



March 15, 2021

The Honorable Autumn Burke
 Chair, Assembly Committee on Revenue and Taxation
 Legislative Office Building
 1020 N Street, Room 167A
 Sacramento, CA 95814

Re: AB 71 (Rivas): Homelessness funding: Bring California Home Act – OPPOSE

Dear Chair Burke:

On behalf of the above business organizations in the Inland Empire, we write to express our opposition to AB 71, which is a proposed \$2.4 billion-a-year tax increase on California businesses and residents.

AB 71 would impose a tax increase at a time when California businesses already pay some of the highest taxes in the country. California's existing corporate income tax rate is already the highest among the Western states and one of the highest in the nation. According to the Washington, D.C.-based Tax Foundation, California's business tax climate ranks second worst in the United States. After comparing the costs of operating in California vs. other states, many employers left our state in 2020. The relocation of these companies and their employees to lower-cost states has a major

impact on state and local tax revenue, causes unemployment for workers who cannot move to the new location, and is a sign that California must find ways to be more competitive.

As businesses will be unable to mitigate the proposed increase in corporate taxes, they will look to other alternatives to lower their costs. Since California is a state with a high cost of doing business, taxpayers will look to lower total operating costs by relocating to lower-cost jurisdictions or suspending expansion of business activities within California.

The relocation of these companies and their employees to lower-cost states has a major impact on state and local tax revenue, causes unemployment for workers who cannot move to the new location, and is a sign that California must find ways to be more competitive. The companies that remain will be placed at a tremendous competitive disadvantage. Their only response will be to reduce or not increase wages and benefits for their workers and move new hires to lower-cost jurisdictions to stay competitive. A thriving economy is the best source of growing revenue for important government programs, but by chasing jobs away, this proposal would hurt rather than help.

Additionally, the bill opens up California businesses to retaliatory tariffs by other nations as it undermines the existing water's-edge election. The water's-edge election has been a success in ensuring that California is allowed to tax profits derived from or attributable to California, while California businesses that have operations here and abroad are not over-burdened with reporting nor penalized for their California investments. At the same time, our trading partners are satisfied by California's water's-edge election because their constituents are not being unreasonably burdened or taxed by a sub-state, thus easing the tensions of a potential trade or tax war. By adopting AB 71, California consumers would face needless increases in the cost of everyday products.

For these reasons and others, we urge you to oppose AB 71. If you have any questions or would like to discuss our position in greater detail, please contact Luis Portillo at 909-944-2201 or by email at lportillo@ieep.com. Thank you.

Sincerely,



Bette Rader
Beaumont Chamber of Commerce



Ellen B. Clarke
Big Bear Chamber of Commerce



Zeb Welborn
Chino Valley Chamber of
Commerce



Bobby Spiegel
Corona Chamber of Commerce



Andrea De Leon
Fontana Chamber of Commerce



Joshua Bonner
Greater Coachella Valley Chamber
of Commerce



Mark Creffield
Greater High Desert Chamber of
Commerce



Peggi Hazlett
Greater Ontario Business Council



Cyndi Lemke
Hemet San Jacinto Chamber of
Commerce



Chris Nielsen
Highland Chamber of Commerce




Paul Granillo
Inland Empire Economic Partnership



Oscar Valdepeña
Moreno Valley Chamber of
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Patrick Ellis
Murrieta/Wildomar Chamber of
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Ignacio Valdivia
Perris Valley Chamber of Commerce



Monique Manzanares
Pomona Chamber of Commerce



Robert Hufnagel
Rancho Cucamonga Chamber of
Commerce



Jan Hudson
Redlands Chamber of Commerce



Emily Falappino
Temecula Valley Chamber of
Commerce



Peggy Robertson
Upland Chamber of Commerce

Cc: Assembly Member Luz Rivas