

Smart Revenue Solutions to Save Our State updated May 4 2010

Important Dates Next Week for Revenues:

- **May 10 Assm Rev & Tax 1:30 Rm 126 Chair Portantino**
- **May 12 Sen Rev & Tax; SubC on Tax Credits 1:30 Chair Wolk Rm 3191**
- **May 13 Sen Budg Sub 5 - Revenues Room 113 9:30 or on adj of Senate Chair Duchenev**

1. **AB 1935 (Asm. de León) - AB 1936 (Asm. de León) – repealing corporate giveaways that were passed in 2 bills without any public input in Feb 2009. These corporate tax breaks will cost the state \$685 million in 2010-2011 and benefit only the largest corporations. If these tax cuts become permanent, they will cost the state upwards of \$2 billion each year.**

Status: In suspense. Needs to get out of Suspense at May 10 Rev & Tax Hearing. (1:30, Room 126). Then would go to appropriations (?)

More Info: Hollywood really benefits. Apple, Genentech. Even Governor has proposed postponing implementation of these laws because we need the revenue. Terrible tax policy, even businesses agree (privately). Businesses may be willing to agree to repealing one of the laws (privately) in light of Nov ballot initiatives that would repeal

Talking points: Passed without any public hearings; cost state money; Missouri only state that allows corps to choose an annual election of how they pay taxes and it hasn't spurred economic growth at all. For more info see De Leon's site or CTRA.org

Action: Attend hearing May 10. Organizations should send support letters.

2. **AB 1604 (Asm. Nava) – 10% oil severance tax that would be deposited all into the General Fund with zero impact on California consumers.**

Status: Will be heard May 10 Rev & Tax hearing. Press conf at 11am Monday May 10. Need letters and people to show up for hearing.

If it gets out of suspense it goes to floor.

More info: Chair of Rev & Tax prefers that funds go directly to higher ed, rather than General Fund. (proposed by Torrico). Portantino is new chair and just getting up to speed. CA barrels go for a little less than other states, maybe \$75. Dept of Conservation (ie Administration) opposes

Talking points: We are the only state and country in the world that doesn't charge a tax on drilled oil. Chevron has a 26% profit margin. Oil companies can afford this, even if they say that Calif oil is more expensive to drill than other states. Bill does not provide incentives for new drilling. Texas gets \$14 a barrel in fees. We get only \$3 – mostly in pollution mitigation

Action: need support letters. Call Portantino, Chair of Rev and Tax

3. **AB 2492 (Asm. Ammiano) - Would modernize how commercial and industrial properties are assessed during changes of ownership and end the corporate loopholes that let corporations avoid reassessment when properties are sold.**

Status: will be heard for first time May 10 in Assm Rev & Tax. Press conf May 6 Governor's Press Room 1:00 (PV speaking).

More info: won't raise more than a couple of hundred million but is part of long-term strategy to re-define assessment of commercial property taxes. Mainly targets bank mergers and private equity firm-buyouts. ACCE doing press conferences in Oakland, San Diego, etc. Additional revenue goes to counties and schools, allows state to back out of general fund expenditures for schools.

Action: Attend hearing in Rev & Tax May 10. 1:30, Room 126. Call Portantino and committee members. Send support letters and copies to Repub Consultant Julie Keen. Need Op Eds in major papers – San Diego, San Jose, Sac, SF, LA. Remind Calderon he has votes for similar measures in past. Get city resolutions in support.

4. **AB 1836 (Asm. Furutani) - Reinstate the 10% and 11% tax rates on high-income earners at 1991 levels. Temporary reinstatement of the top brackets would restore balance to the state's tax system and raise \$4-\$6 billion in additional revenues.**

Status: In suspense; needs to get out on May 10 at Rev & Tax Hearing

More info: This was done by Gov Pete Wilson in 90's. Who is affected: single people earning more than \$250,000 and marrieds earning \$500,000 or more would be in 10% income tax bracket; Single people earning more than \$400,000 and marrieds earning \$800,000 would be in 11% income tax bracket. Could raise \$12 billion. Only 1% of singles and 3% of marrieds in state make this

much. Look at Calif Franchise Tax Board Annual Report (online) if you want to see how many people would be affected in your county. Because of changes in fed tax law CA will get windfall thru wealthy changing from traditional to Roth IRAs
Talking Points: economists agree that targeted tax increases are more effective than budget cuts in recession; Past Republican governors have done this

Action: Need letters to get it out of suspense and onto floor.

5. **SB 1391(Yee)** – Creates a taxpayer money-back guarantee on tax expenditures that allows the state to recapture, or “clawback,” the subsidy if a company leaves the state or decreases employment in California within 5 years.

Status: Will be heard May 12 1:30 pm in Senate Rev & Tax Cmtte Sub on Tax& Credits Expenditures Room 3191

Action: Need letters of support.

Other Common Sense Solutions

- **AB 1694 (Asm. Beall)** - Create a wholesale alcohol mitigation fee that would help fund state alcohol programs.
- **Reserve prison for serious offenses**: Prison cells are expensive and should be reserved for people who commit serious crimes. Those convicted of petty drug and property crimes should be dealt with at the local level. This would save the state **\$292 million** annually.
- **AB 999 (Asm. Skinner)** - **Ensure fair sentencing and rehabilitation for incarcerated youth**. Establishes an incentive-credit system by which young people are rewarded for good behavior and participation in rehabilitative programming. This would save the state **\$400 million** in corrections spending.

Corporate Tax Accountability

- **AB 2564 (Swanson)** – Requires that all corporate tax breaks show up as a line item in the budget in order to compare them to direct spending.
- **AB 2666 (Skinner)** – Creates a public database of the companies that receive corporate tax breaks and the number of jobs they create.

For sources and more background information:

California Tax Reform Association: http://caltaxreform.org/pdf_ppt/CTRA_policybrief_low-hanging_fruit.pdf

California Budget Project: <http://www.cbp.org/pdfs/2010/CaliforniaBudgetBites/OptionsforClosingtheBudgetGap.pdf>