



State Board of Equalization

# News Release

**Betty T. Yee, Member**

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

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## **Board of Equalization Approves Plan for New Use Tax Nexus Law**

*ABx1 28 May Create Nexus for Many Out-Of-State Online Retailers*

Betty T. Yee, First District Member of the California State Board of Equalization (BOE), announced that the Board acted today to commence a process to discuss the implementation of the provisions of ABx1 28 (Stats. 2011, Ch. 7) with interested parties, the measure that imposes use tax collection obligations on out-of-state retailers who meet certain criteria. The Board also directed staff to obtain an opinion from the Attorney General related to how the referendum process may affect the effectiveness of ABx1 28.

The changes made by ABx1 28 expand the use tax registration requirements to apply explicitly to some out-of-state retailers that previously have not collected use tax on sales to California customers. Transactions subject to use tax are generally conducted either through mail order, telephone orders, or via the Internet.

ABx1 28 provides that large out-of-state retailers that pay in-state affiliates commissions for sales completed after clicking through a link on the affiliate's website must collect California use tax.

This measure also makes it clear that out-of-state retailers must start collecting tax if they receive the benefit of services in California through certain related companies that enable the retailers to establish and maintain a market for selling tangible personal property in California. The Board will be identifying further examples through its public process.

ABx1 28 was signed into law by Governor Edmund G. Brown Jr. on June 28, 2011. The Board will now initiate a public process to consider amending Sales and Use Tax Regulation 1684, *Collection of California Use Tax by Retailers*. The first interested parties meeting will be likely be held some time in October, following the development of an initial discussion paper.

"Now that the Legislature and the Governor have enacted e-fairness to protect California's economy, we have a constitutional responsibility to implement this new law fully and expeditiously until a court or the Attorney General authoritatively opines otherwise," Yee said.

The public meeting process offers interested parties the opportunity to provide input regarding formulation or amendment of rules and regulations administered by the Board. Interested parties may subscribe to receive notices and agendas for proposed rules and regulations announcements by signing up for email notifications at [www.boe.ca.gov/meetings/boardcomm.htm](http://www.boe.ca.gov/meetings/boardcomm.htm).

California and non-California retailers with questions regarding their registration requirements or California nexus are encouraged to contact the Board of Equalization's Out-of-State Field Office in Sacramento at 916-227-6600.

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).

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