



John E. Hennessey
Vice President
Littleton Coin Company, Inc.
1309 Mt. Eustis Road
Littleton, NH 03561

Senator Shaheen, and other members of the Committee, thank you for the opportunity to testify today. I'm John Hennessey, Vice President of Littleton Coin Company, Inc. We're a small business of 275 employees located in Littleton, NH, which is our only physical business location. We've been in operation since 1945 when our founder, Maynard Sundman, returned to Littleton to start his business after serving our country in the US Army during WWII. Most recently, for the benefit of our employees and their jobs remaining in Littleton, his son and our current President David Sundman sold 100% of the business to our employees in 2017 through an employee stock ownership plan.

Our mission is to bring the joy of coin collecting to as many people as possible throughout the United States. We serve coin collectors in all 50 states by delivering coins and currency through mail order directly to their homes. As a NH company, we have never previously been subject to collect state and local sales taxes, nor have we previously needed to implement any administrative processes, software, computer systems, or in-house expertise to do so.

The June 2018 US Supreme Court decision requiring us to become the tax collector for up to 12,000 different state and local jurisdictions created an immediate and significant risk to our business. Most concerning, the decision provided no implementation period for us to become compliant, immediately exposing us to up to \$100,000 of tax liability per month with no way to calculate and collect the taxes from our customers, leaving us liable to pay the bill ourselves.

With this clock ticking, we made the decision to rush to become compliant as soon as possible, which we determined best case scenario to be January 1, 2019. Meeting this timeline meant incurring significant cost to purchase software, hire outside tax and legal experts, hire outside software developers, devote our internal IT developers to changing our computer systems, and focus our entire employee base to redesign our administrative processes to understand, calculate, explain to customers, and collect sales tax in every state and up to 12,000 total jurisdictions.

To date, we have spent \$275,000 to comply with this new requirement. Based on this effort, we became compliant to the best of our interpretation of each state's laws by January 1, 2019. Unfortunately, those funds and six months of time from my team would have otherwise been devoted to growing our business and maintaining and creating jobs.

Unfortunately, even more significant risk and cost to our business still exists going forward. Costs include annual software licensing, tax filings, administrative cost, and customer service explaining and collecting tax. However, the biggest risk and potential costs loom as states begin to attempt to collect retroactive taxes from us for periods prior to our compliance date, start their audits of our sales and use tax collection and reporting, and even expand their reach to additional taxes such as income tax.

We are already beginning to receive these notices from states, and every one requires attention from my staff and usually a consultation with our tax advisor and attorney, both at significant cost, to help us interpret the request and the proper application of state and local tax law.

Worse further, will be one, two, or three years from now when each state begins sending us these audit notices. We will be subject to 45 separate annual audits, and countless county and local audits. Each one will take time to prepare source documents and records to prove our compliance. And if there's a question as to whether we've interpreted a law correctly, we will have to pay significant legal costs to support our position, and if we are to be unable to successfully do that, we will be forced to foot the bill ourselves since we would not have collected those amounts from customers, despite our best efforts at understanding and complying with the laws.

I'll provide one brief example of why this is such a significant risk. Here is an example of the tax law in just one state, for just one product we sell to customers. I have a gold coin that sells for \$400. If it is "legal tender" it is not taxable. If it is not "legal tender", if its value is determined by fluctuations in the gold bullion market it is not taxable. If its value is determined by its rarity, it is taxable. The value of this coin is determined by both, and I must choose one or the other with no further guidance from the state. Further, if this coin is determined to be taxable and a customer purchases three of these coins in separate transactions they are taxable. If a customer purchases those same three coins in a single transaction they are not taxable. However, if that customer returns one of those coins a month later, the remaining two coins are now taxable again even though no tax was collected. I sell thousands of products, and I must attempt to correctly apply the laws of 45 taxing states and a total of 12,000 jurisdictions to each one.

The Supreme Court left the door open for Congress to act, and we need Congress to level the playing field and help remote sellers collect these taxes while continuing to operate and grow our businesses without undue cost and risk. 1. We need a reasonable period to become compliant and be protected from retroactive taxation prior to our ability to implement tax collection, which for my business was January 1, 2019, 2. Provide for one audit, from one's home state for example, to provide a reasonable administrative burden in complying with tax collection, and 3. Limit the reach to sales and use tax and not expose us to have to defend against overreach into income and myriad other state taxes.

This new requirement for our business is complex, distracting, and extremely costly. We are giving our best effort to comply, however without reasonable simplification and protection this is hindering our business and diverting resources that would otherwise be used to invest in growing our business and invested in our employees.

Thank you for the opportunity to testify today. I look forward to responding to any questions you may have today, or which are submitted later for the record.