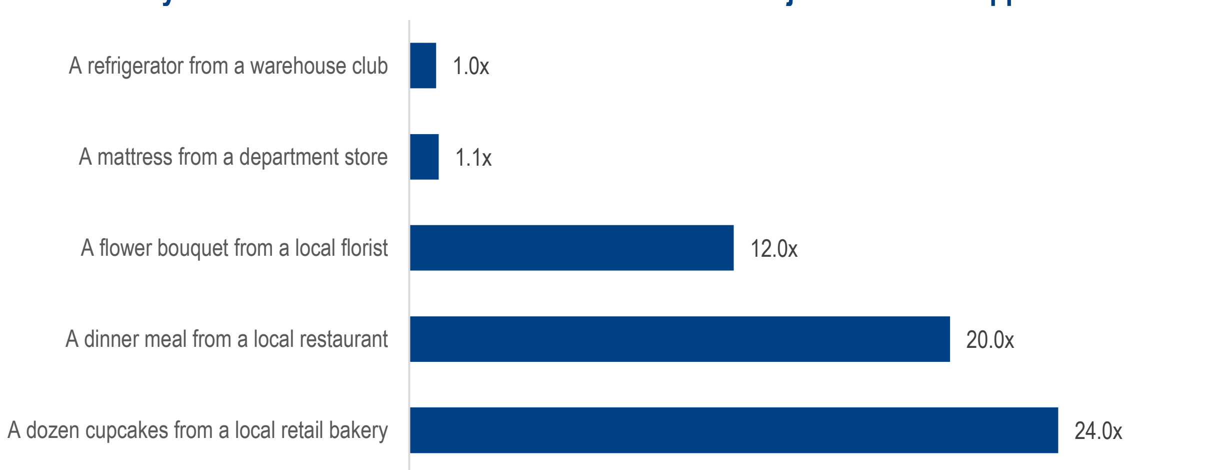
To demonstrate the bias in the retail delivery fee system, we take prices of three smaller household purchases (a flower bouquet, a takeout meal, and a dozen cupcakes) and two larger household purchases (a full-size refrigerator and a queen size mattress). In Colorado, consumers pay a 29-cent delivery fee for a $600 refrigerator or a $500 mattress delivered by Costco Wholesale Club or Macy's department store. Consumers pay the same 29-cent delivery fee for a $50 flower bouquet, a $30 dinner meal, or a $25 cupcake order delivered by local shops. The financial burden of the retail delivery fee declines with the product price. In our example, the retail delivery fee as the share of the product is between 12 and 24 times higher for less expensive items than for large durable goods, like household appliances and furniture. (Figure 3)

[13] EY. 2024. "Colorado Retail Delivery Fee and Household Delivery Orders." Feb.

[14] In 2022, median earnings for people with and without disabilities in the United States were $46,887 and $55,765, respectively. Statista. 2024. Annual median earnings for people with and without disabilities in the U.S. from 2008 to 2022, Apr 25; Bureau of Labor Statistics. 2024. Persons with a Disability: Labor Force Characteristics – 2023. Feb 22.

Figure 3.

Retail Delivery Fee as a Share of Product Price Relative to A Major Household Appliance



This affects small businesses through a number of channels. First, retail delivery fees are disproportionately higher for lower priced items such as flower bouquets and takeout food than for higher priced items such as household appliances. When retail delivery fees are added to product prices, purchases to be delivered at home become more expensive and therefore the demand for those products declines. Consequently, local small businesses who sell daily consumption items are hurt more than larger stores who sell major household appliances.

Second, this is compounded by different price sensitivities ("elasticities") for the types of goods sold by small businesses relative to larger businesses. In particular, studies have shown that demand for fresh flowers and takeout food is more price sensitive than major household items such as refrigerators and mattresses.[15] Thus, the negative impacts of retail delivery fees are greater on small businesses like local florists and restaurants than on wholesale clubs and department stores.[16]

Finally, small businesses with a small number of products are hurt relative to larger retailers with greater selection. This is because retail delivery fees charge a fixed amount regardless of the number of items in each delivery. To save money on delivery fees, consumers consolidate purchases into one delivery. For example, consumers are incentivized to combine purchases of paper towels, trash bags, flowers, and pizza

[15] The estimated price elasticity of demand is -3.18 for fresh flowers and -0.33 for household appliances. Dale Larry and K. Sydny Fujita. 2008. "An analysis of the price elasticity of demand for household appliances." Energy Analysis Department, Lawrence Berkeley National Laboratory, University of California; Rhodus, W. Timothy. 1989. "Estimating price elasticity for fresh flower bouquets sold in supermarkets." HortScience.

