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To California Taxpayers For Sales Taxes Improperly Collected On Dell Service Contracts.

Jan. 15, 2013

More than four million notices are being mailed to California consumers informing them of two class action settlements reached in a decade-long lawsuit over the collection of sales tax on purchases of computer hardware service contracts from Dell Computer.

Under the terms of the respective settlements, which cover purchases made between April 8, 1999 and June 30, 2008, funding for the settlements will be provided by Dell and the California State Board of Equalization. The settlements followed a 2006 trial court's decision, later affirmed on appeal by the California Court of Appeals in 2008, ruling that optional service contracts sold by Dell were not subject to California sales or use tax, as they did not constitute tangible personal property and were readily separable from the computer hardware with which they were sold.

A similar class action lawsuit brought on behalf of taxpayers in the State of Washington was settled in 2006.

"These settlements represent an important victory for California consumers and businesses," said Fredric Ellis, a Boston attorney appointed as class counsel for the California settlement classes. "After a long fought battle, including a trial and multiple appeals, we are thrilled that the taxes which were wrongfully collected by Dell will finally be returned to California taxpayers."

Under the two settlements, which are awaiting final approval by the court, customers of Dell who purchased and paid tax on service contracts covering

computer hardware during the class action period will be entitled to a full refund of

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