



DIRECT SELLING ASSOCIATION

## Maintaining the Independence of Direct Sellers

The independent contractor status of direct sellers is recognized in all fifty states and in federal law since the Tax Equity and Fiscal Act of 1982 included a provision exempting direct sellers from employment taxes. This recognition was codified in 26 USC § 3508. It is imperative that the independence of direct sellers not be altered by legislation and regulations that would have the effect of creating a presumption of employment.



DSA opposes any proposal requiring withholding from commissions earned by direct sellers. This would disrupt the cash flow for the 20 million Americans involved in direct selling, most of whom—over 90%—are engaged in the business only part time, and earn a median income of \$1,500 per year. Direct sellers are subject to income reporting requirements, and have a 97% tax compliance rate.



Similarly, the elimination of the \$600 threshold for filing a 1099-MISC with the Internal Revenue Service would unnecessarily burden the millions of Americans who engage in direct selling for only brief periods and use direct selling as a supplemental income source. A requirement to file taxes for such small sums could discourage many Americans from staying involved in direct selling.



It is imperative that efforts by Congress and regulatory agencies to address the misclassification of employees in new gig economy businesses do not mistakenly identify direct sellers as employees and subject the companies with which they affiliate to extending federal and state employer mandates.

