

Alert | State & Local Tax (SALT)



June 2024

California Senate Passes Data Extraction Tax Proposal

On June 27, 2024, California Senate Bill 1327 (SB 1327) passed the Senate. The bill, which was introduced by Sen. Glazer, now heads to the Assembly for additional consideration.

SB 1327 proposes to impose a 7.25% tax on gross receipts derived from data extraction transactions to support journalism in the state. “Data extraction transactions” are defined as those where the taxpayer (1) sells user information or access to users to advertisers, and (2) engages in a barter by providing services to a user in full or partial exchange for the ability to display advertisements to the user or collect data about the user. However, a “data extraction transaction” does not include web-hosting services and domain registration. Gross receipts are deemed to be derived from a data extraction transaction if they derive from the sales of advertising services on a digital interface.

The bill would only apply to those persons generating \$2.5 billion annually in gross receipts derived from data extraction in the state. The bill does not specify when the new data extraction tax would go into effect. While the bill is labeled as a data extraction tax, the tax mirrors Maryland’s enacted digital advertising tax in substance and suffers from some of the same legal infirmities.

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