

SAVE CALIFORNIA NOW

June 15, 2009

The Gerald Parsky, Chair
Commission on the 21st Century Economy
915 L Street
Sacramento, CA 95814

Dear Chair Parsky:

Historically, the sales tax, enacted in 1933, was a broad-based tax on the economic activity of the time: manufacturing in the Industrial Age. However, the 21st Century economy is now primarily based on the “non-tangible” service sector Information Age.

We propose the following tax restructure plan for the 2009-10 State Budget:

1. Reduce the State’s share of sales tax to 3.75% from the existing 6% (see the attached worksheet).
2. Fairly & equitably spread the 3.75% sales tax to all 160 “tracked services” of the Franchise Tax Board (attached for your information).

This sales tax plan, at a 3.75% rate on “combined goods & services” would increase existing tax revenue by approximately \$25.4 billion dollars to the General Fund.

3. Reduce the Personal and Corporate Income Tax by 10%, (approximately a \$6 billion dollar decrease in revenues).

The total adjusted state increase in revenue from reducing the existing 6% sales tax to 3.75%, fairly assessing the escaped taxes on all services, or now on “combined goods & services” at 3.75% and reducing the income tax by 10% would produce a net increase in total General Fund revenues by approximately \$19 billion.

The final advantage to the Save California Now plan would help regain the excellent rating of California bonds, so cherished by all of us in the past. This will allow, along with balancing the budget, the opportunity to refinance existing outstanding bonds at lower rates, decrease future borrowing costs while saving billions of dollars.

“SAVE CALIFORNIA NOW” is an endeavor by both conservative Republicans and progressive Democrats who want to bring about a fair and balanced approach to our tax and spending policies in line with our 21st Century economy.

Thank you for your time and consideration.

Respectfully,

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SAVE CALIFORNIA NOW

TAX REDUCTION, EXTENSION, SIMPLIFICATION & RESTRUCTURING PLAN

2009-2010 BUDGET

OVERVIEW

Historically, Sales Tax, enacted in 1933, was a broad-based tax on the economic activity - manufacturing in the Industrial Age. However, the 21st Century Economy is now primarily based on the non-tangible, "Service" sector.¹

This Plan:

Reduces the Sales Tax Rate to 3.75% from the current 6% (for currently taxed items) and extends & spreads the Sales Tax to all 160 services.

The Net Result:

1. Reduces the State's Share of the Sales Tax Rate by 2.25% (Tax becomes 3.75%);
2. Extends the 3.75% Sales Tax Base to all Services of all kinds;
3. Spreads the Tax burden on a fair and equitable basis in line with the 21st Century Economic activity;
4. Solves the State Government Revenue shortages; and
5. Improves the debt rating of the State and decreases the cost of borrowing.

2.25% REDUCTION OF STATE'S SHARE OF SALES TAX & EXPANSION OF 3.75% SALES TAX TO ALL SERVICES

All Numbers in Millions					
State Sales Tax Rate	2008-09 Sales & Use Tax	DECREASE Sales Tax	Sales Tax on All Services	Total Tax Revenue	INCREASE Revenue
6%	\$31,053.0 ²		\$59,391.96 ³	\$90,444.96	\$59,391.96

REDUCED TO:

3.75%	19,408.12	(\$11,644.89)	37,119.97	56,528.09	<u>25,475.09</u>
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(56,528.09 – 31,053.0 = \$25,475.09)

SAVE CALIFORNIA NOW – 1550 51ST STREET SACRAMENTO, CA 95814 – 916/457-3438

¹ PAGE A-74, TABLE 21: State of California 2008-09 Revenue Anticipation Notes Series A-1 & Series A-2- *Percent of California Employment in the Information Age Economy Governmental Services: 16.4% Private – "Taxable" Services: 67.9% Manufacturing – Taxable: 15.7%*

² PAGE 8, 2009 BUDGET ACT SUMMARY, Department of Finance, February 20, 2009.

³ "SERVICES" - Research and Statistics Section, Legislative and Research Division, State Board of Equalization, December 18, 2008. These numbers have been adjusted to reflect the State of the Budget as of June 2009.

