



- California Taxpayers' Association
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- Printing Industries of California
- BioMarin
- California Chamber of Commerce
- Kern County Taxpayers Association
- California Building Industry Association
- The Walt Disney Company
- General Electric Company
- Silicon Valley Leadership Group
- California Taxpayer Protection Committee
- California Citrus Mutual
- Hewlett-Packard
- California League of Food Processors
- California Retailers Association
- Johnson & Johnson
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- Time Warner
- Inland Empire Taxpayers Association
- Asian Business Association
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- Viacom
- Amgen
- Valley Taxpayers' Coalition
- Cisco Systems
- Valley Industry & Commerce Association
- San Francisco Chamber of Commerce

* Partial Listing



You may list me/ my organization/ my company (circle one) in **OPPOSITION** to Proposition 24, known as the Jobs Tax Initiative, on the November, 2010 ballot.

Signature (Required)

Date

Please complete the following information:

Organization/Company Name

Name

Title

Mailing Address

City

State

Zip

Phone Number

Fax Number

E-mail Address

Please fax completed form to: 800-610-4150

For more information please contact Ted Green at 310/659-9450 or Ted@StopProp24.com



Proposition 24 Imposes New Taxes on High Tech, Clean Tech and Biotech Industries

California has positioned itself as a world leader in advanced research and innovation. The clean tech, high tech and biotech industries have become increasingly vital to the state's economy, but taking the growth of these industries for granted would be a mistake, and one that California can ill afford. **Prop. 24, also known as the Jobs Tax Initiative, would mean higher taxes on California employers, and it would have a particularly harmful impact on the high tech, biotech, and clean technology industries and on their ability to grow in California.** These are the very industries we are counting on to provide good-paying jobs for California's future.

California has been hit harder than most states by the recession. Small business bankruptcies increased 81% last year. With more than two million Californians out of work, our unemployment rate is the highest it's been since the Great Depression and higher than almost every other state. That's why three key tax reforms were recently enacted to bring California tax laws up to date and to promote job growth in our state. Prop. 24 measure would repeal those reforms. *The bottom line is it would mean fewer jobs and less tax revenue for a state that cannot afford either.*

What would the Jobs Tax Initiative do?

1. **Discourage in-state R&D investment by prohibiting full use of R&D tax credits.** R&D tax credits are designed to encourage more investment in high tech, green tech and other industries developing cutting edge technologies. California recently enacted tax policy to allow these credits to be shared within the same unitary group since the R&D of new technologies is often undertaken by the R&D subsidiary of a company – the arm of the company generating no income. Prop. 24 would take us back to an old system that prohibits credit sharing within a unitary group, rendering these credits useless.
2. **Curtail ability of innovative companies to level out losses over time.** California recently conformed to federal law permitting companies to level out their losses over a 20-year period. For many of the companies that are developing new technology, it is critical to have enough time to carry forward the substantial losses incurred during this R&D phase before a product is ready to bring to market. Prop. 24 would repeal existing tax policy and limit the carry forward time to 10 years, encouraging R&D investment to take place out of state.
3. **Penalize companies that create jobs and locate facilities in California.** In a nationwide trend, 23 states have moved to a formula that relies primarily on in-state sales for measuring taxable income, the purpose of which is to encourage job growth. California's system was finally updated as well by allowing the use of Single Sales Factor apportionment (effective January 2011). Beginning next year, companies can have their state taxable income measured solely on their in-state sales, rather than on a combination of in-state sales, jobs and facilities. Prop. 24 would repeal that change and increase taxes on California employers for every new job created and every new facility built here. Our state has produced a vibrant group of cutting-edge industries. Repealing this tax reform means that when these companies look to go from research and development to production, they would actually be penalized for doing so in California.
4. **Discourage Venture Capital Investment.** By repealing these critical tax reforms, this Jobs Tax Initiative would discourage venture capital from flowing into the state. California has consistently led in venture capital investment in the emerging industry sectors with more than 50% of the clean tech venture capital funding. Prop. 24 could jeopardize that funding and encourage this investment in other regions that are competing with California for these industries, such as Boston, Austin, and the Research Triangle in North Carolina.

Prop. 24 taxes new job creation, hits California employers and small businesses with higher taxes and stifles job growth in the high tech, biotech and clean tech industries.

