

September 10, 2011

California Lawmakers Give Amazon Tax Reprieve

By DAVID STREITFELD

SAN FRANCISCO — California lawmakers overwhelmingly approved a compromise bill Friday night giving Amazon.com a one-year reprieve from having to collect a sales tax from its customers in the state.

Under the new measure, Amazon agreed to start collecting the tax in September 2012 unless there was federal legislation on the issue. Senator Richard J. Durbin, a Democrat from Illinois, has proposed a national law requiring e-commerce companies to collect sales tax, but it has not gained much traction.

Legislatures around the country, supported by struggling bricks-and-mortar stores, have been seizing on the sales tax issue as a means of raising much-needed funds. Amazon is fighting in the courts against a New York law compelling it to collect taxes, and has used the prospect of either opening or closing warehouses as a bargaining chip in negotiations with Texas and South Carolina.

The deal with California might embolden other states, said Robert W. Wood, a tax lawyer here. "Other states needing money will look and say, 'It wasn't a smooth process, but California is going to come out ahead,'" Mr. Wood said.

California lawmakers spent much of the summer trying to compel Amazon to collect the tax, but the Seattle-based retailer aggressively resisted, spending \$5 million to gather a half-million signatures to take the matter to voters in a referendum next June.

The battle pitted Democrats and the California Retailers Association against Amazon and Republicans, who called attempts to collect the tax a tax increase. Consumers are supposed to pay a use tax on material they buy online, but few do.

Under the deal, the referendum will now be dropped. Amazon called the new measure "win-win legislation" that would allow it "to bring thousands of jobs and hundreds of millions of investment dollars to California."

Lawmakers had hoped to collect \$200 million in taxes from Amazon and other online retailers for the current state budget. That money will now have to be found elsewhere. Nevertheless, the legislators said they were pleased.

Loni Hancock, a Democratic state senator from Berkeley, said: “We would have liked them to begin collecting the tax already, but this is a positive step forward.” She mentioned another benefit: avoiding a noisy referendum campaign that the state could easily have lost.

Left unmentioned by either side was the possibility that Amazon might be trying to buy some time. If it moves several small subsidiaries out of the state, it could argue that it no longer has the physical presence in California that requires it to collect the tax.

The measure now goes to Gov. Jerry Brown, who has not spoken publicly about it. The vote occurred Friday night, with only a few dissenters in either chamber.

A version of this article appeared in print on September 11, 2011, on page A14 of the New York edition with the headline: California Lawmakers Give Amazon Tax Reprieve.