

Testimony of

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The Disruptor Series: How the Sharing Economy Creates Jobs, Benefits Consumers, and Raises
Policy Questions

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Good morning and thank you Chairman Burgess, Ranking Member Schakowsky and members of the Committee for providing Intuit the opportunity to be here today. My name is Alex Chriss, and I am the Intuit Vice President responsible for the QuickBooks division for the Self-Employed. I appreciate the opportunity to speak before you about the sharing economy.

Intuit **serves the needs of the self-employed**, including those in the sharing economy, with our QuickBooks Self-Employed product. As we developed this product, working closely with our customers, we have built an understanding of both the benefits and challenges associated with working in the sharing economy, and I am pleased to **share these findings today**. We also offer **three recommendations** for actions policymakers could take to ease the burdens of sharing economy workers:

1. **Clarify What Constitutes a “Record” for Schedule C Tax Compliance;**
2. **Enable Sharing Platforms to Give Guidance Without Turning This Segment of the Workforce Into Employees;**
3. **Update Government Programs to Support the Self-Employed and Workers Joining Sharing Economy.**

Before I begin, I would like to give you an overview of Intuit and the role we play in the small business space.

About Intuit

Intuit was founded in Silicon Valley over thirty years ago. Our mission has remained unchanged: to simplify and improve people's financial lives so profoundly, they cannot imagine going back to the old way of doing things.

We began with personal finance software, which simplified the common household dilemma of balancing the family checkbook. Today, we are one of the nation's leading providers of tax and financial management tools for consumers, small businesses and accountants.

At Intuit, customers are at the heart of everything we do. We were founded on the idea of customer-driven innovation, a mindset and methodology where Intuit identifies the financial needs of individuals and small businesses and then, through technology, provides solutions for these challenges. This process has helped us create offerings that improve the financial lives of more than 45 million individual and small business customers.

Our flagship products today are TurboTax, Mint and QuickBooks. The QuickBooks ecosystem serves small business customers with products that help them manage their finances, pay their employees, and process and receive payments.

More than five million small businesses use QuickBooks. Seventy-five percent of those businesses have ten employees or less. However, we learned through customer research that there were unmet needs of another segment of the small business market, the self-employed.

The self-employed may be categorized in a variety of ways, including independent contractor, contingent worker, temporary worker, freelancer, 1099 worker, moonlighter, sharing economy service provider, and so on. They are part of a massive shift in employment that has occurred over the past few decades.

The Rise of Self-Employment in the U.S.

The size of the self-employed workforce is widely debated. This is due, in part, to different definitions of this workforce and a lack of complete or reliable data. The Bureau of Labor Statistics (BLS) introduced a Contingent Work Supplement (CWS) report in 1995, but this supplement has not been provided since 2005. In the absence of a single source of truth, there are a range of interpretations depending on both the definition of self-employment and the data source. For example, a recent (April 2015) Government Accountability Office report based on 2010 General Social Survey (GSS) data indicated that self-employed workers comprised anywhere from 7.9 percent to 40.4 percent of the labor force.¹ The high end of this range includes all individuals engaged in so-called “alternative work arrangements,” while the low end covers “core contingent arrangements,” such as contract company workers, on-call workers and agency temps.

Intuit has been developing our own research on the scope of this sector, which shows that self-employment is undeniably on the rise. Based on a study we did with Emergent Research, we forecast that the self-employed - broadly defined as any individual earning freelance income - will grow to represent 43 percent of the workforce by 2020.²

The rise of the sharing economy is part of this fundamental shift to increased self-employment and it represents the next iteration of reduced friction between supply and demand in the labor market.

We believe the sharing economy workforce will more than double by the year 2020. We recently partnered on a study³ that found that:

- There are currently 3.2 million Americans earning income from the sharing economy.

¹ “Contingent Workforce: Size, Characteristics, Earnings, and Benefits,” GAO, <http://www.gao.gov/assets/670/669766.pdf> (April 20, 2015).

² “Intuit 2020 Report,” Intuit, <http://about.intuit.com/futureofsmallbusiness/> (October 2010).

³ “Intuit Forecast: 7.6 Million People in On-Demand Economy by 2020,” Intuit, <http://www.businesswire.com/news/home/20150813005317/en/Intuit-Forecast-7.6-Million-People-On-Demand-Economy#.VgTLH49Viko> (August 13, 2015).

- 79 percent of existing sharing economy providers say their work in this sector is part-time.
- Within five years, the total population of sharing economy workers will more than double to 7.6 million.

We're continuing to study this space, looking at the demographics, motivations, and challenges of workers pursuing self-employed work, including sharing economy jobs.

Sharing Economy Customer Profiles

We believe that the sharing economy represents the new face of entrepreneurship, where ambitious, hard-working people have the freedom and flexibility to set their own schedules and work toward their own goals.

