

ACA 22 (MCCARTY & TING): INCOME TAX PROPOSAL

POSITION: The Chamber's Public Policy Committee voted to OPPOSE ACA 22 on consent on February 13, 2018.

STATUS: The bill was introduced on January 18, 2018 by Assembly Members Kevin McCarty and Phil Ting. It will be heard in committee on February 18, 2018

AT-A-GLANCE

ACA 22 would impose a 10 percent surcharge on corporations with annual net earnings of more than \$1 million.

SUMMARY

ACA 22 would impose a 10 percent surcharge on companies with annual net earnings of more than \$1 million. The measure would authorize the Legislature to increase or decrease the surcharge by a 2/3 vote of each house, as provided. The measure would require the deposit of those revenues, less refunds, into the Middle Class Fiscal Relief Fund, which would be created by the measure. Revenues in the fund would be allocated, upon appropriation by the Legislature, for specified purposes, including providing fiscal benefits to lower and middle-income Californians.

ANALYSIS

The Chamber continues to be an enthusiastic supporter of California's economy and social service programs. Proponents argue the state tax hike would be for an amount equivalent to half what they received for the federal tax cut. Proponents argue ACA 22 will help ensure that California can continue to grow and support the middle-class families throughout the state by using collected money for social service programs. California would receive \$15- \$17 billion per year. Revenue would be allocated to schools and state Earned Income Tax Credit.

The Chamber believes ACA 22 has drawn concern that it is redundant in its attempt to generate income for federal safety net programs, and that it may negate the economic benefits and curb optimism from the most recent tax rate reduction. California is the most tax-burdened state in the country, and is still reeling from changes at the federal level that remain unclear in their impact. Imposing tens of billions of dollars in new taxes on employers further exacerbates uncertainty in the business climate and jeopardizes our state's most important economic engines. Enhancement of our regional and national economy can be achieved through a well-trained and plentiful work force, and safe and efficient borders.