



Automotive Service Councils of California

Professionals in Automotive Service - Since 1940

Via e-mail: comment@cotce.ca.gov

June 1, 2009

Mark Ibele, Ph.D., Staff Director
Commission on the 21st Century Economy
915 L Street, 8th floor
Sacramento CA 95814

Dear Dr. Ibele:

The Automotive Service Councils of California (ASCCA) is a non-profit organization that represents nearly 1,500 small business owners - independent automotive repair facilities. While we are very much aware that the state's sales tax does not currently apply to services, that many other states do have a sales tax on services, and that the Commission is currently reviewing various proposals to update California's current taxing structure, we are writing to express our concerns relative to a tax on services for the automotive repair industry.

As you may know, the Governor previously proposed extending the sales tax to a small, select group of services, including automotive repair, in 2008. ASCCA opposed this in principle, as it was our belief that only a few services (auto repair, veterinary services, golf, furniture repair) would bear the brunt of this proposal, and that this was, and is, unfair.

We have concerns relative to the unintended consequences were a tax on auto repair to be instituted. A sales tax on auto repair:

- Has a disproportionate impact on low-income individuals, whose older cars come in for repair more frequently. The impact on high-income individuals, whose cars are newer, more reliable and generally under warranty, would be much less.
- Creates an economic disincentive for motorists to engage in regular maintenance and repairs. Higher costs come at a time of tough choices by California families and making automotive repair more expensive keeps it a lower priority for many families.

- Challenges the effectiveness of clean air programs such as Smog Check. A tax on automotive labor will have negative impacts on policies established by the State of California regarding clean air and climate change initiatives – the Bureau of Automotive Repair, Air Resources Board and Energy Commission all tout the importance of properly maintaining a vehicle to promote healthy air through healthy vehicles.
- Creates roadway hazards. Consumers are more likely to forgo regular maintenance and repairs, leading to safety issues.

ASCCA's position is that if taxing services and/or labor is an appropriate policy goal, it should be extended to all services and not limited to only a few.

Thank you for taking our comments into consideration as you re-examine the state's current revenue structure. Please feel free to contact me if you have any questions regarding this matter.

Sincerely,



Jackie A. Miller
Executive Director

CC: Glenn Davis, ASCCA President
ASCCA Board of Directors
ASCCA Government Affairs Committee
Jack Molodanof, legislative advocate
David Crane, Special Advisor for Jobs and Economic Development, Office
of the Governor