



**October 8, 2009**

The Honorable Charles Calderon, Chair  
Assembly Revenue & Taxation Committee  
State Capitol Building  
Sacramento, CA 95814

**RE:** Informational Hearing -- Commission on the 21st Century Economy Recommendations.  
COMMENTS

Dear Assembly Member Calderon:

The California Professional Firefighters (CPF), state council of the International Association of Fire Fighters, representing over 30,000 career firefighting and emergency medical service personnel statewide, is pleased to offer the following comments for your consideration in conjunction with the Committee's informational hearing this week on the tax recommendations proposed by the Commission on the 21st Century Economy.

In short, the CPF is disappointed with the Commission's recommendations in that they fail to fairly provide a long-term solution to California's revenue and tax dilemma. Specifically, we believe the recommendations ultimately provide for a disproportionate share of tax relief--\$7.6 billion yearly-- to the top 3% of income tax payers, who are currently the least burdened by state taxes.

In addition, the Commission failed to adequately account for one of the dominant changes in the 21<sup>st</sup> Century economy: the growth of internet usage, internet purchasing, digital downloads, and interstate nexus issues which arise from growing electronic commerce. Significant new and stable revenue could be generated for both the state and local governments if the tax were to be applied to a broad range of services, such as those noted above. While, the CPF recognizes the commissions attempt to more broadly capture the taxable base of goods and services through a business net receipts tax, such a solution still reflects a regressive "consumption" tax and in many ways misses all the benefits of a similarly structured value-added tax as is found in Europe.

The Commission also failed, in our opinion, to adequately examine other revenue restructuring alternatives, such as failures in the commercial property tax and the option for a carbon tax.

Furthermore, we are concerned with the suggested elimination of the corporation tax, as doing so would disproportionately benefit out-of-state shareholders and the federal government. Corporations doing business in California put demands on California services. The profits generated from business in California would be untaxed under the Commission's recommendation, thereby increasing shareholder returns -- many or most of which may be out-of-state beneficiaries of such a tax break. And, since these taxes are deductible from federal taxes at a 35% rate, the outflow of revenue to the federal government from eliminating this tax will be several billion dollars.

Ultimately, the ability for the state and its local governments to provide for adequate, core public safety services, like fire protection and emergency medical response, is intrinsically connected to sustaining local revenue streams. The elimination of the State sales tax puts an undue administrative and enforcement burden on the collection of local Bradley-Burns sales tax -- which represents revenues that local governments rely upon to fund these vital public safety services.

Given the national, state and local economic climates, it is no secret that California's public safety, emergency response capabilities are on the brink of reaching their breaking point. To this end, the Commission's recommendations, if implemented, would further erode our state's overall emergency preparedness and response capabilities, and in turn, it will seriously hinder our first responders from fulfilling their sworn duty to save lives and property.

We appreciate the opportunity to express our concerns with the Commission's recommendation. Should you have any questions regarding our comments, please do not hesitate to contact us directly.

Sincerely,



**CHRISTY BOUMA**  
Governmental Advocate



**BRIAN HATCH**  
Governmental Advocate

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