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Anthony B. Diepenbrock III
IPxLaw Group LLP

Dear Mr. Diepenbrock,

Thank you for your email regarding "stable taxation." It is my view that the Commission is working diligently to make appropriate changes to California's existing and outdated tax structure and code. Over the months of hearings and written material that we have received, it seems that two basic notions are emerging.

First, the existing system taxes job creation and work in a manner that needs our attention. Commissioners of various belief systems seem to agree that examining this basis for taxation makes some sense. Thus, the proposal to consider lowering every Personal Income Tax payer's obligation has been placed on the table.

Second, the existing sales tax, established many decades ago when the California economy was composed of primarily goods and manufacturing, needs to be updated to account for the emergence of the service sector. Whether the solution is to lower the existing sales tax rate, and expand its application to some group of services, or it is to embrace some form of the Business Net Receipts Tax that is on the table, is subject to further review and consideration by the Commission.

Additionally, reviewing the impacts of Proposition 13, and whether or not it is time to update that element of our tax structure is now on the table. Consideration of adding a carbon-based fuels tax or sur-charge is under consideration.

Clearly, the Commission is moving in the direction of placing greater weight on taxing consumption than does the existing tax system.

Again, thank you for your email.

FRED KEELEY
Commissioner
Governor's Commission on the 21st Century Economy