



CALIFORNIA BUDGET PROJECT

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Boost Online Sales Tax Collection To Level the Playing Field for California Businesses

SACRAMENTO, CA – A new report released today by the California Budget Project (CBP), a nonpartisan public policy research group, urges lawmakers to take a comprehensive approach to boost collection of sales taxes on online purchases in order to level the playing field for California retailers. The report, *Narrowing the Gap: Options for Boosting California's Sales Tax Collections From Online Retailers*, shows that this effort would also bring in much-needed revenues that would help to close California's budget gap.

"Online retailers' refusal to collect sales tax owed by their customers hurts homegrown businesses and shortchanges California," said Alissa Anderson, deputy director of the CBP. "California should join states from Texas to New York and take comprehensive and aggressive action to level the playing field for in-state businesses."

Some online superstores, such as Amazon.com, have structured their businesses explicitly to avoid collecting state sales taxes, giving them a perceived price advantage over local stores and California-based online sellers.

While consumers are legally obligated to pay taxes on purchases made from these out-of-state merchants, few do, largely because few are aware that they owe any tax. Since most out-of-state retailers refuse to collect the tax, California loses more than \$1 billion each year in uncollected sales taxes, an amount expected to grow as soaring online sales outpace growth in purchases made from traditional "brick-and-mortar" retailers.

The CBP report outlines a number of strategies which, taken together, would help California combat the tax avoidance practices of Amazon and other companies that undercut in-state businesses, cost jobs, and pull dollars out of local communities.

For more information, read the *Budget Brief* online at www.cbp.org.

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The California Budget Project (CBP) engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, publications, and individual contributions.

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