

Use tax on internet purchases now in effect Sept. 18, 2012

California now requires online and remote retailers to collect use tax from California customers, based now on both affiliate nexus and click-through nexus provisions enacted by AB 155 (Ch. 11-131).

The California Department of Finance issued a certification letter on August 15 confirming that federal legislation on the issue of online tax collection had not been enacted, which would have resulted in the remote sellers tax collection provisions taking effect in 2013. The BOE also issued a Special Notice to retailers, notifying them that on and after September 15, 2012, an out-of-state retailer will be considered engaged in business in California and required to register with the BOE to collect and remit use tax if the retailer has a substantial nexus with California.

We recently discovered that Amazon and other large online retailers are beginning to collect sales or use tax on sales made over the internet in situations where no tax had been collected previously. Amazon has announced that they will not collect sales or use tax on third-party sellers.