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THE TAX LAWYER

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Hidden Tax Hit On Black Friday, Cyber Monday Bargains

The California tax man—the [State Board of Equalization](#)—says you better watch out. In a catchy [interactive news release](#), the Golden State is trying to make its coffers swell with holiday tax revenues. What? You say you're trying to buy online **only** from merchants that **don't** collect sales tax? No matter.

You still owe use tax when you have the goods shipped to you in California. You might think you will never be caught. You might think avoiding sales tax at checkout means you're home free. Think again.

California isn't the only state ramping up its use tax compliance machine. There's some clever public relations involved in this campaign too. For example, California's Board of Equalization (BOE) points out that:

“Many people have not heard of use tax, but it is a vital source of funding for the state and local services that Californians rely on every single day,” said BOE Executive Director Cynthia Bridges. “This is not an Internet tax. Use tax has been the law since 1935.”



Beware online sales tax

The only states that do not have statewide sales and use taxes are Alaska, Delaware, Montana, New Hampshire, and Oregon. So, unless you are in one of those 5 states, you ***should*** have been paying use tax all along. If you make an online purchase at retail and have the goods shipped to you, you either face sales tax when you check out or use tax later.

Plus, use tax applies whether the purchase was personal or business. More and more state income tax auditors are now being asked to pursue use tax too. States historically didn't enforce it except against businesses, but that's changing. Many state income tax forms now collect use tax.

Still need convincing? California's BOE says that:

“Last year, businesses and California residents paid more than \$3.9 billion in use tax. However, BOE estimates that more than \$1 billion goes unpaid each year, enough to pay the salaries of more than 11,000 teachers or 7,000 police officers. Use tax is important to California because it supports state and local government efforts to fund schools, public safety, health care, environmental protection, road improvements, and other services.”

It's true that 45 states including California rely on sales and use tax revenues. [Use tax](#) is the mirror image of sales tax. It is charged on purchases made from out-of-state retailers on items that are used, stored, or consumed within your state. If you buy taxable items (like books, electronic equipment, or toys) from any out-of-state seller and are not charged tax, as buyer you are responsible for paying use tax. The easiest way to know if you owe use tax is to review your receipt to see if you were charged sales tax.

Then, you just calculate and pay any use tax you owe. The BOE provides three easy ways:

- Use the ePay Mobile App on an [Apple](#) or [Android](#) smartphone—the application calculates what you may owe;
- Register and pay on the [BOE website](#); or
- Report on your California state income tax forms: estimate the tax owed with the BOE's [Use Tax Lookup Table](#), or save your receipts and pay the exact amount owed.

Watch the BOE's informative [Gift Buying Use Tax](#) video. Also check out the BOE's [media resource webpage](#).

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.