

Chairman Kim, Ranking Member Hern, and Members of the Committee:

Thank you for inviting me to testify. My name is Brad Scott and I am the Finance Director at my wife's family-owned small business, Halstead Bead. My wife, Hilary, is the President of the company.

To date, our small business has spent more than \$183,000 to collect less than \$80,000 in sales tax. Breaking that down, we are spending \$2.31 for every \$1.00 we collect. We have diverted more than 3,800 hours away from our business operations to act as unpaid surrogate staff to 30 departments of revenue where we are currently filing. If we fail to deliver, the consequences are grave.

Halstead is a second-generation, privately-owned, small wholesale business that was started in the early 70's by my wife's parents. Over the years, their 2-person side hustle has grown to the team of 27 employees we have now. Today, 94% of our sales originate from our website. We distribute raw materials and supplies to silver jewelers around the world. Our clients include the smallest micro-businesses selling through sites like Etsy as well as traditional brick and mortar jewelry retailers.

We have spent decades developing an independent website and IT infrastructure to maintain full control over our business model. We do not sell on any marketplace facilitator websites because we are unwilling to pay their high commissions or cede control of our operational independence. Prior to the *Wayfair* decision we had no sales tax software in place.

Through our experience, we see four key issues to address which I have detailed in my written testimony:

- Registration and Filing, which is the Obvious Hurdle
- Software Requirements, which are the Misunderstood Hurdle
- Exemption Certificate Management, which is the Unknown and Underestimated Hurdle
- And finally, the unprecedented liability and a lack of due process

The *Wayfair* decision is often described as a court case aimed at major online retailers, but that is misleading. The majority of states are using gross sales as their threshold metric. This encompasses all forms of business across state lines, not just internet retail activity. What's more, in 2018, Wayfair, the defendant in the case, reported approximately \$6.8 billion dollars in revenue. They are more than 1,000 times bigger than us. A company like Wayfair has the resources to staff a State and Local Tax Department. We are trying to navigate this new landscape with a single accountant. The expectation is that one person can bring a company into compliance as effectively as an entire SALT department at a major corporation. I am that 1 person, and I can tell you that it is not possible.

The sales tax solution that is so often discussed was and is not free. There were substantial integration costs and there are monthly filing and transaction fees for non-Streamlined states.

The software is also inadequate. In 2019 alone, I received 36 notices from 12 Streamlined states that the filings and/or remittances that our Certified Software Provider is contracted to submit on our behalf were in fact not submitted. It took months to get these addressed, though some are still not fully resolved. One cannot stress enough the anxiety caused by receiving 1 notice from a department of revenue, let alone 36.

One of those 36 notices was a threat of property seizure by the state of Tennessee over \$38.22 in penalties and interest due to a failure to report.

In February, concurrent Memorials passed through both the Arizona House and Senate with unanimous approval. These Memorials are entitled, "Urging the United States Congress to Enact Uniform National Legislation for Remote Sellers to Collect and Remit Sales Taxes." We are grateful to our state's elected officials for recognizing the challenges facing constituent small businesses and for making this formal request for federal intervention.

At Halstead, we have a successful, profitable small business. We have prospered in our industry for 47 years, but nothing has shaken us like Wayfair. We have

considered closing our doors because of the stress and liability. We could literally lose everything.

We urgently need Federal intervention. In our opinion, there are 2 suggestions that stand above the rest. First, due process is beyond our reach because of the Tax Anti Injunction Act. Allow a small business to use their home state's court system to fight assessments. And second, a single, state-wide, remote seller sales tax rate should be standard. Penny parity causes unnecessary complexity and burden. Our written statement includes additional recommendations.

We ask the Subcommittee to please elevate this issue to legislation for uniformity to relieve this tremendous burden on small businesses. Thank you and I look forward to taking your questions.