



State Board of Equalization

News Release

Vice Chair Michelle Steel

3rd District – Rolling Hills Estates

Kristine Cazadd
Interim Executive Director
www.boe.ca.gov

For Immediate Release
May 9, 2011

Contact: NR 61-11-S
Anita Gore
916-327-8988

Michelle Steel Releases Ecommerce Analysis

Michelle Steel, Vice Chair of the State 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.

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.

Elected to the Board of Equalization in 2006 and re-elected in 2010, Michelle Steel serves as *Southern California's elected taxpayer advocate*. In December 2007, Steel discovered the Board of Equalization had delayed the return of millions of dollars in security deposits owed to California businesses. Procedures were changed due to Steel's decisive leadership. Following her investigation, the tax agency refunded tax security deposits to over 5,500 small businesses.

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.

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/>

###