Expected Revenues Generated from Extending the Sales & Use Tax to Services

Service	Estimated 2009-10 Receipts	Estimated Sales Tax Re		
		State 5.00%	ERBA 0.25%	Local 2.00%
(all figures in millions of dollars)				
NAICS				
115	Support activities for agriculture and forestry			
1151	Support activities for crop production (crop dusting, cultivation, etc.)	302	15.1	6.0
1152	Support activities for animal production (breeding, boarding, etc.)	197	9.8	3.9
1153	Support activities for forestry (reforestation, pest control, etc.)	32	1.6	0.6
	Sub-total (Support activities for agriculture and forestry)	530	26.5	10.6
213	Support activities for mining			
213111	Drilling oil & gas wells (spudding, drilling, redrilling, etc.)	84	4.2	1.7
213112	Support activities for oil & gas operations (exploration, grading, etc.)	693	34.7	13.9
213114	Support activities for metal mining (prospecting, core sampling, etc.)	11	0.6	0.2
	Sub-total (Support activities for mining)	789	39.4	15.8
22	Utilities			
221122	Electric power distribution (to consumers)	38,752	1,937.6	96.88
221210	Natural gas distribution (to consumers)	10,569	528.4	26.42
2213101	Water supply (distribution for domestic, commercial, & industrial use)	936	46.8	18.7
22133	Steam and air conditioning	102	5.1	2.0
	Sub-total (Utilities)	50,359.4	2,518.0	1,007.2
23	Construction			
2361	Residential building construction	27,304	1,365.2	546.1
2362	Nonresidential building construction	22,150	1,107.5	443.0
2371	Utility system construction	6,666	333.3	133.3
2372	Land subdivision	2,654	132.7	53.1
2373	Highway, street, and bridge construction	4,549	227.4	91.0
2379	Other heavy construction	2,258	112.9	45.2
2381	Building foundation and exterior contractors	13,614	680.7	272.3
2382	Buiding equipment contractors	18,671	933.6	373.4
2383	Buiding finishing contractors	12,199	610.0	244.0
2389	Other specialty trade contractors	8,827	441.4	176.5
	Sub-total (Construction)	118,892	5,944.6	2,377.8
4411	Automobile dealers (new & used vehicles)			
	Automobile dealers - labor charges for auto repair services	13,438	671.9	33.6
	Sub-Total (Automobile dealers)	13,438	671.9	33.6

Expected Revenues Generated from Extending the Sales & Use Tax to Services

Service	Estimated 2009-10 Receipts	Estimated Sales Tax Re		
		State 5.00%	ERBA 0.25%	Local 2.00%
48-49 Transportation and warehousing				
481 Air transportation (passenger, cargo, taxi, charter, commercial carriers, etc.)	18,827	941.3	47.1	376.5
483 Water transportation (passenger, freight, inland operations, etc.)	3,695	184.7	9.2	73.9
4841 General freight transportation (local & long distance)	15,499	775.0	38.7	310.0
4842 Specialized freight transportation (household, office goods moving, livestock, etc.)	7,478	373.9	18.7	149.6
4851 Urban transit systems (buses, commuter rail, light rail, etc.)	609	30.4	1.5	12.2
4852 Interurban & rural bus transportation	104	5.2	0.3	2.1
4853 Taxi & limousine service (64.7 % pertains to limousine service)	1,049	52.5	2.6	21.0
4855 Charter bus industry	337	16.9	0.8	6.7
4859 Other transit and ground transportation (shuttle & special needs transit services)	791	39.5	2.0	15.8
486 Pipeline transportation (oil & gas)	522	26.1	1.3	10.4
487 Scenic & sightseeing transportation	305	15.3	0.8	6.1
488 Support activities for transportation (airport operations, air traffic control, etc.)	12,824	641.2	32.1	256.5
492 Couriers & messengers (small parcel, local delivery, & messenger services)	13,297	664.8	33.2	265.9
493 Warehousing & storage (refrigeration, grain storage, furs, lumber, whiskey, etc.)	3,422	171.1	8.6	68.4
Sub-total (Transportation and warehousing)	78,758	3,937.9	196.9	1,575.2
51 Information (including broadcasting, motion pictures, data processing, etc)				
51213 Motion picture & video exhibition	1,834	91.7	4.6	36.7
51229 Sound recording services industries	123	6.1	0.3	2.5
5151 Radio & television broadcasting services	10,434	521.7	26.1	208.7
5152 Cable & other subscription programming	5,082	254.1	12.7	101.6
5171 Wired telecommunications carriers	37,296	1,864.8	93.2	745.9
5172 Wireless telecommunications carriers	14,681	734.1	36.7	293.6
5174 Satellite telecommunications	765	38.3	1.9	15.3
5175 Cable and other program distribution	8,404	420.2	21.0	168.1
5179 Other telecommunications	280	14.0	0.7	5.6
518111 Internet service providers	4,140	207.0	10.3	82.8
518112 Web search portals	2,364	118.2	5.9	47.3
5182 Data processing, hosting, & related services	9,751	487.5	24.4	195.0
51911 News syndicate services	299	15.0	0.7	6.0
51919 Other information services	214	10.7	0.5	4.3
Sub-total (Information)	95,667	4,783.4	239.2	1,913.3

