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SALES TAX

Dell settles class action suit over sales tax on service contracts in Calif.

Landmark Class Action Settlements Result In Over \$275 Million Available For Refunds 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 all such taxes that they paid.

Over \$275 million in refunds will be available to be claimed. The notices mailed to customers inform them of the amounts of refunds available to them and instructions for the timely filing of claims.

California consumers wishing additional information about the settlements may visit the settlement website, www.sctaxsett.com.

Sales Tax

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