

**From:** Bruce Cohen  
**Sent:** Wednesday, August 12, 2009 11:35 PM  
**To:** comment, cotce  
**Subject:** California Tax Reform

I am writing to convey my support of the reform proposals that would shift the tax burden in California from the crushing income tax to a more equitable, aggressive tax on gas. As a citizen and as the CEO of an emerging biotechnology company, I believe strongly that California's future as a place to live and work will be severely impaired if we cannot resolve our tax burden. Equally important, we have the capability to take a leadership position nationally by rationalizing our tax system in a way that stabilizes revenue and preserves our environment.

Respectfully,

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The bipartisan commission set up to reform California's tax system is considering reducing income tax rates and increasing the gas tax. That's a great idea.

The income tax raises revenue but affects behavior in unfavorable ways. A tax on business discourages investment, and a tax on personal income discourages savings or labor. Increasing the tax on gas will also affect behavior, but in a favorable direction. Californians will drive less, and that will reduce pollution, urban sprawl and greenhouse gas emissions.

Experts disagree on exactly how much a tax will reduce gas consumption. If it reduces consumption only a bit, the environmental benefits will be lower. But the tax will still be superior to other taxes because the effect it has on behavior will be positive rather than negative.

Considered in isolation, a gas tax would hit the poor the hardest because the poor spend a greater portion of their income on gas than the wealthy. However, a properly designed universal tax credit, or rebate, would eliminate this distributional effect while still leaving the state with enough net revenue from the gas tax to reduce other taxes.

Berkeley Professor Severin Borenstein has proposed a sliding-scale tax that falls when the cost of gas rises. That tax, which would set a floor of about \$3 for a gallon of gas, might raise as much as \$12 billion a year.

That is more than we now get from the corporate income tax and about one-quarter of what is now raised from the personal income tax. Simply doubling our present 18-cent state gas tax would raise billions, year after year, while providing environmental benefits and reducing the pressure on other taxes.

The present gas tax proposal, combined with a credit to offset its distributional consequences, comes from the Democratic members of the Commission on the 21st Century Economy. However, gas taxes and their close cousins, carbon taxes, are favored by tax experts of all political persuasions.

The commission is considering other ways to make the state less dependent on the income tax.

The Republicans support a value added tax; the Democrats a broader-based sales tax. The impact of these two taxes would be similar, and there may be good arguments for either tax. However, neither tax offers the environmental benefits of the gas tax.

The vat and sales taxes also may be difficult to enact and administer. And because the taxes would be new, it is hard to estimate how much money they'd bring in.

Even if they are adopted, they should not crowd out the superior gas tax.

In theory, an improved property tax could relieve the pressure on the income tax. That, however, would require loosening Proposition 13, which is regarded as the third-rail of California politics. Few politicians are willing to touch this sort of proposal.

The commission will soon issue its report, and the legislature is likely to vote on its recommendations. Californians who want a more efficient and environmentally sensible tax structure should tell the commission ([comment@cotce.ca.gov](mailto:comment@cotce.ca.gov)) and their state representatives to adopt a gas tax. An e-mail is all it takes to make your voice heard.