

# Amazon to cut off California-based Web affiliates

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(AP) -- Amazon.com Inc. said Wednesday that it will stop working with online affiliates based in California since the state passed a new rule that forces online retailers to collect sales tax there.

In an email Wednesday to California-based affiliates - individuals or companies who run websites that refer visitors to Amazon and then get a cut of any resulting sales - the Seattle-based company said it would cut ties with those who reside in the nation's most populous state if the law became effective. Gov. Jerry Brown signed the law Wednesday as part of a larger state budget package.

The rule requires online retailers such as Amazon to collect sales taxes if they have in-state affiliates.

In its email, Amazon called the bill "unconstitutional" and "counterproductive."

Passage of the law, which is projected to net \$200 million annually, adds California to a growing list of states that have enacted such legislation in hopes of bringing in more tax revenue.

Billions of dollars are at [stake](#) as a growing number of states look for ways to generate more revenue without violating a 1992 U.S. [Supreme Court ruling](#) that prohibits a state from forcing businesses to collect [sales taxes](#) unless the business has a physical presence, such as a store, in that state. When consumers order from out-of-state retailers, they're

supposed to pay the tax that is due, but they rarely do and it's difficult to enforce.

States are trying to get around the Supreme Court restriction by passing laws that broaden the definition of a physical presence. Online retailers, meanwhile, are resisting being deputized as tax collectors.

California will become the latest state in which Amazon has parted ways with members of its Amazon Associates Program. Already it has said goodbye to affiliates in states including Arkansas, Connecticut and Illinois due to the passage of similar online [sales tax](#) laws. Smaller [competitor](#) Overstock.com Inc. has shuttered its affiliate programs in several states due to the laws as well.

California passed such a law in 2009, but then-Gov. Arnold Schwarzenegger vetoed it.

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