

Rhode Island House Labor Committee
Providence, RI 02903

Re: Opposition to H 7837 related to Independent Contractors

Dear Members of the Rhode Island House Labor Committee:

The Direct Selling Association (“DSA”) would like to **voice its strong opposition to H 7837, which is scheduled to be heard before the Committee on Wednesday.** It would negatively impact the industry by unnecessarily requiring direct seller independent contractors to register annually in Rhode Island when they could be easily exempted.

In **Rhode Island**, as in the rest of the country, individuals selling for direct-selling companies are independent contractors. They typically sell part-time to their neighbors, relatives, and friends to supplement their family income and make **modest amounts of money**. These direct-selling companies include some of the nation’s most well-known commercial names, such as Avon, Mary Kay Inc., The Pampered Chef, **Rhode Island-based Pure Haven, and Touchstone Crystal.**

Direct selling is an entrepreneurial business opportunity for millions of Americans, including over 52,000 Rhode Islanders, in 2022. Unlike many traditional independent businesses, more than 90% of direct sellers choose to **work part-time**, setting their schedules for flexibility and work-life balance. Due to the flexible, part-time nature of the business, the vast majority of direct sellers **make very modest amounts of money**, perhaps a few hundred dollars a year or less in many cases.

We understand the need to prevent the misclassification of individuals, but arguments supporting this bill do not indicate that direct sellers cause the problem they are seeking to address or that it is intended to cover direct sellers specifically.

We ask that you exempt individual direct sellers from the bill.

Federal law and **forty-three states** clearly define direct sellers as independent contractors.

- These bills would have a significant detrimental impact on direct seller independent contractors.
- Direct selling companies already submit IRS Form 1099-Misc to the state.
- Direct selling companies collect and remit sales tax to the state.
- Applying this provision to direct sellers is burdensome and unnecessary.

We ask that you specifically exempt direct sellers, which is easy and straightforward.

DSA Proposed Amendment: H 7837: Insert at the proper location in the bill, ***“Direct sellers as defined in 26 U.S.C. § 3508 (b)(2) are exempt from this requirement.”***

Rhode Island already recognizes the above referenced section, 26 U.S.C. § 3508 in R.I. Gen. LAWS § 28-42-7. Independent contractor and employee distinguished.

“The determination of independent contractor or employee status for purposes of chapters 42 — 44 of this title shall be the same as those factors used by the Internal Revenue Service in its code and regulations.”

We ask the Rhode Island House to amend the bill to exclude independent contractor direct sellers.

Sincerely,



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