Members of COTCE:

Why not consider changing the way California applies its income tax on individuals and businesses to be more like many other states that take the taxpayers' federal returns and apply their own state tax rate to the federal taxable income? This would greatly simplify the California income tax filing requirements for all individuals and businesses by eliminating the myriad of differences that now exist between federal and California. It would also still allow California to have a graduated tax rate schedule for individuals. Some states even make minimal, but straightforward adjustments to the federal return numbers (such as adding in tax exempt income related to other states, deducting Social Security income taxed at the federal level, etc) and use a flat tax rate for all taxpayers.

It would appear that this approach could reduce the costs overseeing compliance with the California tax code (thereby reducing the staffing needs for the FTB and BOE) and saving budget expenditures related thereto. It would seemingly also allow California to structure the tax rates and brackets to achieve its goal of evening out the tax receipts between good economic times and difficult times.

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