It would lead to fewer jobs and fewer tax revenues – a giant step backward on the road to California's economic recovery.

7-2-10



PROPOSITION 24 - TAXING NEW JOB CREATION

A Giant Step Backward on California's Road to Recovery

Two million Californians are out of work. Our unemployment rate is higher than almost every other state, the highest it's been since the Great Depression.

States across the country have updated tax laws to attract and grow businesses and jobs. California finally did the same, but Prop. 24 on the November ballot would repeal those updates. Known as the Jobs Tax measure, Prop. 24 would literally tax new job creation, hit California employers and small businesses with nearly \$2 billion in higher taxes, and stifle job growth in our most promising industries. California State Franchise Tax Board estimates show 120,000 businesses could be impacted. In short: More small businesses closing shop, more employers expanding into other states, fewer jobs, and fewer long-term tax revenues to fund vital public services.

Taxes New Job Creation, Sends More Jobs Out of California

With the recent state tax update, multi-state companies can have their state income tax based on their in-state sales. But the Jobs Tax Initiative would take us back to an outdated formula that increases their income taxes every time they create a new job here, which an economic study reveals would cost California 144,000 jobs. In a nationwide trend, 24 states (including California) have moved away from that type of jobs tax because it penalizes job growth and incentivizes companies to expand into other states, taking good jobs and tax revenues with them.

Taxes Small Businesses (and their Employees) Out of Business

More than half of the state's private sector jobs are created by small businesses. Last year, small business bankruptcies in California rose 81%. To help them survive the recession, federal tax laws were recently updated to allow small businesses to carry back net operating losses five years. The recent state tax update allows businesses two years. Prop. 24 takes away that lifeline altogether. It would force more small businesses to close shop, causing even more layoffs.

Stifles Job Growth in Some of California's Most Promising Industries

We're counting on our high tech, clean technology, biotechnology, and other innovative, high-growth industries to help pull California out of the recession and provide tomorrow's high-paying jobs. But Prop. 24 would tax them for each new job they create here, prohibit the full use of earned research and development tax credits, and limit their ability to level out their losses over their natural business cycles. We can't afford to stifle the growth of these industries or lose their jobs and revenues to *other* states.

Reduces Long-Term Revenues for Schools and Other Public Services

Prop. 24 throws roadblock after roadblock in front of the state's economic recovery and threatens decades of vital service cuts. The slower our recovery, the fewer long-term tax revenues we'll have to fund our schools and hospitals and roads.

Proponents are relying on a popular "close corporate loopholes" slogan to sell their initiative, but **Prop. 24 doesn't close a single loophole.**

It closes the door on job opportunities at a time we can least afford it.

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QUESTIONS & ANSWERS ABOUT PROPOSITION 24

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What is Proposition 24?

It's a November ballot measure that would reverse recent state tax updates that are desperately needed to grow our economy and put Californians back to work. It would take us a giant step backward on California's road to economic recovery.

It takes us backward?

At a time when we're trying to pull California out of a deep recession and put people back to work, Prop. 24 literally taxes new job creation, hits California employers and small businesses with nearly \$2 billion dollars in higher taxes, and stifles job growth in our most promising industries. California State Franchise Tax Board estimates show 120,000 businesses could be impacted. That means more small businesses closing shop, more employers expanding into other states, fewer jobs, and fewer long-term tax revenues to fund our schools and other vital public services.

Prop. 24 would reduce revenues for our schools and other public services?

That's right. Proponents like to talk about the short-term tax revenues that might accrue if we increase taxes on small businesses and large California employers, but the reality is by dramatically slowing down our economic recovery, Prop. 24 would leave us with fewer long-term revenues to fund our schools and hospitals and roads. It promises decades of vital service cuts. It's a short-term gimmick with long-term and very negative consequences.

Why do proponents claim the initiative closes corporate loopholes?

It's a good campaign slogan, but the truth is the initiative doesn't close a single loophole. It reverses sound and deliberate tax reforms that are desperately needed to put Californians back to work. Our unemployment rate is the highest it's been since the Great Depression and higher than almost every other state. Prop. 24 makes that much harder to turn around.

Almost every state has a lower unemployment rate than California?

That's right. States across the country are updating their tax structures to attract and grow businesses and jobs. We finally did the same, but the initiative would repeal those updates.

