

United States Senate
WASHINGTON, DC 20510

June 22, 2020

Scott McFarlane
Chief Executive Officer
Avalara
255 South King Street
Suite 1800
Seattle, WA 98104

Dear Mr. McFarlane:

We write today regarding the sales tax compliance software that your company sells to small businesses engaging in interstate commerce, including remote and online businesses that are now required to collect and remit sales taxes imposed by states in which they have no physical presence. We are concerned that, despite incurring significant costs in order to integrate your software into their information technology frameworks, small businesses are exposed to significant financial liability if and when your software makes errors in calculating sales tax collection obligations. As more commerce moves online and small businesses continue to face enormous challenges during the COVID-19 crisis, we urge you to clarify several outstanding questions regarding the affordability and accuracy of your products.

Small businesses' need for sales tax compliance software like yours has drastically increased following the Supreme Court's 2018 decision in *South Dakota v. Wayfair, Inc.*¹ This problematic ruling determined that, even if an out-of-state small business does not have a physical presence in a given state, the state and its local governments may require the out-of-state seller to collect and remit sales taxes to these taxing jurisdictions. Your AvaTax product is advertised as providing compliance solutions for these new sales tax collection obligations, including accurate determinations of sales and use tax liabilities across the more than 10,000 state and local taxing jurisdictions² in the United States.

As highlighted in recent Congressional testimony by the American Institute of Certified Public Accountants, "small sellers are subject to an extraordinarily fragmented landscape of inconsistent

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and varying compliance obligations in the post-*Wayfair* world.”³ This patchwork of obligations involves widely divergent state and local tax laws regarding what constitutes a “substantial nexus” between a small seller and a tax jurisdiction that is sufficient to generate sales tax collection obligations for the seller, what volume of sales into a state triggers sales tax collection requirements for businesses, whether particular remote sales are or are not taxable in a state or local jurisdiction, which of numerous state and local sales tax rates apply to particular remote transactions, and whether small sellers must register and file paperwork with particular state and local tax authorities.

These varying and complex standards across thousands of taxing jurisdictions are confusing, difficult to navigate, and particularly onerous for small businesses. Along with most businesses, small sellers now conduct a significant portion of their commercial and retail activities online. Moreover, amid the COVID-19 crisis, many small businesses have been forced to move nearly all their sales to online platforms. For these small remote sellers, ensuring compliance with state and local sales tax collection obligations requires an outsized investment, both financially and in terms of employee hours, relative to the size of their businesses.

In the *Wayfair* decision, the Court suggested that “eventually, software that is available at a reasonable cost may make it easier for small businesses to cope with these problems.”⁴ However, prior to *Wayfair*, the Government Accountability Office projected that remote sellers would “incur high upfront costs to establish software for multistate tax collection.”⁵ Unfortunately, in the two years since the Court’s decision, evidence has accumulated that supports the GAO’s prediction. Congressional testimony by small businesses at an August 2019 Senate Small Business Committee hearing⁶ and a February 2020 House Small Business Committee hearing⁷ emphasized the prohibitive costs of tax compliance software and expressed concerns that small sellers would be held financially liable for mistakes made by this software.

We share these small businesses’ concerns about the high costs of software products that purport to help these small sellers satisfy their obligations to collect and remit state and local sales taxes. Further, we are concerned about small sellers’ exposure to financial liability if and when sales tax compliance software makes errors in calculating sales tax collection obligations, or otherwise uses inaccurate information regarding divergent state and local nexus standards, sales thresholds, tax bases, tax rates, or filing requirements. Importantly, absent contractual agreements to the contrary, small sellers are ultimately responsible for accurately collecting and remitting sales taxes, regardless of which software products are used to track collection obligations. Therefore,

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if your products make a mistake or omission, your customer is the entity most likely to be harmed by it.

Given these concerns, we request answers to the following questions regarding the affordability and accuracy of your company's products. Please provide answers by August 1, 2020.

