

NEWS RELEASE

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Online Buyers and Sellers: You May Owe State Taxes

The California State Board of Equalization (BOE) and the Franchise Tax Board (FTB) urge online buyers and sellers to be informed about their tax obligations. The Internet is a dynamic and convenient technology that many businesses use to sell their products and that shoppers use to find great deals. However, one essential fact is often overlooked — there is no general tax exemption for sales made over the Internet.

The BOE and FTB are jointly contacting Internet auction houses to provide them with educational material to help their customers meet their state tax responsibilities. The BOE and FTB created a new publication designed to assist online buyers and sellers to understand their tax responsibilities titled, [Online Buying or Selling — Know Your Tax Obligation](#).

Sales Tax

The tax imposed on retail sales here in California is called sales tax, and the retailer is responsible for reporting and paying the tax to the BOE. California retailers typically collect tax reimbursement from their purchasers for the sales tax these retailers owe. If a business is located in California, Internet sales of its physical products are generally taxable. For sales tax purposes, Internet sales are treated just like sales made at retail stores and other outlets. A seller's permit is generally required if a business makes three or more sales in a 12-month period. This applies even if sales are made through Internet auction houses or websites that offer online classified advertisements.

Use Tax

When a California purchaser buys from an out-of-state retailer who does not collect California tax on the sale, it is the responsibility of the individual purchasing the product to report use tax on the item paid. Use tax is simply a tax on the use, storage, or consumption of personal property in California. As an individual, use tax can be reported and paid either through a separate line designated for use tax on the California state income tax return or by filing a consumer use tax return directly with the BOE. If the purchaser is a retailer with a seller's permit, the use tax should be reported on the regular sales and use tax return.

Income Tax

In general, California taxes the income of residents on all of their income, regardless of source. A state tax return is due when an individual's income reaches certain levels. For 2009, a single person must file when his or her income reaches about \$15,000. If you are

an online auction seller and have exceeded this income level, you may have income tax obligations.

About Us

The California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes.

The main role of the Franchise Tax Board is to administer California's personal income and corporation tax laws. Combined, these two tax programs comprise more than 60 percent of the state's General Fund for major tax and license revenue. Over the years, we have also been given added responsibility to administer certain nontax programs. Board members are the State Controller, the director of the Department of Finance, and the chair of the State Board of Equalization.

Resources

Additional helpful information (some publications also available in non-English languages):

[FTB 3730 – Online Buying or Selling—Know Your Tax Obligation](#)

[FTB 988, California Use Tax & Your Filing Requirements](#)

[Publication 109, Are Your Internet Sales Taxable?](#)

[Publication 177, Internet Auction Sales and Purchases](#)

[Publication 110, California Use Tax Basics](#)

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For more information on other taxes and fees in California, visit www.taxes.ca.gov.