Why is it referred to as the Jobs Tax initiative?

It taxes job growth. In a national trend, 24 states have moved *away* from taxes on job growth. California is among them. Beginning next year, multi-state companies can have their state income taxes based on their in-state sales, rather than on a formula that includes their employees and property. But Prop. 24 would reinstate the *outdated* system that forces employers to pay higher income taxes for every new job they create here in California. As the state's non-partisan Legislative Analyst noted: "*With most states' formulas now based only on sales, the old formula that used property and payroll could put some California producers at a competitive disadvantage.*" And an economic study reveals that would cost California 144,000 jobs.

Prop. 24's tax on job creation would cost California 144,000 jobs?

Unfortunately yes. An economic study conducted by Professor Charles Swenson of the University of Southern California's Marshall School of Business makes it clear that reinstating the old jobs tax formula would cost the state 144,000 jobs and a loss of long-term revenues. It makes no sense to financially *reward* companies when they expand *outside* California into other states – taking good jobs and tax revenues with them – but that's exactly what Prop. 24 would do.

7/2/10

How would the Jobs Tax Initiative impact small businesses and their employees?

It adds insult to injury. Small businesses have been hit hard by the recession. Bankruptcies rose 81% in California last year. A recent state tax update provided a lifeline for small businesses that have experienced net operating losses, but the initiative takes it away.

It takes away a lifeline for small businesses who are struggling to survive the recession?

The recent state tax updates permit businesses to carry back their net operating losses two years to prevent them from being taxed out of business. (Federal tax laws allow five years for small businesses and two years for large businesses.) But Prop. 24 prohibits any carry back of net operating losses. That would prove the last straw for many small businesses, forcing them to close shop -- a huge concern since small businesses provide more than half the private sector jobs.

Did the recent tax reforms change the corporate income tax rate? Does Prop. 24?

No. The state's corporate income tax rate remains unchanged. It will still be among the highest in the nation and the highest in the west. And if the Jobs Tax Initiative passes, we can count on California still coming in close to rock bottom on almost every national ranking of business tax climates. The Tax Foundation ranks us 48th on their *State Business Tax Climate Index* and the Small Business & Entrepreneurship Council ranks us 49th with one of the nation's worst climates for small business and entrepreneurship on their *Small Business Survival Index*. Almost every state in the country is more hospitable to business, and jobs, than California. The recent tax updates would help keep businesses here and grow more jobs here. By repealing them, Prop. 24 promises the opposite.

How does Prop. 24 slow job growth in some of California's most promising industries?

Biotechnology, clean technology, and high tech are some of the high-growth sectors California is counting on to provide tomorrow's high-paying jobs. But the Jobs Tax Initiative would make that much more difficult. It would not only penalize companies when they create new jobs, it would also prohibit the full use of earned research and development tax credits, and prohibit them from leveling out their R&D investments. With the recent state tax updates, we finally started to make some progress helping these innovative industries grow more jobs. By repealing those updates, Prop. 24 would make California *less* competitive with other states in attracting and retaining businesses and jobs.

How does Prop. 24 prohibit the full use of earned research and development tax credits?

California requires each business in a family of related businesses to pay state income taxes based upon the entire group's income and allows that same group of businesses to share earned research and development tax credits. But Prop. 24 would prohibit that family of businesses from sharing those R&D tax credits. Since a credit has no value if it cannot be used by the arm of the business that's generating a profit, Prop. 24 would render useless many earned R&D tax credits and stifle the growth of some of our most promising industries in high tech, green technology and biotechnology.

The initiative stifles innovation in California's biotechnology, clean technology, and high tech fields?

A biotech firm, for example, can spend several decades and a billion dollars to develop a new medical treatment. Federal tax laws recognize that different businesses have different cycles and rather than tax them out of business, allows them to level out their losses. Recent state tax updates matched the federal 20-year carry over allowance for net operating losses. So the biotech firm, for example, can be taxed on their average profitability over time rather than taxed *out of business* for running too many net operating losses before the medical treatment has a chance to get to the patients that need it. In addition to prohibiting businesses from carrying *any* losses back, Prop. 24 limits carry over allowances to 10 years, only half of the federal allowance. That's not much help for the biotech firm that spent several decades developing that treatment, or the employees it might have been able to hire or the patients who await the new treatment.