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Another Voice

A taxing proposition for all Californian

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Just when you thought it was safe to do business in California again, a new multibillion-dollar tax increase is being proposed that would raise the costs of virtually every product and service in the state by raising taxes on property.

This massive tax increase, which could appear on the ballot as early as November, would amend the state Constitution (Proposition 13 of 1978) to require annual reassessment of nonresidential property, with some exceptions. The so-called "Tax Fairness Act" initiative would hit every single Californian, rich and poor alike, right in the pocketbook, costing the average family hundreds of dollars a year in higher taxes.

And it would significantly undermine recent efforts by Gov. Arnold Schwarzenegger to improve the state's economic climate.

The public employee union bosses, who have proposed the measure, are collecting signatures to place it on the next statewide ballot. If passed, it would immediately raise property taxes by untold billions of dollars -- and that's just the first year. The nonpartisan Legislative Analyst's Office estimates that the initiative would increase taxes by an additional \$3.5 billion each year thereafter by forcing annual reassessment of nonresidential properties.

Consumers would be forced to pay more for every product and service they buy, since businesses would have no choice but to pass on the costs of these higher taxes. Everything from groceries to day care, gas to healthcare, will cost more.

Small businesses, the engines that drive our economy, will be hit the hardest. Whether they own or rent, "Main Street" retailers, restaurants, small grocers, barbers, and hundreds of thousands of other small businesses will pay billions of dollars more in taxes and rent.

And that means Californians will pay billions of dollars more in costs and services.

Nevada would like it: According to the nonpartisan Tax Foundation in Washington, D.C., California's business tax climate is among the most expensive in the nation (37 states are less expensive).

Employers are already saddled with the highest corporate income-tax rate in the West. They grapple with one of the highest sales-tax burdens in the nation. They pay significantly more for electricity than their rivals in neighboring states, and are confronted daily by scores of costly regulations and mandates imposed by government.

Add into this witch's brew another multibillion-dollar tax increase, and California employers will have no choice but to cut back their work forces, leave the state or simply shut down.

And the impacts don't stop there. Higher commercial property taxes will increase costs for all businesses in California, and those higher taxes will be translated into higher costs for anyone doing business in the state in all industry sectors. At a time when California is desperately striving to improve its overall economic climate and generate new jobs, this measure is tantamount to an economic Armageddon.

But not everyone out West is bemoaning this proposed tax increase. In fact, for Nevadans, it must be music to their ears.

The Silver State recently launched a large-scale public relations campaign aimed at enticing
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California employers to move to Nevada. The campaign -- titled "Will Your Business Be Terminated?" -- touts Nevada's more attractive business climate, highlighting, in part, the fact that Nevada's business tax burden is far lower than California's.

The harder California makes it to do business in the Golden State, the easier it will be for Nevada and other more business-friendly states to lure our jobs away.

The only sure thing? You'll pay: Taxpayers understand that they must provide revenues to fund critical state services like education and public safety. But they also realize that you can't fund the important priorities of a state as large as California without a strong and vibrant economy that fuels sustained job growth.

Even worse, this multibillion-dollar tax increase contains no accountability provisions to protect taxpayers -- no audits, no safeguards and no guarantee that the billions in higher taxes will go where proponents claim.

This initiative has only one guarantee, and that's a tax increase every Californian will ultimately pay.

Larry McCarthy is president of the California Taxpayers' Association, which has its headquarters in Sacramento.

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