1. What is the median cost to a business customer of integrating your product with the business' current information technology framework? What is the median length of time it takes to integrate your product with a business customer's current information technology framework?
2. What is the median monthly cost to a business customer of subscribing to your product? If you have multiple product lines, please provide the median monthly cost for each.
3. What ongoing costs do your business customers incur besides integration and subscription fees? What is the median monthly cost to a business customer of these ongoing fees?
4. As part of your marketing or sales practices, do you make any representations as to the accuracy and completeness of the information used by your products regarding state and local nexus standards, sales thresholds, tax bases, tax rates, and filing requirements?
 - a. If yes, please describe the steps that your company takes to ensure that the information used by your products is accurate and complete.
 - b. If no, please describe how, if at all, your company informs your customers that your products may not use accurate or complete information regarding nexus standards, sales thresholds, tax bases, tax rates, and filing requirements.
5. Please describe actions that your company takes upon discovering that your products made errors in calculating sales tax collection obligations. Does your company assume legal liability for state and local back taxes, penalties, and interest levied on customers because of errors made by your products in determining sales tax collection obligations?
6. Please describe the compliance problems regarding nexus standards, sales thresholds, tax bases, tax rates, and filing requirements about which customers contact your company. What percentage of these compliance problems are resolved? What percentage of your customers discontinue use of your products following a request for assistance?

Thank you for your attention to this important matter.

Sincerely,



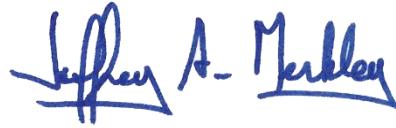
Margaret Wood Hassan
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Jeffrey A. Merkley
United States Senator

United States Senate
WASHINGTON, DC 20510

June 22, 2020

Josh Eastright
Chief Executive Officer
Bloomberg Industry Group
1801 S Bell St
Arlington, VA 22202

Dear Mr. Eastright:

We write today regarding the sales tax compliance software that your company sells to small businesses engaging in interstate commerce, including remote and online businesses that are now required to collect and remit sales taxes imposed by states in which they have no physical presence. We are concerned that, despite incurring significant costs in order to integrate your software into their information technology frameworks, small businesses are exposed to significant financial liability if and when your software makes errors in calculating sales tax collection obligations. As more commerce moves online and small businesses continue to face enormous challenges during the COVID-19 crisis, we urge you to clarify several outstanding questions regarding the affordability and accuracy of your products.

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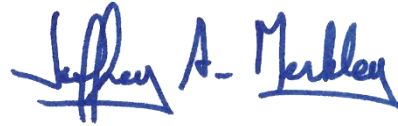
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United States Senator

United States Senate

WASHINGTON, DC 20510

June 22, 2020

Tim Ryan
U.S. Chairman and Senior Partner
PricewaterhouseCoopers
300 Madison Avenue
New York, New York 10017

Dear Mr. Ryan:

We write today regarding the sales tax compliance software that your company sells to small businesses engaging in interstate commerce, including remote and online businesses that are now required to collect and remit sales taxes imposed by states in which they have no physical presence. We are concerned that, despite incurring significant costs in order to integrate your software into their information technology frameworks, small businesses are exposed to significant financial liability if and when your software makes errors in calculating sales tax collection obligations. As more commerce moves online and small businesses continue to face enormous challenges during the COVID-19 crisis, we urge you to clarify several outstanding questions regarding the affordability and accuracy of your products.

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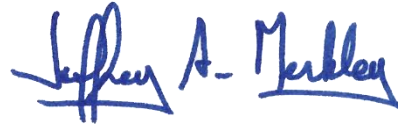
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Ron Wyden
United States Senator



Jeanne Shaheen
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Jeffrey A. Merkley
United States Senator

United States Senate

WASHINGTON, DC 20510

June 22, 2020

Andy Hovancik
President and Chief Executive Officer
Sovos Compliance, LLC
200 Ballardvale Street
Fourth Floor
Wilmington, MA 01887

Dear Mr. Hovancik:

We write today regarding the sales tax compliance software that your company sells to small businesses engaging in interstate commerce, including remote and online businesses that are now required to collect and remit sales taxes imposed by states in which they have no physical presence. We are concerned that, despite incurring significant costs in order to integrate your software into their information technology frameworks, small businesses are exposed to significant financial liability if and when your software makes errors in calculating sales tax collection obligations. As more commerce moves online and small businesses continue to face enormous challenges during the COVID-19 crisis, we urge you to clarify several outstanding questions regarding the affordability and accuracy of your products.