Expected Revenues Generated from Extending the Sales & Use Tax to Services

Service	Estimated 2009-10 Receipts	Estimated Sales Tax Re		
		State 5.00%	ERBA 0.25%	Local 2.00%
52 Finance & insurance				
5221 Depository credit intermediation	10,957	547.8	27.4	219.1
5222 Nondepository credit intermediation	6,538	326.9	16.3	130.8
5223 Activities related to credit intermediation	7,177	358.9	17.9	143.5
5231 Securities & commodity contracts intermediation & brokerage	7,770	388.5	19.4	155.4
5239 Other financial investment activities	10,750	537.5	26.9	215.0
524 Insurance carriers & related activities	18,210	910.5	45.5	364.2
Sub-total (Finance & insurance)	61,402	3,070.1	153.5	1,228.0
53 Real estate & leasing				
53113 Lessors of miniwarehouses & self storage units	1,156	57.8	2.9	23.1
5312 Offices of real estate agents & brokers	21,300	1,065.0	53.2	426.0
53131 Real estate property managers	6,425	321.2	16.1	128.5
53132 Offices of real estate appraisers	1,187	59.4	3.0	23.7
53139 Other activities related to real estate	7,169	358.4	17.9	143.4
Sub-total (Real estate & leasing)	37,237	1,861.8	93.1	744.7
54 Professional, scientific, & technical services				
5411 Legal services	37,901	1,895.0	94.8	758.0
5412 Accounting, tax return prep, bookkeeping and payroll	27,250	1,362.5	68.1	545.0
5413 Architectural, engineering, & related services	34,741	1,737.1	86.9	694.8
5414 Special designed services	4,353	217.6	10.9	87.1
5415 Computer systems design & related services	29,992	1,499.6	75.0	599.8
5416 Management, scientific, & technical consulting services	22,551	1,127.5	56.4	451.0
5417 Scientific research & development services	19,307	965.3	48.3	386.1
5418 Advertising & related services	10,241	512.1	25.6	204.8
5419 Other professional, scientific, & technical services	9,282	464.1	23.2	185.6
Sub-total (Professional, scientific, & technical services)	195,617	9,780.9	489.0	3,912.3

