

**Senate Finance Committee Testimony**  
**Michelle Huie, VIM & VIGR Compression Legwear**

Good morning, Senate Finance Committee. Thank you for the opportunity for me to share my experience and journey with sales tax compliance. I founded VIM & VIGR compression legwear in 2013 mainly through a personal need. I needed to wear compression socks but nothing out there reflected my personal style and were extremely uncomfortable. I was determined to solve this problem and bring everyday wellness to more people. A few years after launching my company, I quit my corporate job and went 100% into building and growing VIM & VIGR. Any business owner can tell you - the journey of entrepreneurship is not linear, it's met with many ups and even more downs – from looming recessions, impact of COVID on my staff and business, supply chain and managing cash flow. And over the past 4 years trying to understand and comply with state sales tax regulations. I became aware of the Supreme Court's decision over the South Dakota v. Wayfair case from my accountant. I read through the ruling and quickly understood the impact this would have on my business and thousands of eCommerce sellers. Though I live in a state without sales tax, most of my revenue comes from outside the state of Montana. I started to look into what I needed to do to comply with these new regulations. And the more I learned, the less I knew and the more complicated it all became.

There are several challenges that makes determining, collecting and remitting sales tax extremely difficult. For starters, there are varying threshold criteria per state all with different threshold limits. The criteria range from revenue, transaction volume, storage of physical product – including Amazon warehouses to other more nuanced criteria like how a product is used. What makes things even more complicated is that all states have varying sales tax rates, and many states don't have just one rate – they have hundreds that vary per jurisdiction. You can imagine that this all became overwhelming. I didn't start a business to be a sales tax expert, but I wanted to be compliant, so I looked for a consultant with deep expertise in sales tax to help with this process. They determined that I was at nexus for 22

states which was a surprise to me because at that time, most of my revenue came from wholesale and resellers and eCommerce only accounted for 30% of my business. I was triggering nexus for these states based on all my gross receipts even though eCommerce only accounted for a small percentage of that. From here, the administrative costs and time continued. I then had to register with the Department of Revenue for each of those states which is no small feat. I started to collect sales tax from customers purchasing product in those states and began remitting payment to each state at varying time intervals because the states had different filing schedules. And this is what I've been doing for several years. In total, I spend close to \$50,000 a year in out-of-pocket technology cost and labor to comply with sales tax legislation.

I know many eCommerce business owners and I'm part of a forum of thousands of eCommerce sellers. We want to be compliant and pay our taxes accordingly. But the current conditions make it excessively complicated and adds major costs and administrative burden as well as fear that we're not doing something correctly. I know of businesses that have had to close because the administrative complexities and costs were just too much for some business owners. I am not here to challenge the payment of sales tax. It's a major revenue stream for states and the shift to online commerce has changed the dynamics that don't work for pre-existing regulations. I am here to ask to simplify the process for eCommerce businesses.

There are a few things that can be done to make this easier for eCommerce sellers. The first is to create some uniformity around the criteria used to calculate sales tax nexus. This will make things much more transparent for businesses. The second is for states to provide one sales tax rate for eCommerce sales. This will make calculating sales tax amounts much easier and can help reduce the reliance on expensive technology. For example, one particular state has hundreds of sales tax rates and recently allowed sellers to use one averaged sales tax rate when calculating the remittance amount. The third is to create

a centralized clearing house for registering and paying sales tax. It'll save businesses and states a lot of time.

You may hear people say that there are technology platforms that help with this. That's a costly band-aid for a problem that will continue to grow. These platforms can help but they also cost tens to hundreds of thousands of dollars and do not solve all of the administrative costs associated with the process.

COVID pushed consumers to buy things online and as a result, shopping behaviors have changed – forever. Online sales have been the lifeline for many small businesses especially as consumers retrenched from physical storefronts. Here's the reality, eCommerce is a \$1 trillion industry growing at around 16% annually. Complexities around sales tax compliance limit the growth of eCommerce businesses especially for small business owners. This is the time to help simplify the sales tax process. Simplifying the sales tax process will help free up time and dollars that could be reinvested to their people and their businesses. This will all help businesses owners be more compliant which will generate more dollars for your state. If you would like more information, please reach out. I am also available to collaborate in any way possible.