



DIRECT SELLING ASSOCIATION

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DIRECT SELLERS SUPPORT FAIR TAXATION

Background

Presence to Determine Applicable Taxes

In 2015, more than 20 million people were involved in direct selling in the U.S. The salesforce are all independent contractors, and companies can have salesforce members in almost all 50 states. Although these companies may have independent entrepreneurs all over the country, the company does not have a sufficient presence in all the states where direct sellers are located, and should not be subject to taxation.

1099-MISC Income

Direct selling companies are good corporate citizens and pay income tax in the state where the company has a physical presence. Companies also provide each distributor who earns \$600 or more with a 1099-MISC for reporting and withholding requirements. If applicable, the distributors document all information on their 1099-MISC filed with the state.

Sales/Use Tax

Direct sellers and direct selling companies understand that the sales of their products are subject to state sales and use taxes. Direct sellers either individually pay or remit sales/use tax to the state, or direct selling companies may enter into collection agreements for these taxes with the appropriate state department to collect and remit sales/use tax on behalf of their salesforce. These agreements are advantageous to state tax authorities and save them from having to collect sales/use taxes from thousands of distributors in the state, while enabling direct sellers to focus on their businesses.

Position

DSA supports the payment of fair and appropriate federal, state and local taxes. Laws authorizing taxation on direct sellers and direct selling companies that do not have sufficient connection to the jurisdiction nexus are unfairly taxing these businesses, and any change making the collection of taxes more difficult for direct sellers is inequitable.

Policy Alternatives

DSA suggests that any tax legislation contain limitations to ease the potential burden on local direct sellers. DSA would also consider laws whether a proposal's impact on direct sellers is mitigated by a substantial threshold to protect the business model.