Expected Revenues Generated from Extending the Sales & Use Tax to Services

Service	Estimated 2009-10 Receipts	Estimated Sales Tax Re		
		State 5.00%	ERBA 0.25%	Local 2.00%
561 Administrative & support services				
5611 Office administrative services	6,073	303.6	15.2	121.5
5612 Facilities support services	1,670	83.5	4.2	33.4
5613 Employment services	20,091	1,004.6	50.2	401.8
5614 Business support services	8,539	426.9	21.3	170.8
5615 Travel arrangement & reservation services	4,422	221.1	11.1	88.4
5616 Investigation & security services	6,531	326.6	16.3	130.6
5617 Services to business & dwelling	16,980	849.0	42.5	339.6
5619 Other support services	5,500	275.0	13.7	110.0
Sub-total (Administrative & support services)	69,807	3,490.3	174.5	1,396.1
562 Waste management and remediation				
5621 Waste collection	5,541	277.1	13.9	110.8
5622 Waste treatment & disposal	1,215	60.7	3.0	24.3
5629 Remediation & other waste management services	1,302	65.1	3.3	26.0
Sub-total (Waste management & remediation)	8,058	402.9	20.1	161.2
611 Educational services				
6114 Business schools, computer, & management training schools	1,270	63.5	3.2	25.4
6115 Technical & trade schools	1,332	66.6	3.3	26.6
6116 Other schools & instructions	2,094	104.7	5.2	41.9
6117 Educational support services	704	35.2	1.8	14.1
Sub-total (Educational services)	5,400	270.0	13.5	108.0
62 Health care & social assistance				
6211 Offices of physicians (including mental health specialist)	43,250	2,162.5	108.1	865.0
6212 Offices of dentists	14,266	713.3	35.7	285.3
6213 Offices of other health practitioners (chiropractors, optometrist, therapist, podiatrist, etc.)	7,351	367.5	18.4	147.0
6214 Outpatient care centers	6,960	348.0	17.4	139.2
6215 Medical & diagnostic laboratories	5,436	271.8	13.6	108.7
6216 Home health care services	3,195	159.8	8.0	63.9
6219 Other ambulatory health care services	1,928	96.4	4.8	38.6
622 Hospitals	61,865	3,093.2	154.7	1,237.3
623 Nursing & residential care facilities	13,868	693.4	34.7	277.4
6241 Individual & family services	5,602	280.1	14.0	112.0
6242 Community food & housing/emergency & other	735	36.7	1.8	14.7
6243 Vocational rehabilitation services	1,177	58.8	2.9	23.5
6244 Child day care services	4,301	215.1	10.8	86.0
62 Sub-total (Health care & social assistance)	169,934	8,496.7	424.8	3,398.7

Expected Revenues Generated from Extending the Sales & Use Tax to Services

Service	Estimated 2009-10 Receipts	Estimated Sales Tax Re		
		State 5.00%	ERBA 0.25%	Local 2.00%
71 Arts, entertainment, & recreation				
7111 Performing arts companies	2,306	115.3	5.8	46.1
7112 Spectator sports	3,699	184.9	9.2	74.0
7113 Promoters of performing arts, sports, & similar events	1,553	77.6	3.9	31.1
7114 Agents/managers for artists, athletes, & other public figures	2,472	123.6	6.2	49.4
7115 Independent artists, writers, & performers	10,655	532.7	26.6	213.1
712 Museums, historical sites & similar institutions (botanical gardens & zoos)	28	1.4	0.1	0.6
713 Amusement, gambling, & recreation industries (bowling, arcade, skiing, and fitness centers)	13,929	696.4	34.8	278.6
71 Sub-total (Arts, entertainment & recreation)	34,640	1,732.1	86.6	692.8
72 Accommodations				
7211 Traveler accommodation	15,120	756.0	37.8	302.4
7212 RV (recreational vehicle) parks & recreational camps	492	24.6	1.2	9.8
7213 Rooming & boarding houses	163	8.1	0.4	3.3
72 Sub-total (Accommodation)	15,775	788.7	39.4	315.5
811 Repair & Maintenance				
8111 Automotive repair & maintenance (does not include auto dealers)	8,798	461.9	22.0	176.0
8112 Electronic & precision equipment repair & maintenance	2,225	116.8	5.6	44.5
8113 Commercial & industrial machinery & equipment	1,470	77.2	3.7	29.4
8114 Personal & household goods & repair	2,307	121.1	5.8	46.1
811 Sub-total (Repair & maintenance)	14,801	777.0	37.0	296.0
812 Personal & laundry services				
8121 Personal care services (hair, nail, skin care, etc.)	5,266	263.3	13.2	105.3
8122 Death care services (funeral home, funeral services, cemeteries, & crematories)	1,138	56.9	2.8	22.8
8123 Dry-cleaning & laundry services (coin-op laundries, linen & diaper services)	4,012	200.6	10.0	80.2
8129 Other personal services (pet care, parking lots & garages, etc.)	7,607	380.4	19.0	152.1
812 Sub-total (Personal & laundry services)	18,024	901.2	45.1	360.5
Total	989,129	49,493.5	2,472.8	19,547.4

NOTE: Detail may not compute to totals due to rounding.

