

September 14, 2009

VIA FACSIMILIE TRANSMISSION

Mr. Gerald Parsky, Chair
Commission on the 21st Century Economy
c/o State of California Department of Finance
915 L Street, 8th Floor
Sacramento, California 95814
FAX: 916-449-5253

SUBJECT: Pending Commission Recommendations

Dear Chairman Parsky:

I am a third generation native-born Californian, a parent, a homeowner, a small business owner and, importantly, a taxpayer and a voter. I am deeply concerned about the long-term forecast for our state economy. Specifically, I am troubled by the continued rising cost, size and scope of state government which is killing jobs and driving productive workers and businesses from the state.

While unionized public employees live like royalty – with high wages and rich benefits packages – by comparison, other Californians are struggling to find jobs and scramble to pay the rent and feed the kids.

I respectfully submit that this Commission has a duty to respond to the needs of working Californians – not just the public employee unions and other special interests that generously support career politicians. Accordingly, I urge the Commission to include in its recommendations steps to *reduce* taxes in order to achieve reductions in state government, in order to promote long-term job growth in our economically troubled state.

Based upon review of the Commission's work to date, I am concerned that your final recommendations will do nothing to cut state spending and unnecessary state programs. Instead, it appears that your deliberations have focused exclusively on ways to increase state revenues through new taxes on individuals, property owners and business.

It is timely to review the Commission's charter before you finalize your recommendations. The Governor chartered the Commission to recommend tax policy changes to achieve the following:

- Establish a 21st century tax structure that fits with the state's 21st century economy;
- Stabilize state revenues and reduce volatility;

- Promote the long-term economic prosperity of the state and its citizens;
- Improve California's ability to successfully compete with other states and nations for jobs and investments;
- Reflect principles of sound tax policy including simplicity, competitiveness, efficiency, predictability, stability, and ease of compliance and administration; and
- Ensure that the tax structure is fair and equitable.

Consistent with the Commission's charter, I urge you to refrain from including recommendations to the Governor and Legislature that are antithetical to the long-term economic well being of Californians. **Specifically, I appeal to you to *exclude* the following proposals from your final recommendations:**

- **A split roll property tax for non-residential property**, which would increase taxes on employers, be detrimental to investments and the economy and hit hardest the state's lower income apartment tenants and small businesses.
- **Any "pollution tax" and any tax that raises the price of gasoline and California-produced crude oil**, which would only serve to fuel inflation in an already inflationary economic climate, thereby hitting California families both at the pump and in the purchase of all goods at prices inflated by increased fuel costs.
- **Any new taxes on business, including the so-called "business net receipts tax" and related changes to the existing tax structure** which have not been thoroughly analyzed but, on their face, appear to be toxic to the California business, to consumers to whom increased business expenses will be passed along, and the state economy as a whole.
- **Any tax on services and internet sales** which would increase the burden California's already tax-weary businesses and consumers.
- **Any "revenue neutral" so-called solutions** which are really bait-and-switch tax increases in disguise (i.e., recommended increases in state revenues which are supposedly to be offset by some vague future revenue cut that never actually materializes).

In addition, while any recommendations you may make to decrease the state income tax rate are to be applauded, you are also encouraged to make recommendations to distribute the tax burden more equitably, so that all Californians share in the cost of their state government. The Commission is chartered to "promote the long-term economic prosperity of the state and its citizens, improve California's ability to successfully compete with other states and nations for jobs and investments and ensure that the tax structure is fair and equitable." In order to achieve these goals, the state's tax burden must be equitably distributed among its citizens.

Presently California has the highest and most progressive personal income tax rates in the nation, with half of all income taxes coming from just 1% of residents. This disparity cannot be considered "fair and equitable" by any measure, nor is it effective in retaining high wage workers and businesses in California. Distributing the tax burden more equitably among all will give a greater number of Californians a vested interest in state operations – that is, skin in the game – and, could spur greater interest among the electorate in the actions of their elected state representatives. I think we can all agree that a more engaged, invested electorate would be a positive development for California.

Continuing to squeeze the productive few to pay for an elaborate state government apparatus is an unsustainable formula, particularly in light of the higher inflation rates which are anticipated during the years ahead. Overregulation and excessive taxation will continue to drive business from the state, unless action is taken to reduce these burdens on business. Unless and until tax relief is afforded to productive working citizens and their employers – particularly small business – California's economy will continue to spiral downwards, while productive workers and businesses continue their exodus to states whose economies are more business and family-friendly.

Please exclude job-killing tax increases from your recommendations and urge the Governor and legislature to reduce the size and scope of state government – for the good of all Californians. Thank you for your efforts.

Sincerely,



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