

January 8, 2020

TO: Members, Senate Governance and Finance Committee

FROM: Greater Coachella Valley Chamber of Commerce

SUBJECT: SB 37 (SKINNER) CORPORATION TAXES: TAX RATES

OPPOSE/JOB KILLER – AS AMENDED APRIL 3, 2019

SCHEDULED FOR HEARING – JANUARY 15, 2020

We must respectfully **OPPOSE SB 37 (Skinner)**, as amended April 3, 2019, as a **JOB KILLER** because this bill proposes one of the steepest tax increases ever contemplated in California. For certain companies, this bill would bring California’s corporate tax rate – already one of the highest in the nation - up to 22.26%, which amounts to staggering increase of about 150%. If **SB 37** passes, California will have the highest corporate tax rate in the country and the highest or second highest tax rate nationally for income taxes, sales taxes, and motor vehicle fuel taxes. This will undoubtedly discourage companies from locating or further investing in the state.

California currently imposes a flat 8.84% income tax on all corporations (10.84% for banks and financial corporations). **SB 37** requires that for taxable years beginning on or after January 1, 2020, the rate for corporations with net income of \$10 million or more be revised to instead impose a tax rate from 10.84% to 14.84%, or for financial institutions from 12.84% to 16.84%, based on the compensation ratio of CEOs to employees of the corporation.

SB 37 would further increase the tax rate by another 50% – to a maximum of 22.26% (24.26% for banks and financial corporations) – for publicly held corporations that have a specified decrease in full-time employees in the United States while increasing the number of contracted and foreign full-time employees.

While we appreciate that that the bill is attempting to address outsourcing and alleged wage disparity within some corporations or financial institutions, driving businesses out of this state through a punitive tax proposal will have little effect on these stated objectives. Instead, **SB 37** will actually further harm California workers, who will pay for this attempt at wage equalization with their jobs because companies will attempt to offset the costs of higher taxes by reducing their presence in California.

Further, the substantial tax increases proposed by **SB 37** to target a small percentage of California companies – will put these companies at a tremendous disadvantage. This could cause a reduction of the value of the impacted companies, which would have an adverse effect on shareholders. Notably, more than 20% of household assets are in stocks and retirement plans own a majority of corporate stock.

Finally, the 2019-20 state budget enjoys a \$20+ billion cushion of surpluses and reserves, and the budget for 2020-21 is forecast to include multi-billion dollar reserves, as well. Thus, there is no justification for

the tremendous burden **SB 37** will impose on California businesses and the damage that it will do to California's economy.

For these and other reasons, we **OPPOSE SB 37 (Skinner)** as a **JOB KILLER**.

With regards,



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President and CEO

Diana Soto
Director of Public Affairs

Patrick Swarthout
Chief Policy Advisor

cc: Legislative Affairs, Office of the Governor
Zachary Leary, Office of Senator Skinner
Robert Ingenito, Senate Appropriations Committee
Scott Chavez, Senate Republican Caucus