Here are three examples of sharing economy workers that Intuit has heard from which speak to the trends we see in our tens of thousands of self-employed customers:

- Jose wanted to launch a food truck business in San Diego. Startup capital was not available to him, so he drove for Uber and Lyft for nine months to earn the capital he needed to make his small business dream a reality.
- Mason left his chauffeur job to drive for Uber. Mason does not consider himself a business owner but says the thing he loves best about his work today is that he can take his son to Giants baseball games on summer days and still work in the evenings to "pay the bills."
- Margo has worked for TaskRabbit for more than a year now. He started in Austin but had to quickly move to Los Angeles when his girlfriend was relocated for her job. Without having to notify anyone, and within hours of arriving in a new city, Margo's income picked right back up through TaskRabbit.

As you can see from these anecdotes, there is no single reason why people are turning to sharing economy work. We do, however, see some categories of sharing economy workers.

Based on internal Intuit customer research, here are five common motivations for why individuals participate in this workforce:

- **Want to be their own boss** - According to an internal Intuit survey of the self-employed from last year, 29 percent of respondents cited “the ability to be my own boss” as a key motivation, making it the second most common response after “make money.” These individuals want to manage their own work lives and define their careers on their own terms.
- **Aspiring entrepreneurs** - These are people who view sharing platforms as a stepping-stone to a long-term business opportunity. They want to test out ideas in a marketplace or eventually start their own small business.
- **Displaced workers** - These are the unemployed. Some may be long-term unemployed, meaning they may not technically be in the workforce anymore since they have stopped looking for a job. Others have experienced a loss of employment or even their careers. The risk level and barrier to entry for work can be lower for sharing platforms than for traditional employment. In some cases, all that is needed to get started is something an individual already has, such as a car, a driver’s license, or a clean background check. In other cases, these individuals bring significant skills to the table. For example, we have a QuickBooks Self-Employed customer in his fifties who was laid off from his job as an engineer and now works on the TaskRabbit platform as a handyman for hire. Under less than ideal circumstances, it has enabled him to pay off debt without having to dip into his savings.
- **Part-timers who need flexibility** - These might be students, stay-at-home parents, or caregivers for family members. They are people that have demands on their time and are not currently in a position to take a job with rigid hours. Many of them would not be working at all were it not for the ability to make their own schedule. Others would be, out of dire necessity, but they would be making a monetary or time-oriented sacrifice to do so.
- **Side-giggers looking for extra cash** - These people usually already have at least one job, but they are looking for supplemental income. In many cases, they are only planning to

continue working in the sharing economy until they reach a desired financial goal or build savings. Some of them are in between jobs and the sharing economy work is a stopgap measure to keep them afloat. Others are looking to start their own business and want to dedicate most of their time to getting it off the ground, but they still need some income in the meantime. This category can also include retirees - individuals who may still receive pension or retirement but are using this income to pay for other expenses.

While these are five common explanations heard when asking people how they came to work for a sharing economy platform, it is important to remember there are often several motivations that influence people's decisions, and these profiles are fluid. Taken together though, the profiles represent a new breed of entrepreneur. They do not have to find their own customers, since they are provided by technology. They just need to have the required skill, or time, and do the work.

But this new economy does come with its challenges.

Unique Challenges of the Self-Employed

People who are self-employed, including sharing economy workers, are ultimately a business of one, and they have a unique set of financial management needs:

- They often have co-mingled business and personal expenses and banking accounts.
- They get paid a gross amount and do not have visibility into their real income or what is safe to spend. They do not have the luxury of income statements that salaried employees might take for granted.
- They are often unclear about their quarterly and year-end tax obligations. They should pay taxes quarterly and most likely owe taxes versus getting a refund.
- Many self-employed workers, especially those in the sharing economy, do not necessarily know that they are considered a small business in the eyes of the U.S. tax

structure. Therefore, they may not know that they have to keep track of expenses and receipts in order to get critical tax deductions.

Take for example a driver that takes fares for multiple ridesharing companies, or someone who drives in the evening through Lyft and delivers groceries during the day through Instacart. They are now getting paid a gross amount daily by each sharing platform and incurring expenses related to multiple jobs. They have to track their own income, file tax forms four times a year, and ultimately figure out how to fend for themselves as a business of one.

We created QuickBooks Self-Employed to solve these challenges. The less time people spend figuring out their expenses and taxes, the more time they have to earn a living.