[16] Over 95% of florists have less than 20 employees and virtually all florists have less than 500 employees; 67% of full-service restaurants have less than 20 employees and over 90% of full-service restaurants have less than 500 employees; in contrast, virtually all warehouse clubs and department stores have more than 500 employees; U.S. Census Bureau. 2021 County Business Patterns. The number of firms and establishments, employment, and annual payroll by state, industry, and enterprise employment size, 2021.

in one order from a wholesale club. Small businesses such as restaurants and florists who only sell one type of product are therefore disadvantaged relative to department stores and wholesale clubs who carry a wide variety of items.

V. Government Revenue Generated by Retail Delivery Fees Comes at the Expense of Small Businesses

To provide a quantitative example of how retail delivery fees impact small businesses, we use the example of freshly prepared meals in Colorado to illustrate the economic losses of small restaurants and delivery drivers.

In 2023, Colorado collected $88.9 million in fees from 323.4 million deliveries. Using the EY survey results that found freshly prepared meals accounted for one-sixth of total delivery orders in Colorado, we estimate the State of Colorado collected $14.8 million in fees from 53.9 million deliveries of freshly prepared meals.[17] (Table 5)

Table 5.
Number of Deliveries and Retail Delivery Fee Revenues in Colorado, 2023

	2023
Total Deliveries Subject to Retail Delivery Fees	323,377,683
Freshly Prepared Meals	53,896,281
Total Retail Delivery Fees Paid	$88,960,988
Freshly Prepared Meals	$14,826,831

Retail delivery fees add to the price that consumers must pay for takeout orders. As prices go up, consumers reduce their demand for delivered meals. Restaurants, which mostly are small businesses, generate lower revenues and therefore cut back on workers.[18] The decline of takeout food also reduces the need for delivery drivers.

We estimate delivered takeout food in Colorado totaled $1.6 billion in 2023.[19] The 28-cent retail delivery fee imposed in Colorado in 2023 raised the price of takeout food by approximately 0.93%.[20] A 1% increase in takeout food prices reduces demand by 0.81%, so, we estimate the introduction of retail delivery fees in

[17] EY. 2024. "Colorado Retail Delivery Fee and Household Delivery Orders." February. One-sixth of $88.9 million total delivery fees collected equals $14.8 million fee paid and one-sixth of 323.4 million deliveries equals 53.9 million deliveries.
[18] 67% of full-service restaurants have less than 20 employees and over 90% of full-service restaurants have less than 500 employees; U.S. Census Bureau. 2021 County Business Patterns. The number of firms and establishments, employment, and annual payroll by state, industry, and enterprise employment size, 2021.
[19] 53.9 million deliveries x $30 the median dollar value of takeout orders. DoorDash. 2024. "Building Affordable Access: How DoorDash Caters to Every Wallet." May 15.
[20] $0.28 / $30 the median dollar value of takeout orders; DoorDash. 2024. "Building Affordable Access: How DoorDash Caters to Every Wallet." May 15.