989,129	49,493.5	2,472.8	19,547.4
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venue	
Special District 0.71%	Total

2.1	24.0
1.4	15.6
0.2	2.5
<u>3.8</u>	<u>42.2</u>

0.6	6.7
4.9	55.2
0.1	0.9
<u>5.6</u>	<u>62.8</u>

275.1	3,084.7
75.0	841.3
6.6	74.5
0.7	8.2
<u>357.6</u>	<u>4,008.6</u>

193.9	2,173.4
157.3	1,763.1
47.3	530.6
18.8	211.2
32.3	362.1
16.0	179.7
96.7	1,083.7
132.6	1,486.2
86.6	971.1
62.7	702.6
<u>844.1</u>	<u>9,463.8</u>

1.7	740.8
<u>1.7</u>	<u>740.8</u>

venue	
Special District 0.71%	Total

133.7	1,498.6
26.2	294.1
110.0	1,233.7
53.1	595.2
4.3	48.4
0.7	8.3
7.5	83.5
2.4	26.9
5.6	62.9
3.7	41.6
2.2	24.3
91.0	1,020.8
94.4	1,058.4
24.3	272.4
559.2	6,269.1

13.0	146.0
0.9	9.8
74.1	830.6
36.1	404.5
264.8	2,968.8
104.2	1,168.6
5.4	60.9
59.7	668.9
2.0	22.3
29.4	329.5
16.8	188.2
69.2	776.2
2.1	23.8
1.5	17.0
679.2	7,615.1

venue

Special District 0.71%	Total
77.8	872.2
46.4	520.4
51.0	571.3
55.2	618.5
76.3	855.7
129.3	1,449.5
<u>436.0</u>	<u>4,887.6</u>

8.2	92.0
151.2	1,695.5
45.6	511.4
8.4	94.5
50.9	570.6
<u>264.4</u>	<u>2,964.0</u>

269.1	3,016.9
193.5	2,169.1
246.7	2,765.4
30.9	346.5
212.9	2,387.4
160.1	1,795.0
137.1	1,536.8
72.7	815.2
65.9	738.8
<u>1,388.9</u>	<u>15,571.1</u>

venue

Special District 0.71%	Total
43.1	483.4
11.9	133.0
142.6	1,599.3
60.6	679.7
31.4	352.0
46.4	519.9
120.6	1,351.6
39.0	437.8
<u>495.6</u>	<u>5,556.6</u>

39.3	441.1
8.6	96.7
9.2	103.7
<u>57.2</u>	<u>641.5</u>

9.0	101.1
9.5	106.0
14.9	166.7
5.0	56.0
<u>38.3</u>	<u>429.8</u>

307.1	3,442.7
101.3	1,135.6
52.2	585.1
49.4	554.0
38.6	432.7
22.7	254.4
13.7	153.5
439.2	4,924.4
98.5	1,103.9
39.8	445.9
5.2	58.5
8.4	93.7
30.5	342.4
<u>1,206.5</u>	<u>13,526.8</u>

venue

Special District 0.71%	Total
16.4	183.5
26.3	294.4
11.0	123.6
17.6	196.8
75.6	848.1
0.2	2.3
98.9	1,108.7
<u>245.9</u>	<u>2,757.4</u>

107.4	1,203.6
3.5	39.1
1.2	13.0
<u>112.0</u>	<u>1,255.7</u>

60.7	720.5
15.4	182.3
10.1	120.4
15.9	189.0
<u>102.1</u>	<u>1,212.2</u>

37.4	419.2
8.1	90.6
28.5	319.4
54.0	605.6
<u>128.0</u>	<u>1,434.7</u>

<u>6,926.1</u>	<u>78,439.9</u>
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6,926.1 78,439.9

SAVE CALIFORNIA NOW

2009-2010 BUDGET PLAN

TAX REDUCTION, EXTENSION, SIMPLIFICATION

&

RESTRUCTURING PLAN

FAIRNESS IN STATE TAXATION & SPENDING

CUT \$17 BILLION IN STATE SPENDING

REDUCE STATE SHARE OF SALES TAX TO 3.75 %

**FAIRLY AND EQUALLY
EXTEND AND TAX ALL 160 SERVICES TRACKED BY FTB AT 3.75%**

REDUCE PERSONAL & CORPORATE INCOME TAX BY 10%

INCREASE THE CAR TAX

CAP SPENDING AT 2% OR COLA – WHICHEVER IS LOWEST

**BORROW SHORT TERM FOR CASH FLOW –
UNTIL NEW TAX REVENUE COMES IN ON SERVICES**

**RESTRUCTURE LONG TERM DEBT AT LOWER INTEREST RATES,
FINANCE NEW DEBT AT LOWER RATES & SAVE BILLIONS**