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For Golden State employers, a silver lining in California's new budget

By Brandon Bailey
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Critics of this year's budget wrangles in Sacramento aren't in short supply, but some folks go down in the winner's column.

Take Bill Young, the CEO of Monogram Biosciences. Sometime in the next two or three years, if all goes well for the growing biotech business, Young hopes to be scouting locations for a new lab and 150 or so more employees.

He says a recent change in the state's corporate income tax, enacted with the budget package, could help persuade his South San Francisco company to expand its HIV and cancer testing facilities here in California, even though other states are courting biotech companies.

Supporters of the tax change — which is expected to reduce state revenue by \$700 million to \$1 billion a year — say it's an investment in long-term growth at a time the state sorely needs such a boost. Critics say it's an unjustified tax break that's shown little benefit when tried by other states.

California companies that do business outside the state have traditionally paid income tax on the portion of their sales, payroll and property within the state's borders. Tech companies say that penalizes them for expanding operations here. During February budget negotiations, the Legislature agreed to let companies pay income tax solely on their in-state sales.

While most of Monogram's sales are outside California, most of its 400 employees are based here. Those sales grew to \$62 million last year, and Young hopes for a profit by 2010. "If we're able to employ more people in California," he said, "we're going to have more people paying taxes."