Colorado reduced delivered takeout by 407,456 orders and $12.2 million in revenues.[21] Based on the average revenue per restaurant worker in Colorado and the average annual wage of a full-time restaurant worker, we estimate the $12.2 million reduction in delivered takeout results in a reduction of 185 restaurant workers and $6.7 million in wages.[22] (Table 6)

Based on industry averages, we estimate the decline of 407,456 meal deliveries results in the reduction of 49 full-time equivalent (FTE) delivery drivers and $1.9 million in wages.[23] Yet, food delivery drivers often work part-time—an average of 4 hours per week—to earn extra money.[24] The 49 FTE drivers, working 40 hours a week, are the equivalent of 490 part-time drivers working 4 hours a week. (Table 6)

In sum, retail delivery fees in Colorado reduce restaurant revenue by more than $12.2 million, restaurant and delivery workforce by 234 jobs (FTE), and annual wages by nearly $8.6 million. (Table 6)

Table 6.
Negative Direct Economic Impacts of Retail Delivery Fee on Takeout Foods in Colorado

	2023
Annual Spending on Freshly Prepared Meal Delivery	$1,616,888,417
Reduction in Spending on Freshly Prepared Meals	$12,223,676
Restaurant Employment Losses (FTE)	185
Restaurant Wage Losses	$6,677,904
Delivery Driver Losses (FTE)	49
Delivery Wage Losses	$1,876,648
Sum of Restaurant and Delivery Losses	
Restaurant Revenues Losses	$12,223,676
Employment Losses (FTE)	234
Wage Losses	$8,554,552

[21] 0.93% price increase x 0.81 price elasticity x 53.9 million takeout orders = 407,456 orders x $30 per meal = $12.2 million reduction on takeouts; Andreyeva, Tatiana, Michael W. Long, and Kelly D. Brownell. 2010. "The Impact of Food Prices on Consumption: A Systematic Review of Research on the Price Elasticity of Demand for Food." American Journal Public Health.
[22] $12.2 million annual revenues / $66,000 revenue per restaurant worker = 185 restaurant workers x $36,000 annual wages = $6.7 million in wages. Colorado Restaurant Association. The Colorado Restaurant Industry in 2023 (Accessed Jun 2024); Bureau of Labor Statistics. Occupational Employment and Wages, May 2023, Cooks/Restaurant.
[23] 407,456 deliveries / 4 deliveries per hour / 2000 working hours per year = 49 FTE drivers x $38,320 annual wage = $1.9 million in wages; UberPeople Forums. How Many Deliveries Do You Do in an Hour? (Accessed Jun 2024); Bureau of Labor Statistics. Occupational Employment and Wage Statistics, May 2023, Driver/Sales Workers.
[24] Behind the Dash: Insights into the Flexibility and Freedom of Dashing

The *direct* sales, employment, and wage losses resulting from retail delivery fees create other negative *indirect* and *induced* effects in Colorado. With lower sales, restaurants reduce their purchases from their suppliers. These *indirect* negative economic effects include the sales, employment, and wage losses of restaurant suppliers. The wage losses for workers in restaurants and supplier companies reduce spending in communities, referred to as the negative *induced* economic effects. Similarly, delivery drivers' lost income creates other negative indirect and induced effects on Colorado communities.

The U.S. Department of Commerce Bureau of Economic Analysis (BEA) develops and publishes economic multipliers that calculate total economic impacts, including direct, indirect, and induced effects, by industry and state, using its Regional Input-Output Modeling System (RIMS II).[25] We apply the BEA employment and earning multipliers for restaurants and delivery services in Colorado to calculate the negative indirect and induced effects on these industries as a result of retail delivery fees.[26] The total negative impact of retail delivery fees on meal deliveries in Colorado, including direct, indirect, and induced effects, is a reduction of $26.9 million in annual sales, 367 jobs, and $17.1 million in annual wages. (Table 7)

Table 7.
Negative Total Economic Impacts in Colorado (Direct, Indirect, and Induced)

	Direct	Indirect & Induced	Total
Restaurants			
Sales Losses	$12,223,676	$14,689,192	**$26,912,868**
Job Losses	185	112	**297**
Wage Losses	$6,677,904	$7,047,861	**$13,725,765**
Delivery Drivers			
Job Losses	49	21	**70**
Wage Losses	$1,876,648	$1,523,838	**$3,400,486**
Sum of Restaurants and Delivery Services			
Sales Losses	$12,223,676	$14,689,192	**$26,912,868**
Job Losses	234	133	**367**
Wage Losses	$8,554,552	$8,571,699	**$17,126,251**

State governments use retail delivery fees to generate revenues to fill the fiscal gap at the expense of local restaurants, delivery drivers, and their broader communities. In 2023, the State of Colorado collected $14.8 million in retail delivery fees from 53.9 million food deliveries. Restaurants and delivery drivers lost $12.2 million in direct sales and 234 direct jobs that earned $8.6 million a year. Furthermore, the decline of direct sales and wages in restaurants and delivery drivers reduces an additional $14.7 million in sales, 133 jobs,

[25] See Appendix 1 for a detailed explanation of the BEA economic multipliers.

