



February 26, 2018

The Honorable Kevin McCarty, Room 2136  
The Honorable Philip Ting, Room 6026  
California State Assembly  
State Capitol  
Sacramento, CA 95814

**Subject: CalTax OPPOSITION to ACA 22 (McCarty and Ting), as introduced on January 18, 2018**

Dear Assembly Members McCarty and Ting:

CalTax and the organizations listed in this letter oppose ACA 22, one of the largest tax increases in state history. ACA 22 proposes a 10 percent “surcharge,” in addition to the existing state corporate tax rate of 8.84 percent, on California employers. Companies with annual net income of more than \$1 million that are subject to corporate income and franchise taxes in California would be required to pay the new tax. We oppose this policy for the following reasons:

**Creates the Highest Corporate Tax in the United States.** ACA 22 would effectively more than double the state’s corporate tax rate, which already is the highest among the Western states, and one of the highest in the nation. This would represent one of the largest tax increases on California employers in the state’s history. The 18.84 percent corporate tax rate effectively proposed by this measure would be the highest corporate tax rate in the United States, by a wide margin, and would create a huge incentive for California businesses to take their jobs and operations to other states.

**Creates a Competitive Disadvantage for Employers Who Stay in California.** Higher corporate tax rates put California companies at a tremendous competitive disadvantage. The 49 other states all would benefit from California’s decision to make itself less attractive to employers. A thriving economy is the best source of growing revenue for important government programs, but by chasing jobs away, this proposal would hurt rather than help.

A 2017 study by the Washington, D.C.-based Tax Foundation found that the corporate tax falls predominately on labor, which it estimates bears at least 70 percent, if not all, of the burden. At some point, a tax increase on business impacts individuals through less economic growth, lower wages, higher prices, fewer jobs or decreased returns in retirement accounts.

**Higher Taxes Are Unnecessary.** California already has sufficient revenue to provide additional funding for programs that benefit the middle class. The Legislative Analyst’s Office stated in its review of the governor’s proposed 2018-19 budget: “Under our current revenue and spending estimates, and assuming the Legislature makes no additional budget commitments, the state would end the 2018-19 fiscal year with \$19.3 billion in total reserves (including \$7.5 billion in discretionary reserves).” The analyst added that revenue is expected to be even higher when the budget is revised in May, and noted that these estimates do not account for possible economic stimulus from federal tax changes. When the state is bringing in surplus revenue, it simply is unnecessary to impose one of the largest tax increases in California history, targeted directly at companies that employ California workers and fuel the state’s economy.

For the foregoing reasons, we must oppose this legislation.

Sincerely,

California Taxpayers Association  
Advanced Medical Technology Association (AdvaMed)  
Agricultural Council of California  
American Chemistry Council  
American Insurance Association  
Apartment Association of Greater Los Angeles  
Association of California Life & Health Insurance Companies  
Bay Area Council  
Biocom  
California Ambulance Association  
California Apartment Association  
California Bankers Association  
California Beer & Beverage Distributors  
California Business Properties Association  
California Forestry Association  
California Hotel & Lodging Association  
California Land Title Association  
California League of Food Producers  
California Life Sciences Association  
California Manufacturers & Technology Association  
California Railroads  
California Restaurant Association  
California Retailers Association  
Camarillo Chamber of Commerce  
CompTIA  
Council on State Taxation  
CTIA – The Wireless Association  
Family Business Association of California  
Flasher Barricade Association  
Fullerton Association of Concerned Taxpayers  
Greater San Fernando Valley Chamber of Commerce  
International Franchise Association  
Kern County Taxpayers Association  
Los Angeles County Business Federation (BizFed)  
Los Angeles Official Police Garages  
National Federation of Independent Business  
Orange County Business Council  
Orange County Taxpayers Association  
San Diego County Apartment Association  
San Gabriel Valley Economic Partnership  
Santa Barbara Rental Property Association  
Securities Industry and Financial Markets Association  
Silicon Valley Leadership Group  
Valley Industry & Commerce Association  
Western Growers Association  
Western Manufactured Housing Communities Association  
Western States Petroleum Association  
Wine Institute