

# GOVERNMENT AFFAIRS WATCHDOG

## CARBON TAX APPROVED

The California Air Resources Board (The California Commission on the 21st Century Economy (Tax Commission)) released their final recommendations to the Governor and legislature on September 29th at a press conference held with the Governor. Joined by Commission Chairman Parsky and others, the Governor officially called for a 6th extraordinary session of the legislature to address the recommendations made.

As expected, there were no major surprises in the final recommendations of the Commission. The recommendations include:

### Section 1:

- Reduce Personal Income Tax (PIT) for every taxpayer – Reduce the number of tax brackets from six to two. The new tax rate would be 2.75 percent for taxable income up to \$56,000 for joint filers (\$28,000 for single) and 6.5 percent for taxable income above that amount. These changes would retain the PIT's progressive nature but reduce income tax rates for all taxpayers. The proposal would reduce the amount of income tax paid by 29 percent.
- Eliminate the corporation tax and minimum tax – Eliminate the corporate tax which is currently at 8.84 percent. The \$800 minimum franchise tax should also be eliminated.
- Eliminate the state general purpose sales tax – Eliminate the current 5 percent state sales tax, with the exception of the sales tax on gas and diesel fuels which would continue to be dedicated to transportation. Elimination of the sales tax would phase in over five years.
- Establish a business net receipts tax (BNRT) – Establish a new tax, not to exceed 4 percent, applied to the net

## TAX COMMISSION REPORT

The California Air Resources Board (ARB) passed a carbon fee to be levied on an estimated 350 "polluting" California businesses. Such businesses include utility companies, oil refineries, cement plants, and various other manufacturers.

The new fee would charge companies 15 cents per ton of carbon dioxide starting as early as next year. Proceeds collected from the fee will be used to fund the implementation efforts associated with AB 32 as well as any additional costs. According to ARB estimates, \$63.1 million will be generated each year for the first three years. That amount, however, will decrease to an estimated \$36.2 million per year starting in 2014 when the fee will be lowered to 9 cents per ton of carbon dioxide.

A broad-based coalition of business and taxpayer groups opposed the tax, believing that singling out 350 companies for this fee is unfairly burdensome. ARB assumes that the new fees will be passed on to consumers, but this is not always true. Increased prices may cause buyers to choose other providers, to conserve, to adopt other technologies, or take other actions that undermine this assumption.

For more information on the administrative fee, please see <http://www.arb.ca.gov/regact/2009/feereg09/feereg09.htm>.

receipts of businesses. Small businesses with less than \$500,000 in gross annual receipts would be exempt.

- Create an independent tax dispute forum – Would provide taxpayers with a forum for resolving disputes with the state.

### Section 2:

- Strengthen the state's Rainy Day Reserve Fund – Increase the target for the reserve from 5 percent of revenues to 12.5 percent and restrict the government's ability to use reserve assets so that the reserve is available to help fund services during recessionary periods.

### Section 3:

- Revenues from new oil leases – Allow permits of additional offshore oil drilling leases with

revenues dedicated to reserve fund.

- Impose a new "minimum tax" – Attempt to ensure all California residents and businesses participate in the system.
- Merge tax agencies – Recommend that the state combine the Board of Equalization and the Franchise Tax Board.

The work now shifts to the legislature, which is expected to evaluate the commission's report and determine next steps related to forming the special session within the next week or so. When calling for the special session, the Governor expressed his desire to have the Commission's recommendations acted on before the end of the year.

For a full reading of the Commission's report, a webcast replay of the press conference and additional Commission materials, go to <http://www.cotce.ca.gov/>.



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## SCAQMD PERMITS

**S**B 827 (formerly SB 696) passed the legislation well into overtime on the legislature's last night of session. The bill now awaits approval of the Governor.

If it receives the Governor's approval, SB 827 will reinstate the emissions credit bank at the South Coast Air Quality Management District (SCAQMD). That bank was used to provide free air permits to essential public services and small businesses until a lawsuit forced it to close and brought a halt to more than 1,000 projects in the South Coast Air Basin affecting up to 65,000 jobs.