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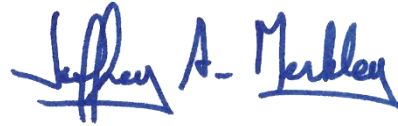
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United States Senate
WASHINGTON, DC 20510

June 22, 2020

Mark Faggiano
Chief Executive Officer
TaxJar
462 Washington St. #3066.
Woburn, MA 01801

Dear Mr. Faggiano:

We write today regarding the sales tax compliance software that your company sells to small businesses engaging in interstate commerce, including remote and online businesses that are now required to collect and remit sales taxes imposed by states in which they have no physical presence. We are concerned that, despite incurring significant costs in order to integrate your software into their information technology frameworks, small businesses are exposed to significant financial liability if and when your software makes errors in calculating sales tax collection obligations. As more commerce moves online and small businesses continue to face enormous challenges during the COVID-19 crisis, we urge you to clarify several outstanding questions regarding the affordability and accuracy of your products.

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In the *Wayfair* decision, the Court suggested that “eventually, software that is available at a reasonable cost may make it easier for small businesses to cope with these problems.”⁴ However, prior to *Wayfair*, the Government Accountability Office projected that remote sellers would “incur high upfront costs to establish software for multistate tax collection.”⁵ Unfortunately, in the two years since the Court’s decision, evidence has accumulated that supports the GAO’s prediction. Congressional testimony by small businesses at an August 2019 Senate Small Business Committee hearing⁶ and a February 2020 House Small Business Committee hearing⁷ emphasized the prohibitive costs of tax compliance software and expressed concerns that small sellers would be held financially liable for mistakes made by this software.

We share these small businesses’ concerns about the high costs of software products that purport to help these small sellers satisfy their obligations to collect and remit state and local sales taxes. Further, we are concerned about small sellers’ exposure to financial liability if and when sales tax compliance software makes errors in calculating sales tax collection obligations, or otherwise uses inaccurate information regarding divergent state and local nexus standards, sales thresholds, tax bases, tax rates, or filing requirements. Importantly, absent contractual agreements to the contrary, small sellers are ultimately responsible for accurately collecting and remitting sales taxes, regardless of which software products are used to track collection obligations. Therefore,

³ Written Statement Of Jamie C. Yesnowitz On Behalf Of The American Institute Of Certified Public Accountants. February 2020. <https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/20200227-aicpa-statement-hsbc-wayfair-small-business.pdf>

⁴ *Ibid.* p.21.

⁵ Government Accountability Office. November 2017. “Sales Taxes: States Could Gain Revenue from Expanded Authority, but Businesses Are Likely to Experience Compliance Costs.”

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⁷ See testimony of Mrs. Linda Lester, Vice President, K-Log, Inc.; Mr. Kevin Mahoney, President and Founder, FindTape.com; and Mr. Brad Scott, Financial Director, Halstead Bead, Inc. <https://smallbusiness.house.gov/calendar/eventsingle.aspx?EventID=3156>

if your products make a mistake or omission, your customer is the entity most likely to be harmed by it.

Given these concerns, we request answers to the following questions regarding the affordability and accuracy of your company's products. Please provide answers by August 1, 2020.

1. What is the median cost to a business customer of integrating your product with the business' current information technology framework? What is the median length of time it takes to integrate your product with a business customer's current information technology framework?
2. What is the median monthly cost to a business customer of subscribing to your product? If you have multiple product lines, please provide the median monthly cost for each.
3. What ongoing costs do your business customers incur besides integration and subscription fees? What is the median monthly cost to a business customer of these ongoing fees?
4. As part of your marketing or sales practices, do you make any representations as to the accuracy and completeness of the information used by your products regarding state and local nexus standards, sales thresholds, tax bases, tax rates, and filing requirements?
 - a. If yes, please describe the steps that your company takes to ensure that the information used by your products is accurate and complete.
 - b. If no, please describe how, if at all, your company informs your customers that your products may not use accurate or complete information regarding nexus standards, sales thresholds, tax bases, tax rates, and filing requirements.
5. Please describe actions that your company takes upon discovering that your products made errors in calculating sales tax collection obligations. Does your company assume legal liability for state and local back taxes, penalties, and interest levied on customers because of errors made by your products in determining sales tax collection obligations?
6. Please describe the compliance problems regarding nexus standards, sales thresholds, tax bases, tax rates, and filing requirements about which customers contact your company. What percentage of these compliance problems are resolved? What percentage of your customers discontinue use of your products following a request for assistance?

Thank you for your attention to this important matter.

