



State Board of Equalization

# News Release

**Betty T. Yee, Member**

**1<sup>st</sup> District – San Francisco**

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## **Betty T. Yee Releases Ecommerce Analysis**

Betty T. Yee, First District Member of the Board of Equalization (BOE), today released a staff analysis of ecommerce buyers and sellers. The May edition of the *Economic Perspective*, produced by BOE research staff, summarizes that, "Internet sales are highly concentrated in large sellers. These online sales and their associated use tax payments vary greatly according to household income group."

Use tax is the equivalent of sales tax and applies to purchases from retailers who are not required to report and pay sales or use tax in California. Out-of-state Internet sellers (or other out-of-state retailers) that do not have any physical presence in California are not required to collect California tax. Therefore, individuals or businesses that purchase items from out-of-state retailers that do not collect California tax are required to pay the use tax directly to the state.

"This report documents the growth and diversity of online retailing, as well as the low rate of tax compliance in this area," said Board Member Yee. "It further illustrates the state's need for additional tools to collect use tax from online retailers on the same terms as local, 'brick and mortar' outlets."

The BOE report released today points to many factors related to Internet sales:

- The top 10 ecommerce firms of the top 500 largest retail websites, ranked by annual sales, account for 48 percent of all ecommerce sales made
- Sales made by ecommerce retailers average about \$660 per U.S. household with an Internet connection
- The average sale is \$210 per transaction
- Households with incomes between \$60,000 and \$100,000 account for about one third of all Top 500 ecommerce retailers' sales
- Households with greater than \$100,000 incomes account for 27 percent of purchases
- Low income households spend proportionately similar percentages of their incomes online as middle and upper middle class households (about 1.5 percent)
- The highest income group spends proportionately much less of their income online (0.6 percent)
- Taxpayers are paying an average of about 1.4 percent of the total use tax liabilities they owe
- High income taxpayers paid an average of four percent of their liabilities
- Compliance is less than one percent of liabilities for all household income groups other than the highest earning group

BOE's most recent estimate is that about \$1.1 billion in use tax due goes uncollected each year.

The *Economic Perspective* newsletter is a quarterly publication produced by the BOE that looks at economic factors of interest or that influence California economic activity.

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 \$48 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](http://www.taxes.ca.gov).

Related materials:

May 2011 Economic Perspective: <http://www.boe.ca.gov/news/2011/pub329.pdf>

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

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

Top 500 report: <http://www.internetretailer.com/top500/list/>

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