[26] We use Food Services and Drinking Places (Industry 62) and Other Transportation and Support Activities (Industry 38) in the BEA RIMS II for takeout restaurants and food delivery services, respectively.

and $8.6 million in wages in upstream and downstream industries. Altogether, the introduction of retail delivery fees reduced $26.9 million in sales and 367 jobs that paid $17.1 million in earnings across industries statewide.

VI. The Impact of Retail Delivery Fees on Jobs and Wages is Substantial

After using the freshly prepared meal example to illustrate the negative economic impacts of retail delivery fees via product price increases, we estimate the total economic impact of delivery fees across all goods. In 2023, consumers in Colorado paid $89 million in retail delivery fees to the state government instead of allocating those funds to other items such as meals, clothing, entertainment, housing, savings, and even other taxes in Colorado. To calculate the impact of the $89 million paid in retail delivery fees on jobs and wages if consumers did not have to pay these fees, we apply the household economic multipliers developed by BEA to the retail delivery fees paid by consumers in Colorado.[27]

The BEA uses historical personal incomes and the input-output accounts to estimate the impact from changes in household demand on sales, employment, and wages across industries in local economies. The BEA estimates that every $1 million of household spending in Colorado creates 8 jobs and $396,000 in wages.[28] Using these BEA household multipliers, we estimate that the $89 million paid in retail delivery fees could have created 712 jobs that paid $35.2 million in wages a year if consumers used those funds on other items, including investing in their savings, in Colorado instead.[29]

We use the Colorado case study to extrapolate the negative impacts of retail delivery fees nationwide if all states were to impose retail delivery fees. Based on the distribution of annual household income published by the U.S. Census and the distribution of annual online orders by households surveyed by EY, we estimate Americans order 17.6 billion deliveries per year. (Table A.1, Appendix 2)

If other states follow Colorado to impose 29 cents per delivery, consumers will pay $5.1 billion in retail delivery fees to state governments. If states impose retail delivery fees closer to 50 cents, as seen in Minnesota, consumers will pay $8.8 billion to state governments. Applying the BEA household multipliers, we calculate the retail delivery fees paid could have created between 34,453 and 61,686 direct, indirect, and induced jobs that earn between $1.6 billion and $2.8 billion in wages across industries in the United States.

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[27] This study analyzes the economic impacts of retail delivery fees on consumers and businesses. An analysis of the economic impacts of the state government spending is outside the scope of this study.

[28] Appendix 1 provides a detailed explanation of BEA economic multipliers.

[29] $89 million x 8 jobs = 712 jobs and 89 million x $396,000 wages = $35.2 million in annual wages. The BEA framework accounts for leakages, such as spending on imports, allocation to household savings, and taxes when calculating the household economic multipliers on the individual state economy.

VII. Policy Implications

Policymakers must consider the negative unintended consequences of retail delivery fees. As seen in Colorado and Minnesota, these fees are an inefficient and inequitable short-term solution for state governments to fill their fiscal budget shortfalls. While state legislators use retail delivery fees to raise consumption taxes, they create financial burdens for all households. Since the fee structure is a regressive tax, policymakers unintentionally create a greater financial burden for lower-income populations. Furthermore, retail delivery fees disproportionately hurt small businesses.

All told, state governments implement retail delivery fees to generate revenues at the expense of their constituents. Consumers incur higher costs while businesses, including local restaurants, lose revenue and cut jobs, negatively affecting communities. State policymakers should look elsewhere for more efficient and equitable solutions for their budget shortfalls.

Appendix 1.