QuickBooks Self-Employed

QuickBooks Self-Employed empowers the self-employed worker segment of the small business community by alleviating the business and financial uncertainties characteristic of this small business population. Customers log into the QuickBooks Self-Employed product and connect their online banking accounts so that the transactions that have occurred related to these accounts appear as a list on screen. Users then categorize the income and expense transactions from the list as business or personal. They can also split an expense between the two categories. Separating their finances into two figurative piles creates clarity for users around what is considered personal income versus business income, which then informs their quarterly tax payments. The product helps users estimate their tax payment amounts and then prepopulates the necessary forms, making the tax compliance process simple.

Additionally, as a user categorizes their business expenses within the product, they are building the documentation required to complete their Schedule C for end-of-year deductions in order to appropriately reduce their tax burden. They can take this Schedule C to their tax preparer or into tax software to use in filing their tax assessments.

QuickBooks Self-Employed is an online and mobile product, so that users can access it anywhere, making it easier to stay on top of their financial situation.

Intuit Recommendations: Opportunities to Support the Sharing Economy Workforce

Based on all that we have and will learn about our self-employed customers, Intuit continues to look for ways to support them, both through our products and our recommendations for a common sense, flexible and forward-thinking policy landscape. Much more can be done from a regulatory perspective to help the self-employed, including those working in the sharing economy.

As discussed earlier, sharing economy workers are not always aware of, or even receiving, information they need in order to make smart decisions about their finances, tax obligations or benefit opportunities, whether it be from regulators or the platforms for which they provide services.

Sharing economy workers face unique and often complex tax obligations, which can be frustrating and intimidating, especially if they are not aware of the regulatory structure they fall into. Our product helps protect sharing economy providers by ensuring that they are meeting their tax compliance obligations.

Intuit would like to see the following challenges addressed to better support the self-employed broadly, including those that work in the sharing economy:

Clarify What Constitutes a “Record” for Schedule C Tax Compliance – Sharing economy workers are now finding customers and income at the touch of a button on a mobile device. Yet they must keep paper records to verify their Schedule C deductions. This requirement raises questions about the statutory and regulatory definition of what a “record” entails. Could an online banking record of a transaction suffice as the required documentation? Is an electronic copy of the receipt sufficient? Flexibility with respect to the term “record” would certainly

benefit the development of this worker segment. Simple, clear guidelines that allow for a range of options to accommodate various circumstances would aid all small businesses, including sharing economy workers, and would be adaptable to new technology as it continues to develop.

Enable Sharing Platforms to Give Guidance Without Turning This Segment of the Workforce Into Employees - We believe that sharing platforms should play a role in helping this segment of the workforce meet and understand their obligations. Many of these sharing platforms limit the advice they provide to workers, for fear of triggering employment regulations that would characterize this workforce as “employees.” Yet the provision of the information would be beneficial to the sharing platforms, the workers, and the IRS. There is an opportunity for government agencies that oversee classification guidelines to provide more clarity around what type of communication companies can share with self-employed workers. We would like to see helpful and common sense information that empowers self-employed workers with regard to basic financial literacy, tax obligations and savings, be exchanged between the two parties.

Update Government Programs to Support the Self-Employed and Workers Joining Sharing Economy - We are headed towards a world where four in ten Americans will be self-employed. As part of that shift, the sharing economy is here to stay and will continue to grow, and workforce support structures and regulations need to evolve to include this new segment of the economy. There are opportunities for government agencies to assess the social programs in place already to see if they could be opened to or updated for all self-employed workers. For instance, the Department of Treasury initially released its myRA retirement savings product to employees to access through their employers. They are now planning to allow individuals to open accounts, with or without a traditional employer. This broadening of the program to include individuals, including the self-employed is important. However, this is another example where the self-employed workforce were not considered and as such, had to wait for these benefits to be open to all individuals. Creating a shift in mindset where self-employed are

considered part of the workforce is something that government agencies should continue to adopt.

Intuit and other private entities will keep innovating in this space. We believe in the power of technology to solve important customer challenges and we know that other companies have similar missions. We hope to see increased private tools and programs that will step in and fill gaps for the self-employed, including sharing economy workers. These new services, combined with opportunities for public-private partnership on solutions, will ultimately create an environment that will encourage the long-term growth and success of the self-employed.

Conclusion

Once again, Chairman Burgess, Ranking Member Schakowsky and members of the Committee, thank you for giving Intuit the opportunity to share insights from our sharing economy customers.

This hearing is a first step in the process of learning directly from this segment of small businesses as a growing part of the American workforce. It is important to draw insights about their needs and what is important to them. Through this process we can together understand the requirements of this evolution in the “new economy,” update “old economy” regulatory structures and develop the right solutions for the 21st century workforce. We encourage the Committee to continue to explore ways to adapt our current structures to meet the needs of the sharing economy’s workers. We pledge to work with the Committee on their efforts and believe that as this segment grows, the private and public sector have a great opportunity to work together to empower them to thrive.