



August 28, 2015

Mr. Jay Coen Gilbert
Mr. Bart Houlahan
Mr. Andrew Kassoy
Founders
B Lab
155 East Lancaster Avenue, 2nd Floor
Wayne, PA 19087

Dear Mr. Gilbert, Mr. Houlahan and Mr. Kassoy:

Americans for Tax Fairness applauds the [B Corp Declaration](#) that envisions a global economy that uses business as a force for good. We also share your belief that “all business ought to be conducted as if people and place mattered.”

B Corp status is an important standard that a lot of consumers use when making decisions about which companies to buy products and services from. It is important that this standard not be weakened by a previously certified B Corp that has changed its behavior and is now using unethical business practices.

Unfortunately, this is what has happened to Etsy, the Brooklyn-based online craft seller. The company recently [changed the structure of its subsidiary in Ireland](#), a tax haven, so that it doesn't have to publicly report certain financial data, making it easier to avoid taxes. In using the Emerald Isle to dodge paying its fair share of taxes, Etsy joins other infamous offshore corporate tax-avoiders like [Apple](#), [Google](#) and [Microsoft](#).

Etsy was certified as a B Corp in 2012. After going public in April of this year, news reports indicate B Lab must recertify Etsy in order to maintain its B Corp status.

B Lab's Katie Holcomb told [Ars Technica](#): “The re-certification process requires the completion of a new B Impact Assessment which includes a Disclosure Questionnaire. This Disclosure Questionnaire has a question about the use of corporate structures to avoid taxes. The question is: ‘Has the Company reduced or minimized taxes through the use of corporate shells or structural means?’”

For Etsy, the answer to that question is obviously “yes.” The company says so in its [June 30, 2015 quarterly SEC filing \[p. 48\]](#): “Our new corporate structure changed how we use our intellectual property and implemented certain intercompany arrangements. We believe this may result in a reduction in our overall effective tax rate and other operational efficiencies; however, the tax laws of the jurisdictions in which we operate are subject to interpretation, and their application may depend on our ability to operate our business in a manner consistent with our corporate structure. Moreover, these tax laws are subject to change. Tax authorities may disagree with our position as to the tax treatment of our transfer of intangible assets or determine that the manner in which we operate our business does not achieve the intended tax consequences. If our new corporate structure does not achieve our expectations for any of these or other reasons, we may be subject to a higher overall effective tax rate and our business may be adversely affected.”

This tax dodge was nicely summarized by [Neil Buchanan, a George Washington University tax law expert](#): “Translation: We figured out a technically legal way to cut our tax bill, and it doesn’t bother us that doing so reduces the ability of our government to fund programs that we otherwise claim to support. We’ll get back to you when we’ve figured out any other ‘operational efficiencies’ that we might exploit.”

Another tax expert, Robert Willens, told [The Wall Street Journal](#), “There is nothing to be gained other than tax savings” from Etsy’s Irish maneuver.

Etsy is now one of those corporations ducking out on its obligations to the nation that made its success possible. When corporations do not contribute their fair share of taxes, other businesses and individual taxpayers have to make up the difference.

Etsy’s tax dodge is standard operating procedure among our country’s giant multinational corporations. We hope it will not be acceptable as a B Corp standard. Therefore, we respectfully ask that B Lab make Etsy’s B Corp designation contingent upon its elimination of the use of its subsidiary in Ireland to dodge taxes.

Sincerely,



Frank Clemente
Executive Director
Americans for Tax Fairness