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THE TAX LAWYER

Nov. 7 2011 – 6:11 am

### Doing Business In California Means You Owe Taxes

Are you doing business in California? You might think it doesn't matter, but you'd be wrong. If you're a merchant, an internet seller, or even a salesperson tiptoeing into California, it pays to beware. The Golden State has many good things but you don't want to be labeled as "[doing business](#)" unless you're really doing it and prepared to pay.



This information from the state may be helpful:

- [If you have people working for you](#)
- [If you have independent contractors](#)
- [If you are a retailer or purchase goods subject to sales or use tax](#)
- [Income taxes for your business type](#)

California's infamous [Amazon tax](#) says who is "[doing business](#)" in the state. What if you have no employees, property, or other ties to California, but merely ship goods into California from out of state? Can California say you have economic nexus here and must file and pay California taxes?

Soon, any business will be considered to have economic nexus to California if:

- It is organized or domiciled in California;
- Its sales exceed the lesser of \$500,000 or 25% of total sales;
- Its payroll exceeds the lesser of \$50,000 or 25% of its total compensation; or
- Its real and tangible personal property exceed the lesser of \$50,000 or 25% of the entity's total real and tangible personal property.

The law originally took effect January 1, 2011, but was put on hold by [AB 155](#) which temporarily repealed it. The bill signing capped Amazon's late night deal with legislators. See [How Amazon's California Tax Romp Will Impact Us All](#). In less than a year—starting [September 15, 2012](#)—Amazon and other online retailers must collect California sales or use tax.

Online sellers face mounting pressure to collect sales taxes across the country. If you want to click and buy in California, do it before September 15, 2012. The compromise Amazon struck with money-hungry California was that the tax faucet would turn back on September 15, 2012 **only** if the federal government **does not** pass any federal online tax measure. If the [Main Street Fairness Act](#) passes it would impose a national tax standard but allow states abiding by the [Streamlined Sales and Use Tax Agreement](#) to force Internet sellers to collect tax.

For more, see:

[Look Out for the Amazon-ian Sales Tax](#)

[Amazon Tax: Good, Bad and Ugly](#)

[California Settlement Changes Game for Internet Sales Tax](#)

[The Amazonian Response To Sales Tax](#)

[Will California Super-Amazon Tax Bill Thwart Voters?](#)

[California Taxes In Heart Of Amazon Country](#)

[Amazon Wins Reprieve on California Tax in Exchange For Jobs](#)

[California Lawmakers Give Amazon Tax Reprieve](#)

[Doing Business In California – California Tax Service Center](#)

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