BEA Economic Multipliers[30]

The Bureau of Economic Analysis (BEA) developed a method to estimate the inter-industry relationships within customized “affected” regions, known as the Regional Input-Output Modeling System II (RIMS II). RIMS II is based on an accounting framework of an input-output (I-O) table from the BEA’s national data of 440 U.S. industries and its regional industrial structure and trading patterns. Users can define the affected region as one county or multiple continuous counties.

The BEA’s Regional Input-Output Modeling System (RIMS II), a regional economic model, is based on a set of input-output (I-O) accounts that show the goods and services produced by each industry and their use by industries and final users. The RIMS II multipliers measure the direct, indirect, and induced effects of a local demand shock on gross output, value added, earnings, and employment. Direct impacts are changes in economic activity arising from the first round of spending resulting from the initial demand change. Indirect impacts are changes in economic activity resulting from subsequent rounds of spending by industries along the supply chain affected by the initial change in demand. Induced impacts are changes in economic activity resulting from changes in spending by workers whose earnings are affected by the direct and indirect changes.

Mary Streitwieser at the BEA illustrates this by using the example of motor vehicles to demonstrate the direct and indirect effects associated with the final outputs. The direct effects are the input production requirements such as the paint, steel, and plastic for the motor vehicles industry to provide additional motor vehicle outputs. The indirect effects are those production requirements for all other industries necessary in the supply chain to support the additional demand for intermediate inputs from the motor vehicles industry, such as the additional requirement for tire cord and synthetic rubber by the plastics and rubber industry to provide the additional tires required by the motor vehicles industry. When direct and indirect employees spend their earned income throughout the economy, they create additional positive economic benefits which are referred to induced effect.[31]

RIMS II is widely used in both the public and private sector because of its accuracy, cost-effectiveness, and flexibility. The most accurate way to estimate the effects of an economic activity on a region is to conduct surveys to determine the goods and services purchased by industries resulting from the economic activity. However, surveys are costly and time-consuming and are, therefore, not widely used. In contrast, RIMS II is cost-effective and empirical tests show that its estimates closely approximate those of relatively expensive surveys. In addition, RIMS II allows users to define their own affected regions, which can be aggregated from one or more counties and for any industry, or group of industries, in the national input-output table. Currently, RIMS II multipliers are available for 376 detailed industries (classified by 6-digit BEA industry code) and 64 aggregated industries (classified by 2-digit BEA industry code). Each RIMS II detailed industry includes a set of NAICS industries that range from 2-digit to 6-digit NAICS levels. The RIMS II aggregated industry is the aggregation of one or more RIMS II detailed industries.

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[30] An Essential Tool for Regional Developers and Planners, Bureau of Economic Analysis. https://apps.bea.gov/regional/pdf/rims/rimsii_user_guide.pdf.

[31] Streitwieser, Mary L. 2011, “Measuring the Nation’s Economy: An Industry Perspective – A Primer on BEA’s Industry Accounts,” Bureau of Economic Analysis. https://www.bea.gov/sites/default/files/methodologies/industry_primer.pdf.

Appendix 2.

Estimated Number of Delivered Orders and Retail Delivery Fees Nationwide

We use the number of U.S. households by income group published by the Census Bureau and estimated number of delivery orders by income group in Colorado to estimate the number of delivery orders in the U.S. by income group. We assume a 29-cent delivery fee to calculate retail delivery fees paid in the U.S. by income group if all states impose retail delivery fees.

Table A.1.

Estimated Number of Delivered Orders and Retail Delivery Fees Paid

Household Income	# of Households	# of Delivery Orders	Retail Delivery Fees Paid
Less than $25,000	20,779,348	2,043,949,075	$572,305,741
$25,000 - $49,999	23,376,767	2,682,683,161	$751,151,285
$50,000 - $74,999	21,039,090	2,759,331,251	$772,612,750
$75,000 - $99,999	16,623,479	2,180,212,346	$610,459,457
$100,000 - $149,999	21,948,187	3,238,381,815	$906,746,908
$150,000 - $199,999	11,298,771	2,037,561,734	$570,517,285
$200,000 or more	14,805,286	2,669,908,479	$747,574,374
TOTAL U.S.	**129,870,928**	**17,612,027,861**	**$4,931,367,801**

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