



February 4, 2022

The Honorable Nancy Skinner
Chair, Senate Budget and Fiscal Review
1021 O Street, Room 8630
Sacramento, CA 95814

The Honorable Jim Nielsen
Vice Chair, Senate Budget and Fiscal Review
1021 O Street, Room 7110
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Assembly Budget Committee
1021 O Street, Room 8230
Sacramento, CA 95814

The Honorable Vince Fong
Vice Chair, Assembly Budget Committee
1021 O Street, Room 4630
Sacramento, CA 95814

SUBJECT: AB 87 (ASSEMBLY COMMITTEE ON BUDGET) ECONOMIC RELIEF: COVID-19 PANDEMIC AND SB 113 (SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW) ECONOMIC RELIEF: COVID-19 PANDEMIC SUPPORT – AS AMENDED FEBRUARY 2, 2022

Dear Members:

The California Chamber of Commerce, the California Taxpayers Association, and the organizations listed in this letter are pleased to support **AB 87 (Assembly Committee on Budget)** and **SB 113 (Senate Committee on Budget and Fiscal Review)**, both as amended on February 2, 2022. Specifically, we support the 2022-23 State Budget restoring the net operating loss (NOL) deduction and business incentive tax credits that were suspended and capped in the 2020-21 budget via AB 85 (Chapter 8, Statutes of 2020). Sunsetting the last year of the suspension and cap will assist employers in their economic recovery and incentivize them to remain in California.

In July 2020, the Legislature approved the Governor's proposal to suspend the use of personal and business NOLs and limit the use of existing business tax credits to offset their tax liability for years 2020-2022. This proposal was advanced to raise approximately \$9.2 billion in revenue to help address the budget shortfall expected as a result of COVID-19. While the tax increases were painful for employers, they understood that the state's pandemic response required everyone to pitch in, and they willingly played their part.

Thankfully a budget shortfall never came to fruition. In fact, California experienced a generational surplus in 2021 that allowed for additional education funding and other spending, while maintaining strong reserves. The state's 2022 economic outlook remains just as strong with a massive budget surplus on the horizon. Accordingly, the tax increases adopted in 2020 as an emergency measure are no longer needed. Businesses should be allowed to utilize NOLs and earned tax credits to offset any harm they have suffered as a result of this pandemic, and to encourage employers who are considering leaving to stay.

Furthermore, a recently released report by the Milken Institute found that suspending the research and development (R&D) tax credit "increased cost uncertainty for businesses at a time when economic volatility was already high. For three decades, this incentive had helped businesses lower the risks inherent to investing in product and process improvements, but the policy change signaled a diminished commitment to innovation-led growth."

Restoring the R&D tax credit, along with other business incentives, plus the ability to utilize NOL carryforwards, would signal to employers the state's commitment to a stable investment climate for companies that in turn want to make a commitment to California.

Sunsetting the NOL suspension and cap on business incentive tax credits would send a strong, positive message that our state's employers are important to our government. For these reasons, we **SUPPORT AB 87 and SB 113.**

Sincerely,



Preston Young
Policy Advocate
California Chamber of Commerce



Peter Blocker
Vice President, Policy
California Taxpayers Association

Acclamation Insurance Management Services
Allied Managed Care
Antelope Valley Chambers of Commerce
Bay Area Council
Building Owners and Managers Association of
California
California Beer and Beverage Distributors
California Building Industry Association
California Business Properties Association

California Manufacturers & Technology
Association
California Attractions and Parks Association
Carlsbad Chamber of Commerce
Chino Valley Chamber of Commerce
Coalition of Small and Disabled Veteran
Businesses
Contra Costa Taxpayers Association (Coco Tax)
Family Business Association of California
Flasher Barricade Association

Garden Grove Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
Greater Riverside Chambers of Commerce
Innovating Commerce Serving Communities
Kern County Taxpayers Association (Kern Tax)
Lodi Chamber of Commerce
NAIOP, California
North Orange County Chamber
Oceanside Chamber of Commerce
Orange County Taxpayers Association
Pleasanton Chamber of Commerce
Rancho Cordova Chamber of Commerce
Redondo Beach Chamber of Commerce
Sacramento Metropolitan Chamber of Commerce

San Gabriel Valley Economic Partnership
San Pedro Chamber of Commerce
Santa Maria Valley Chamber of Commerce
Silicon Valley Leadership Group
South Bay Association of Chambers of
Commerce
Southwest California Legislative Council
Sutter County Taxpayers Association
TechNet
Torrance Area Chamber of Commerce
Tulare Chamber of Commerce
West Coast Lumber and Building Materials
Association (WCLBMA)

cc: Angie Wei, Legislative Affairs Secretary, Office of the Governor
Keely Bosler, Director, Department of Finance
Members, Senate Committee on Budget and Fiscal Review
Members, Assembly Committee on Budget
Members, California State Senate
Members, California State Assembly
Sarah Haynes, Senate Republican Caucus
Joe Shinstock, Assembly Republican Caucus
Lyndsay Mitchell, Assembly Republican Caucus

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