

Give the California Economy a Chance to Flourish Instead of Raising Taxes



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Tuesday, December 13th, 2011

Politicians are looking for ways to raise our taxes. Despite stubbornly high unemployment, a continually weak economy and an already crushing tax burden, they are studying every which way to increase taxes.

There are signs – small, almost imperceptible signs – that the California economy is perhaps ready to start making some progress.

The statewide jobless figure is finally, slowly moving in the right direction, but unemployment is still at an ugly and painful 11.7 percent.

Just as bad economic news can create a downward spiraling momentum, good news can build upon itself and start righting the economy. We all want that to be the case.

The concern is that we won't give the economy breathing room, and instead will suffocate it with new taxes that steal much-needed job-creating capital from the private marketplace.

The upcoming year seems to promise a political battle, with these issues at the center of it all. It is common knowledge that many proposals are in the final stages, with proponents formulating what types of higher taxes will be put before the voting public in 2012.

Each plan to transfer more money from the private sector into the hands of the state government bureaucracy is certain to be marketed with the same familiar arguments: rich people need to pay more, the state's budget deficit must be solved with an increase in taxes, critical programs will be cut beyond the bone without higher levies, and so on. Unfortunately, there is a lack of focus on how to spend limited resources wisely.

The bottom line is that higher state taxes take precious dollars out of a wounded economy. Those dollars are the medicine that businesses need to heal, and healing means hiring in a state where nothing is more important than getting people back to work.

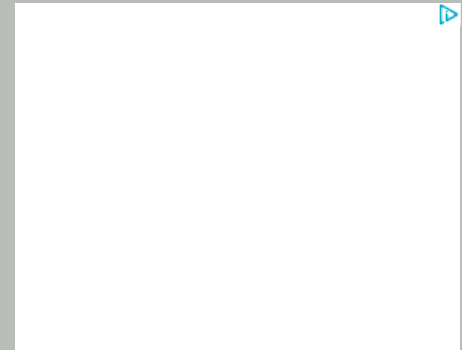
But let's look at the arguments made to increase taxes. When taxes are increased on the "rich," they also are increased on job creators – thousands of small businesses – who pay their taxes through the income tax on the owner. This is a direct hit on the biggest hiring machine in California. Of all new jobs in the state, nearly 80 percent are created by small businesses.

The sad truth is that when taxes have been increased as a response to the state deficit, the Legislature has used the new revenue to increase spending, not to cut the deficit. The

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Legislature needs to bring spending in line with revenue, rather than demanding ever-higher taxes from those trying to make a go of it.

California's unemployment rate remains the second highest in the country. California's tax rate devours more income than most states in the country, but is only part of the reason our economy continues to sputter while the nation's jobless figure is three percentage points lower than ours.

The state's over-reaching regulatory system and expensive list of fees and other charges also contribute to a business climate that an annual survey of business executives repeatedly ranks dead last in the country.

Three things can turn California's economy around: jobs, jobs and jobs. More people working means more people paying taxes, and government's coffers will fill up quickly. It is the way to a brighter economic future.

Higher taxes that kill jobs would be the worst thing to do at this time.

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A strong majority of Californians support Gov. Jerry Brown's plan to raise the sales tax and income taxes on high earners to help close the state's budget deficit, according to a new poll.

The poll - an early measurement of a proposal that has far to go until voters can weigh in in November - found that 65 percent of all adults surveyed support his plan, which would increase the sales tax by a half cent and raise taxes on high-income earners, starting with individuals who make more than \$250,000 per year.

The poll also found deep concern among state voters about further cuts to K-12 public education and that Californians see their local government services as significantly impacted by multiple years of state budget cuts as lawmakers and the governor have struggled to balance the budget.

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