



State Board of Equalization

News Release

Betty T. Yee, Member

1st District – San Francisco

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Holiday Shoppers Buying Online May Owe Use Tax

Use tax ensures fairness for retailers and funds essential services

As the holiday shopping season begins, Betty T. Yee, First District Member of the California State Board of Equalization (BOE), reminds consumers they may owe use tax if they purchase gifts from online retailers that do not charge sales tax.

“The use tax brings fairness to the marketplace by making sure that online retailers play by the same rules as storefront retailers,” said Ms. Yee. “It also funds essential services such as public safety, schools and libraries.”

Under current law, consumers are required to pay use tax if they buy taxable items from retailers that do not collect the tax. Often consumers are unaware of their responsibility. Online retailers could help raise awareness, said Ms. Yee.

“Online retailers have the closest contact with their consumers so their help in informing the public could go far toward increasing compliance with the law,” said Ms. Yee.

The Board of Equalization estimates that the state loses more than \$1.1 billion in revenues from unpaid use taxes from consumers and businesses. Use tax is equal to the sales tax the consumer would have paid if he or she had purchased a similar item in California.

Traditional, storefront retailers are required to collect the sales tax at the point of purchase, ensuring that the state receives sales tax revenues.

Currently, many online, out-of-state retailers do not collect the tax, which gives them an unfair advantage over retailers that do collect the tax. State legislation passed this year will require many online and out-of-state retailers to collect the tax next year, which will increase state revenues and relieve some consumers of the burden of calculating and paying the tax on their own.

Until the legislation takes effect, however, many consumers will need to report and pay the tax. They can calculate their use tax by totaling the value of the taxable items they purchased from retailers that do not charge sales tax and multiplying that total by the tax rate that applies to them. Most consumers report that total on their state income tax return. Consumers can find the tax rate that applies to them and more information about the use tax on the [BOE website](#).

California use tax was established in 1935 to eliminate the price advantage out-of-state retailers would have over California businesses that collect and send sales tax to the BOE.

Board Member Betty T. Yee was elected to her post in November 2006. Her district includes many of California's coastal counties, from Del Norte to Santa Barbara, and includes the entire San Francisco Bay Area.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects more than \$50 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. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

California Use Tax Information: <http://www.boe.ca.gov/taxprograms/usetax/index.html>

Ecommerce Estimate: <http://www.boe.ca.gov/legdiv/pdf/e-commerce-11-10.pdf>

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