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Honorable Congresswomen and Congressmen,

Let me begin by saying that it is an incredible privilege for me to sit before you here today. I am humbled and honored for this opportunity.

Most of all, I'm excited about the stories I am able to share with you. Entrepreneurial stories about people in the fastest growing part of the American economy: the Sharing Economy.

My goal is to provide insights gained as the largest tax and accounting practice solely focused on 1099 income earners. And to leave you all with a simple question about how to encourage the entrepreneurial spirit even more.

The sharing economy, as a global phenomena, I believe needs little introduction. Far smarter people than me that have documented its growth and prevalence. The most recent being the McKinsey Global Institute's report titled, *Independent work: Choice, necessity, and the gig economy* (October 2016), which reports that 3 out of 10 Americans at some level engage in "independent" work - a definition that spans the sharing or gig economy.

If only to gauge the magnitude of the industry (which is less than ten years old), look no further than the leaders in the sharing economy:

- Airbnb, the leader in home sharing, is valued at \$31 Billion per its latest round of funding.
- The leader in coworking space, WeWork, is estimated to be worth \$20 Billion.
- Uber and Lyft, combine for a \$50 to \$60 Billion valuation by conservative estimates.
- Upwork, the largest platform for freelancers, has three million jobs posted annually worth over \$1 billion.

For these five companies alone, we are looking at a \$100-Billion-plus economy that continues to hit year-over-year exponential growth.

What is most incredible about this movement should not be lost on valuations.

What is remarkable is that the companies that "own" the sharing economy survive and thrive because of the market participants, that is, the actual "sharers."

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And it is through their incentives, those of everyday working people hustling for that extra dollar, that these industry players - the Ubers, the Airbnbs, the Upworks of the world - are reaching massive valuations.

And that's the value of these companies. They've created marketplaces that people actively engage in. Marketplaces that suppliers and consumers, service providers and service demanders alike have adopted as a part of their lifestyle. For evidence of how disruptive losing this marketplace can be to everyday life, see Uber in London circa 2017.

If deadweight loss inhibits the exchange of goods and services between buyers and sellers due to market inefficiencies, then these sharing economy titans have been deadweight killers, enabling new market players and exchanges.

In our view, what is truly exciting is that these marketplaces have given rise to a new entrepreneur, the solopreneur. And in large numbers. By our estimates, of the 4 million listings on Airbnb worldwide, 2 million are in the United States. Lyft claims about 100,000 drivers in the U.S. market while Uber has 1.5 million drivers worldwide. The McKinsey study referenced earlier points to 162 million solopreneurs across the United States and Europe.

What has moved me in my time serving the solopreneur is both the diversity and passion of the clients who have come through our digital doors.

Whether it's the single mom in Cincinnati who lists her guest room so she can spend more time with her son instead of working a double shift, or the teacher in Urban LA who drives to chip in for extra school supplies, these are stories of heroes who found the purposeful hustle in the sharing economy.

Gone are the barriers to entry. Today people from different walks of life exchange time, services, share space and talent in a digitally-enhanced way that previously could only be imagined.

And what does this say about the business community we're creating?

Sharing space, assets, and talents is something we do only when we trust each other. And something we build only when we interact with each other. We build trust not just in the people, but in the institutions, and community in which they take place.

And for all the work and trust and community these entrepreneurs are building, it is my view that what they are offered in terms of tax benefits is extremely lacking. It frustrates me coming from a

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background where we had boxes worth of tax code for our corporate clients, but only a handful of tax planning options for the solopreneur.

I am in support of the bill to amend the tax code for small businesses. But I ask does it go far enough?

I cannot tell you how many times I've heard a sharing economy worker, in awe of their tax liability after working longer, smarter, and harder. To tell them that any return on post-tax dollars invested into their businesses is taxed again and hit with Self Employment taxes makes even less sense to me every time I explain it.

The arcane limits on deductions for sole proprietors are of no help. Incorporating a side hustle requires high costs and maintenance that for solopreneurs is contradictory. The very nature of their work is supposed to be low-cost and low-maintenance.

Moving forward, solopreneurs will need validation that income earned from their side hustles will not be burdened by policy makers. Solopreneurs need to be told that their entrepreneurial efforts are supported by the very leaders who are proponents of their work. They need to be told that Congress gets it. I will wait with them and hope that we can advance a tax policy that will make the environment for America's hustlers even greater.

Thank you,

Miguel Alexander Centeno

Partner  
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