

California board looking at ways to collect unpaid taxes

By Kevin Yamamura, Sacramento Bee

A state tax board is examining more aggressive ways of persuading residents to pay taxes on out-of-state purchases, from sifting through shipping records to requiring tax preparers to ask clients if they bought goods online.

The five-member Board of Equalization, which oversees sales and use tax collection, contemplated such ideas this week while discussing unpaid taxes. Long-standing law requires California residents to pay "use tax" on out-of-state purchases.

Board researchers estimate that \$2.3 billion, or 5 percent, of sales and use taxes went uncollected during the fiscal year that ended June 30, 2010. Use taxes account for \$1.2 billion a year, they said.

California has debated online sales tax collection for years, but the issue reached a political peak this summer after Gov. Jerry Brown signed legislation aimed at forcing out-of-state retailers to collect California sales taxes. Amazon.com has already contributed \$5.25 million toward a signature drive to upend the law, Assembly Bill X1 28.

The Seattle-based retailer has not collected taxes so far on California purchases, believing that it remains exempt because it severed ties with "affiliates" who previously referred customers to its website. Under a 1935 law, Californians still owe use tax on out-of-state purchases, though few pay it.

The most controversial items proposed by Board of Equalization staff were pilot projects in which the state would sift through shipping records and marketing data to determine which

residents have probably purchased goods out of state.

The idea is to identify Californians most likely to owe use tax, avoiding the need to blanket all residents with appeals to comply with the law. Board aides emphasized the state would inform residents of their responsibility rather than send itemized bills.

Still, it would mark the most direct approach the state has taken in contacting individual consumers. Since 2004, the state has offered taxpayers a way to voluntarily report use tax on personal income tax forms, but it has never communicated individually with consumers.

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