



State Board of Equalization

News Release

Chairman Jerome E. Horton

4th District – Los Angeles

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Jerome E. Horton Reports Increase in Cyber Monday Sales

As eCommerce Expands, Sales Tax Revenue Growth is Slowing

Jerome E. Horton, Chairman of the California Board of Equalization, announced today that online sales from Cyber Monday were up **33 percent** over last year, making the use tax obligation more important than ever!

According to IBM's Benchmark Cyber Monday Report, online sales and spending increased by 33 percent over online sales on Cyber Monday in 2010, and were 29.3 percent higher than online sales on Black Friday in 2011, suggesting an increasing trend toward online purchases by consumers.

eCommerce (electronic and mail order sales) as a segment of the total economy is rapidly expanding. The US Census Bureau reports that between years 2000 and 2010, electronic shopping and mail order sales have increased 138 percent, rising from 1.14 percent to 1.86 percent of GDP. As consumers increasingly purchase products such as music, movies, and software for through electronic downloads (tax-free under current law), rather than buying these products in physical formats like DVDs and CDs that would be subject to sales or use taxes, the tax base shrinks – making it even more important for California to pursue the estimated \$1.1 billion lost annually to unpaid use taxes on taxable Internet and mail order sales.

Revenue collected by the BOE from the sales and use tax supports California programs and services including law enforcement, health care, transportation, and many others.

When out-of-state retailers do not collect California use tax, California consumers remain responsible for payment of use tax on their purchases. Use tax applies generally to purchases of the same types of items that are subject to sales tax.

If you are not required to be registered with the BOE to have a seller's permit or a use tax account, **the easiest way to report and pay the use tax is on your California state income tax return**, due for most filers on April 15 of each year. You may also register with the BOE as a use tax payer and make the payment directly to the BOE.

Included in the California income tax return instructions for calendar year 2011 is a new **Use Tax Look-Up Table**, which allows individuals to estimate use tax owed on any non-business purchases of \$1,000 or less. The Look-Up Table is intended to make it more convenient for taxpayers not registered with the BOE to comply with their use tax obligations by providing an option to report estimated use

tax owed on qualifying purchases, rather than calculating and reporting their actual unpaid use tax liabilities.

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

Elected in 2010, Chairman Jerome E. Horton is the Fourth District Member of the California State Board of Equalization, representing more than 8.5 million residents in Los Angeles County. He is also the Board of Equalization Legislative Committee chairman. He is the first to serve on the Board of Equalization with over 21 years of experience at the BOE. Horton previously served as an Assembly Member of the California State Assembly from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The Board of Equalization collects more than \$50 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.

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

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