State Board of Equalization

News Release

Vice Chair Michelle Steel

3rd District – Orange County

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www.boe.ca.gov

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Online Shopping Can be Taxing

Sacramento – As California consumers load up online shopping carts this holiday season, they might not realize these purchases are taxed. Online shoppers who are not charged sales tax may owe use tax, which has been imposed on purchase from out-of-state retailers since 1935.

Use tax is charged on purchases made from out-of-state retailers on items that are used, stored, or consumed in California. If a buyer makes a taxable purchase (e.g., purchases of books, electronic equipment, and toys) from any out-of-state retailer and is not charged tax, the buyer is responsible for paying use tax. The easiest way to know if you may owe use tax is to review your receipt to see if you were charged sales tax.

"Now that certain online retailers are required to collect California sales tax, it is especially important that taxpayers save their receipts and invoices to see if sales or use tax was collected at the time of sale," said BOE Vice Chair Michelle Steel. "Taxpayers should also look for other indications that there is no use tax obligation, or that it has been taken care of, for example a notation that an item was shipped from within the state, or an invoice or statement that California tax requirements have been met."

Last year, businesses and California residents paid more than $4.6 billion in use tax. However, BOE estimates that more than $1 billion goes unpaid each year.

Use tax can be paid on the BOE website, and through the BOE's Mobile App available for Apple and Android devices. Use tax can also be paid on California state income tax forms for which an easy-to-use Use Tax Lookup Table can be used to estimate the amount owed if receipts for the purchases are not available.

Ms. Steel reminds taxpayers to be careful not to overpay their use tax if they choose to use the Use Tax Lookup Table provided with their income tax returns. The lookup table calculates use tax liabilities based on adjusted gross income. However, "the amount of use tax owed is not a percentage of income, but of taxable purchases for which sales tax was not collected," said Steel. The best way to ensure that taxpayers do not overpay their use tax liabilities, is for them to save their receipts and review them to see if use tax might be owed. Taxpayers can then calculate the exact amount owed on their receipts and write it on the use tax line of their California State Income Tax return.

Editor's Note:

- *Watch the BOE's use tax video on gift-buying: http://bit.ly/BOEGIFT*
- *See the BOE's media resource page on use tax for facts, videos, and graphics: http://bit.ly/USETAX*
- *Learn more about use tax: www.boe.ca.gov/sutax/usetax.htm#page=Overview*

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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. To date, over $100 million in security deposits have been returned to taxpayers.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects $56 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.

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