

**Statement of Chad White
Owner, Class-Tech Cars**

on

**“Examining the *Wayfair* Decision and its Ramifications for Consumers and Small
Businesses”**

Before the U.S. House of Representatives Committee on the Judiciary

July 24, 2018

Chairman Goodlatte, Ranking Member Nadler, and members of the Judiciary Committee, thank you for inviting me to testify today. My name is Chad White, and I am the owner of Class-Tech Cars, an online small business specializing in reproduction automotive parts located in Timberville, VA. I want to thank Chairman Goodlatte and the committee for holding this critical hearing to address the small business impacts of the Supreme Court's recent decision in *Wayfair vs. South Dakota*.

Over thirty years ago, I left a career in the hospitality industry to take a job in a friend's automotive body shop and pursue my passion of classic cars. Over the next twenty years, I helped grow that business into a top-10 national vendor for Ford products. But I had always dreamed of starting my own business and making my mark in the automotive world. I began selling automotive items online out of my home in 2001.

Over the last 17 years, I have been able to grow the business to 6,500 active listed items – specializing in American made muscle cars of the '60's and '70's. With the assistance of online platforms like eBay, Class-Tech-Cars has been able to market and sell products across the country and throughout the world.

The Internet is a tremendous tool for small business, but make no mistake, starting and growing a small business remains a difficult task. I need to make sure I am investing my limited resources well for my business to succeed. Every expenditure I make has to be carefully considered. I currently employ eight individuals, and I am committed to growing my business further including expanding into a large warehouse space in the coming months. But the Supreme Court's recent decision in *South Dakota v. Wayfair* gives me, and millions of small businesses across the country, pause as we consider what lies ahead for Internet-enabled entrepreneurs.

Raising capital, setting up an office or warehouse, hiring employees, and maintaining accounting and payroll systems are all challenges that come with the territory of building a small business. But one enormous burden small businesses have not yet had to bear is the threat of having to collect and remit sales tax in roughly 12,000 jurisdictions across the country.

Let me be clear – we collect and remit sales tax like any other business in those states where we have a physical presence. I handle this process through a part-time employee who spends a few hours every week calculating tax and remitting quarterly. I honestly do not know how we would handle having to increase this collection and remittance compliance, from a few locations to thousands across the country. I have heard the pitch that “free” software can solve the problem. But we all know that nothing in life is free. After factoring in integration, maintenance costs and increased functionality, “free” software can get pretty expensive.

Collection and remittance is one thing, but think of the risk of audits by far-away states and compliance measures in the thousands of jurisdictions across the country. Many online small businesses sell in multiple ways - from their physical store, over the phone, on their own website, and on marketplaces such as eBay. Certified service providers’ (CSP) audit protection guarantees fall flat when a state or local jurisdiction simply claims there is misrepresentation or fraud. Once a small business receives a demand letter from a far-away jurisdiction – they are left with the lose-lose decision of just paying or trying to defend themselves in a foreign state tax court.

Small businesses are the lifeblood of the American economy, and the Internet has allowed American small businesses to start up and grow in unimaginable ways. Like so many others, I took risks in starting my business and built it with hard work and perseverance. As confusion sets in after the *Wayfair* decision, I worry about what comes next for my business. I

worry about compliance, about cost, and about out-of-state audits. I have had other small business entrepreneurs ask me if it is even worth it to start an online small business in light of these new tax burdens. I wonder what my choice would have been if I started my business today.

Chairman Goodlatte, Ranking Member Nadler, and members of the committee, thank you again for the opportunity to testify on this critical issue. As you examine the challenges ahead post *Wayfair*, I urge Congress to pass legislation to protect small businesses like mine, and millions across the country, from having to endure this uncertainty and these burdensome tax requirements and audit risks. Small businesses are the growth engine of our economy, and without important protections, we risk preventing new entrepreneurs from starting successful online businesses. Thank you, and I look forward to taking your questions.