



State Board of Equalization

News Release

Chairwoman Betty T. Yee

1st District – San Francisco

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Betty T. Yee: Save Receipts from Online Purchases

Use Tax May be Owed on Purchases from Out-of-State Retailers

Betty T. Yee, Chairwoman of the Board of Equalization (BOE), is today reminding Californians that while online shopping is a convenient way to quickly take care of holiday gift needs, use tax may be owed on those purchases made online or from out-of-state retailers.

Use tax generally applies to sales made outside the state or online when sales tax isn't applied by the retailer. Sales tax applies to most in-state purchases. Online or catalog retailers are not required to collect sales tax unless they have a physical presence in California. The consumer is required to pay use tax when the out-of-state retailer does not collect sales tax.

California use tax has existed since 1935. It was established to eliminate the price advantage out-of-state retailers would have over California business that collect and send sales tax to the BOE.

According to estimates recently released by the BOE, the average California household owes \$47 per year in use tax, while the average business use tax obligation is \$166 annually.

Use tax can most easily be reported and paid through a separate line on the California State income tax return due for most filers on April 15 of each year. A BOE consumer use tax return can also be filed 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. A new law requiring service industry businesses with more than \$100,000 in gross receipts to register with the BOE for the purpose of paying use tax is in effect for the 2009 calendar year, and those returns are due to the BOE by April 15, 2010. The service industry law is estimated to bring in \$151 million in fiscal year 2009-10.

The recently released BOE estimate points to an annual revenue loss of nearly \$1.1 billion in unpaid use tax owed by both consumers and businesses. Revenue collected by BOE from the sales and use tax supports California programs and services including law enforcement, health care, transportation, and many others.

For more information, visit the BOE website: www.boe.ca.gov

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

[Revenue Estimate: Electronic Commerce and Mail-Order Sales](#)
[Frequently Asked Questions: Use Tax](#)
[Use Tax Payment Form and Instructions](#)

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