A late Assembly Utilities and Commerce Committee meeting passed the measure out, after returning some of the original power plant language that had been removed in the Senate.

On the Assembly floor, supporters highlighted the vast coalition in support of the measure and the thousands of jobs tied to it in the debate leading up to a 2 a.m. vote.

SB 827 passed 41-19 and was off to the Senate for concurrence half an hour later. Because the bill did not get a two-thirds majority in the Assembly, it will take effect on Jan. 1, 2010 if the Governor signs it.

## VALUATION FACTORS FOR PRESSES

**P**IC continues to work on the project to change the "life table" and "valuation factors good" for printing presses.

By changing these tables, to more adequately reflect the market value of presses, individual companies' property tax will decrease significantly.

At this stage of our work, we have had to provide considerable sales data on both new and used presses to the Board of Equalization. This could not have happened without the cooperation and support of our members by Heidelberg and Komori. If you get an opportunity, please thank them for the support they have given this project. Any success we may have is because of their support.

THANK YOU Heidelberg and Komori.

## IS A SODA TAX NEXT?

There's a new scheme afoot to balance the budget—under the guise, once again, of improving public health. The target is soft drinks, a tax on which is supposed to cut down the consumption by Californians.

On the face of it, this tax probably wouldn't even be an issue if we didn't have the search for revenue to balance the state deficit crisis. According to an October 3 article in the *Los Angeles Times*, where we caught wind of this movement, the Center for Science in the Public Interest, said billions of dollars can be raised to offset budget problems with a soda tax increase.

Yale University has a calculator on a website (<http://yaleruddcenter.org/sodatax.aspx#>) to determine how much a state or city could raise with a tax on soft drinks. Moreover, the Yale calculator gives the option of taxing non-diet drinks or taxing both non-diet and diet soft drinks. According to Joel Fox, formerly of the Howard Jarvis Taxpayers Association and now editor of *Fox & Hounds* "That suggests the soda tax proposal is about opening up a new revenue source rather than funding health concerns."

The calculator indicates that California could raise \$1.8 billion in revenue by taxing sugary drinks and \$2.9 billion with the addition of other drinks, according to Fox.

This, however, is merely a foot in the door. Why not candy and snack food next? In fact, the Center for Science in the Public Interest calls its soda tax calculator the "Liquid Candy Tax Calculator." (<http://www.cspinet.org/liquidcandy>).

We've been down this road before, in 1991, when the legislature taxed snack food, among other items, to help balance the budget. The voters revolted, however, and revoked the tax by initiative the next year.

As you'll see at the above listed websites, the appeal to state legislators of revenue is covered over with a concern on obesity and other health problems.

The BOE is now evaluating the data and will soon meet with us and representatives of the county assessors to discuss possible change to the valuation factors and life table.

## WHY PRINT IS GREEN

**T**he Print Council released its *Why Print is Green* brochure on September 15th at Print '09. This new report describes 10 specific ways in which print is green – from the responsible products used, renewable energy sourced, increased recycling rates, improved design and delivery methods. The report is intended for use by printers and designers to demonstrate to their customers why print media is the environmentally sound choice for communicating with the audiences they want to reach.

Among the facts the paper documents:

- In 2008, more than 57 percent of paper consumed in the U.S. was recovered for recycling, more than any other material.
- The paper industry is aiming to reach 60 percent recycling by 2012. Every additional percentage point means that a million tons of paper are recovered.
- Less than 10 percent of U.S. power comes from renewable sources, but in the pulp and paper industry, that figure is greater than 60 percent.
- Printers are frequent buyers of renewable-energy certificates. These certificates – which represent power generated by wind, hydro, solar, or biomass – support growth of renewable energy producers.
- The average person's paper use for a year – 440 pounds – is produced by 500 kilowatt-hours of electricity, the amount used to power one computer continuously for 5 months.

Printed copies of *Why Print Is Green* can be ordered via email from [jvinyard@msn.com](mailto:jvinyard@msn.com).