Sincerely,



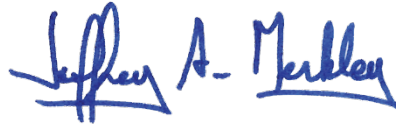
Margaret Wood Hassan
United States Senator



Ron Wyden
United States Senator



Jeanne Shaheen
United States Senator



Jeffrey A. Merkley
United States Senator

United States Senate

WASHINGTON, DC 20510

June 22, 2020

Steve Hasker
President and Chief Executive Officer
Thomson Reuters
333 Bay Street
Toronto, Ontario M5H 2R2
Canada

Dear Mr. Hasker:

We write today regarding the sales tax compliance software that your company sells to small businesses engaging in interstate commerce, including remote and online businesses that are now required to collect and remit sales taxes imposed by states in which they have no physical presence. We are concerned that, despite incurring significant costs in order to integrate your software into their information technology frameworks, small businesses are exposed to significant financial liability if and when your software makes errors in calculating sales tax collection obligations. As more commerce moves online and small businesses continue to face enormous challenges during the COVID-19 crisis, we urge you to clarify several outstanding questions regarding the affordability and accuracy of your products.

Small businesses' need for sales tax compliance software like yours has drastically increased following the Supreme Court's 2018 decision in *South Dakota v. Wayfair, Inc.*¹ This problematic ruling determined that, even if an out-of-state small business does not have a physical presence in a given state, the state and its local governments may require the out-of-state seller to collect and remit sales taxes to these taxing jurisdictions. Your ONESOURCE product is advertised as providing compliance solutions for these new sales tax collection obligations, including accurate determinations of sales and use tax liabilities across the more than 10,000 state and local taxing jurisdictions² in the United States.

As highlighted in recent Congressional testimony by the American Institute of Certified Public Accountants, "small sellers are subject to an extraordinarily fragmented landscape of inconsistent

¹ 138 S. Ct. 2080 (2018). https://www.supremecourt.gov/opinions/17pdf/17-494_j4el.pdf

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These varying and complex standards across thousands of taxing jurisdictions are confusing, difficult to navigate, and particularly onerous for small businesses. Along with most businesses, small sellers now conduct a significant portion of their commercial and retail activities online. Moreover, amid the COVID-19 crisis, many small businesses have been forced to move nearly all their sales to online platforms. For these small remote sellers, ensuring compliance with state and local sales tax collection obligations requires an outsized investment, both financially and in terms of employee hours, relative to the size of their businesses.

In the *Wayfair* decision, the Court suggested that “eventually, software that is available at a reasonable cost may make it easier for small businesses to cope with these problems.”⁴ However, prior to *Wayfair*, the Government Accountability Office projected that remote sellers would “incur high upfront costs to establish software for multistate tax collection.”⁵ Unfortunately, in the two years since the Court’s decision, evidence has accumulated that supports the GAO’s prediction. Congressional testimony by small businesses at an August 2019 Senate Small Business Committee hearing⁶ and a February 2020 House Small Business Committee hearing⁷ emphasized the prohibitive costs of tax compliance software and expressed concerns that small sellers would be held financially liable for mistakes made by this software.

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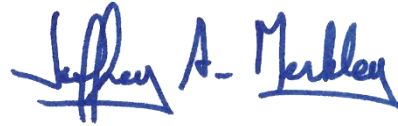
Margaret Wood Hassan
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Ron Wyden
United States Senator



Jeanne Shaheen
United States Senator



Jeffrey A. Merkley
United States Senator

United States Senate
WASHINGTON, DC 20510

June 22, 2020

David DeStefano
President and Chief Executive Officer
Vertex, Inc.
2301 Renaissance Blvd
King of Prussia, PA 19406

Dear Mr. DeStefano:

We write today regarding the sales tax compliance software that your company sells to small businesses engaging in interstate commerce, including remote and online businesses that are now required to collect and remit sales taxes imposed by states in which they have no physical presence. We are concerned that, despite incurring significant costs in order to integrate your software into their information technology frameworks, small businesses are exposed to significant financial liability if and when your software makes errors in calculating sales tax collection obligations. As more commerce moves online and small businesses continue to face enormous challenges during the COVID-19 crisis, we urge you to clarify several outstanding questions regarding the affordability and accuracy of your products.

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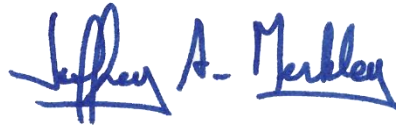
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