



May 6, 2021

Via Electronic Delivery

The Honorable Lorena Gonzalez
Chair, Assembly Appropriations Committee
State Capitol
Sacramento, CA 94249

OPPOSE - AB 71 (L. RIVAS, BLOOM, CHIU, WICKS) HOMELESSNESS FUNDING: BRING CALIFORNIA HOME ACT

Dear Chair Gonzalez,

On behalf of the member CEOs and Presidents of the Regional Economic Association Leaders (R.E.A.L.) Coalition of California, **we respectfully OPPOSE AB 71 (Rivas, Bloom, Chiu, and Wicks), because it would disincentivize businesses from growing and operating in California in order to create another homelessness fund.** Homelessness is a chronic issue that necessitates action and solutions for the betterment of all residents and businesses. However, California's \$15 billion state budget surplus and nearly \$26 billion federal aid infusion - with \$500 million specifically earmarked for homelessness, are by far better suited to supplement the state's many ongoing homelessness efforts.

Together, the CEOs of the REAL Coalition's member business and economic development organizations represent 15,000 employers that provide 3 million jobs in California. As these leaders and the companies they represent are entering a pivotal stage preparing for the state's economic re-opening, **the \$2.4 billion-a-year tax increase as proposed in AB 71 is unacceptable and unnecessary.** Governor Newsom himself stated at the end of the 2020 that, "In a global, mobile economy, now is not the time for the kind of state tax increases on income we saw proposed at the end of this legislative session and I will not sign such proposals into law."

AB 71 targets international companies doing business in California by requiring that a taxpayer that makes a water's-edge election take into account 50% of the global low-taxed income and 40% of the repatriation income of its affiliated corporations. The bill would allow a taxpayer, for calendar year 2022 only, the opportunity to revoke a water's edge election if the taxpayer includes global intangible low-taxed income. The water's edge election was carefully crafted to fairly apportion income to California for purposes of taxation. **By undermining the balance struck by the water's edge election between preserving California's tax base and avoiding international tension over the taxation of income that was not derived from sources within the United States, AB 71 would once again trigger international conflict with major U.S. trading partners over California's taxation of their companies for activities outside of the United States.**

Increasing taxes on corporations will continue to communicate that businesses are not valued in this state - ultimately harming California's economy and the beneficiaries of these tax revenues. **AB 71 will make it increasingly difficult for employers to compete in California, driving more businesses and jobs out of the state.** It is also problematic to increase taxes to fund homelessness programs that already are allocated billions of dollars from state and local sources when there are serious questions about how current programs are administered, as noted in the recent [State Auditor's Report Number 2020-112](#).

For these reasons, we respectfully OPPOSE AB 71 as it negatively impacts our collective ability to do business in California.

Thank you for your consideration of this request. For more information, please contact R.E.A.L. Coalition staff at jward@ocbc.org.

Sincerely,

Lucy Dunn
R.E.A.L. Coalition Co-Chair
President and CEO
Orange County Business Council

Kristin Connelly
R.E.A.L. Coalition Co-Chair
President & CEO
East Bay Leadership Council

Jim Wunderman
President & CEO
Bay Area Council

Bill Manis
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San Gabriel Valley Economic
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Barry Broome
President & CEO
Greater Sacramento Economic Council

Cynthia Murray
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North Bay Leadership Council

Paul Granillo
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Santa Cruz Area Chamber of
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Peter Rumble
President & CEO
Santa Rosa Chamber of Commerce

Mike Roos
President
Southern California Leadership Council

Ahmad Thomas
President & CEO
Silicon Valley Leadership Group

Bob Linscheild
Interim President & CEO
The Silicon Valley Organization

Cc: Members, Assembly Appropriations Committee
Jennifer Swenson, Assembly Appropriations Committee