

U.S. House of Representatives Committee on Small Business

Testimony on “National Entrepreneurs’ Day”

Presented by:

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Good morning, my name is Jen Pepper and I’m a creative entrepreneur from the North Shore of Massachusetts. Thank you, Chairman Chabot, Ranking Member Velazquez, and members of the Committee for the opportunity to share my story with you.

I opened my first Etsy shop, Peppersprouts, in 2008, where I make nature inspired home decor. For those of you not familiar with Etsy, it’s an online marketplace where you can buy handmade and vintage goods from artists, designers and collectors around the world. When I started selling on Etsy, I was working as a full-time design director in a marketing and branding firm in New York City. Peppersprouts was a creative outlet for me. I sold some paper cut illustrations and a few greeting cards, but I wouldn’t have considered it a business.

A few months in, I received a discount code through an Etsy contest to try laser cutting for the first time. I illustrated a design for a set of coasters, as interior decorating has always been a passion of mine, and I had them laser cut. After posting a photo of the finished product online, I began getting encouraging responses from friends, strangers, and even a blog. With that positive encouragement, I started selling the coasters on Etsy.

That’s when PepperSprouts took off. All of the sudden, my coasters were featured in national magazines, sold in museum gift shops, and most importantly, treasured by people all across the world.

In 2010, I decided to open another Etsy shop called The Chatty Press, selling stationery and address stamps. I ran this shop in addition to working as a full-time graphic designer and continuing to manage my first shop. The Chatty Press grew slowly and steadily. After another successful holiday season in 2012, my fiancé and I agreed that I would quit my day job after our wedding that summer, and try to make my Etsy shops a full time gig.

Unfortunately, the catalog I was working for went under in March of that year, which expedited our plans. Although my move to full time entrepreneur happened a bit sooner than we expected, it is the best thing that could have happened. This spring will mark my fourth year as a full-time creative business owner, a milestone I am incredibly proud of. Creativity runs through my blood and so does the entrepreneurial spirit. My businesses give me the opportunity to pursue both of these passions.

And my experience is not unique. There are over 1.5 million sellers on Etsy, and together we sold \$1.93 billion in goods in 2014. Most of those sellers are from traditionally underrepresented populations. For example, 86% of Etsy sellers are women, and they are twice as likely than traditional small business owners to be under the age of 35. Many sellers are parents with children at home and 17% of sellers have an annual household income under \$25,000.

For many, Etsy acts as a starting point to creative entrepreneurship by eliminating the barriers and risks to starting a business. It costs just twenty cents to list an item on Etsy, and the platform takes just 3.5% of every transaction. It's not surprising that nearly half of all Etsy sellers sold their goods for the very first time on Etsy, just like me.

Some might be inclined to write off the Etsy sellers as amateurs or hobbyists, but we are small business owners in our own right. 76% of all Etsy sellers label their shops to be businesses, and for 30% of sellers, their creative business is their sole occupation. For the rest, their creative businesses provide an important source of supplemental income.

Every part of my business stems from my heart and my own hands. Like the vast majority of Etsy sellers, I run all aspects of my shop on my own, working out of my home. I write my own copy, design my own ads, photograph my own products, draw my own designs, stain and sand every set of coasters, and typeset every address stamp that is sold through my shops. It is through my personal connection to each handmade good, that I am giving back to the world.

While operating as a business of one has been truly liberating, it has come with challenges that policymakers could help address.

First, I have serious concerns with proposed legislation that would require sellers like me to collect and remit sales tax in every state. In particular, I am concerned about the Remote Transactions Parity Act (HR 2775), which would require sellers who use online platforms to collect and remit sales tax in every state, regardless of how big they are. I sell my items at craft shows in multiple states, and work hard to make sure I comply with the local rules wherever I go. But there are over 9,000 tax jurisdictions in the United States – it would be nearly impossible for me to manage these new requirements without hiring additional help. The Remote Transparency Parity Act would increase barriers to entrepreneurship and stifle creative micro-business owners like me, who would simply not have the time or resources to comply.

Second, policy makers could help businesses like mine by reducing the barriers we face when shipping goods across borders. Right now, around 15% of my sales are to people in the UK, Australia, and Canada. While it's rewarding to imagine my products in homes across the world, it can be a frustrating process to ship them there. Customs and duties requirements vary by country, and tracking often stops at the border. To successfully export my goods, I have to work much harder than larger businesses, which have the means to navigate complex shipping challenges and trade rules. Policymakers can help creative micro-entrepreneurs like me by prioritizing a higher de minimis customs exemption in trade negotiations around the world. I'm thankful for the provisions in the customs bill increasing the US de minimis to \$800 and encouraging USTR to prioritize this issue in future trade negotiations. I encourage lawmakers to quickly pass this important piece of legislation.

Finally, creative policymakers can help build new systems to ensure economic security for self-employed people like me. As a business of one, it can be incredibly difficult to manage periods of slow sales, save for retirement, or even take a sick day. My IRA has barely seen a few new dollars since I began working for myself full-time. And, I have a weekly doctor's appointment that takes me away from my studio for half a day. When you are a business of one, there are no co-workers filling in when you are sick. Time away from the studio means money lost, and increased stress upon return. More people are earning income outside of the employer-employee relationship and working in the broader gig economy. I encourage policymakers to

consider new portable benefits models that ensure everyone has access to economic security, regardless of the way they earn a living.

I am deeply appreciative of the opportunity to share my story with you, and hope that I have shed some light on the challenges creative entrepreneurs face today. Like 90% of Etsy sellers, I wish to continue to grow my creative business. I hope this coming year brings more success, and more customers so that I can hire an employee, and perhaps even move into a studio space, rather than continuing to work out of my wonderfully decorated spare bedroom. My dream is not only sell my work, but also create a lasting business that is bigger than myself. I welcome the opportunity to work with you to help make that dream a reality.