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Readers' Forum: Don't stifle California's innovative industries

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Guest Commentary

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LOOKING FOR the way out of the worst recession in California's history, one is hard pressed to see a real solution that, as its centerpiece, isn't about creating new jobs. Yet, a paid signature-gathering effort on the street today is attempting to qualify a measure that would do just the opposite.

Use caution before you sign — it's an initiative that would actually tax job creation in California.

The biotechnology industry, regarded as a job-creating engine in California, is strongly opposed to this measure — appropriately dubbed "The Jobs Tax Initiative." We're an industry that was born in the Bay Area, with the world's first biotech company founded in Emeryville. Our companies, 60 percent of which employ fewer than 50 people, are leading the way in developing new treatments and cures for America's most pressing diseases. We oppose the Jobs Tax Initiative because it would stifle innovative industries like ours, place higher taxes on large and small businesses, and tax employers for job creation.

The impact on our state would be more job losses and fewer tax revenues to address California's long-term state budget needs.

Biotech companies spend an average of 15 years and more than a billion dollars to develop a new treatment. Federal tax laws encourage this type of long-term investment by permitting companies to level out their losses over time. It supports the kind of research and development it takes to bring new treatments to the patients who desperately need them.

State tax laws were recently updated to federal standards, but the Jobs Tax Initiative repeals those updates, creating a disincentive to invest in this work here.

In an effort to create more jobs, California's tax system was recently updated to allow companies to have their state income tax based on their in-state sales, rather than on employees and facilities. That means growth industries like ours will no longer be penalized for creating new jobs or investing in new facilities here. That is, unless the Jobs Tax Initiative passes.

The Jobs Tax Initiative would also take us back to an old system that stifles full use of research and development tax credits earned. The companies most impacted would be the very biotech, high tech, and green technology industries we're counting on to produce tomorrow's cures and innovations and provide Californians with good-paying jobs.

California is home to some of the world's most well-established biotechnology companies, yet many smaller firms, some of which are here today, are vying to become tomorrow's industry leaders. Where, after years of investment in research and development, will they site their first manufacturing facility? Likely in a state that doesn't penalize them for creating new jobs that go along with it.

California has been hit harder than most states by the recession. Small business bankruptcies increased 81 percent last year. Our unemployment rate is the highest it's been since the Great Depression, higher than 45 other states. Unless we create new California jobs, we simply cannot generate the necessary long-term revenues to properly fund California's schools, hospitals and other public services.

So, use caution before signing. The Jobs Tax Initiative is being sold as a way to "close corporate loopholes" and increase state revenues. Rather, it would repeal tax reforms desperately needed to create jobs for the future and get California moving again.

Jeremy Leffler is chief operating officer of BayBio (Bay Area Bioscience Association), which supports the regional bioscience through advocacy, enterprise support, and the enhancement of research collaboration.