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A SNEAK ATTACK ON TAXPAYERS AS PART OF A 2005-06 BUDGET TRAILER BILL

Sacramento -- The California Legislature is looking to "hidden taxes" to help balance the 2005-06 state budget, charged members of the Hidden Taxes Coalition. "Hidden taxes coming at the last minute are sneak attacks on taxpayers," said Larry McCarthy, president of the California Taxpayers' Association. "The Legislature has raised taxes like this before, usually with few or no public hearings. It is very damaging to the targeted industries and consumers.

"Disguise them in any form, these fees are still tax increases. Slipping them into the budget in the dark of night doesn't change that."

A coalition of more than 60 industry groups targeted by these mis-labeled "fees" announced its opposition to such damaging and irresponsible new taxes at a news conference May 31. A list of the members of the "Hidden Taxes Coalition" is found at: <http://www.caltax.org/StopHiddenTaxes.htm>.

Recently, a draft amendment to the budget was circulated, proposing to grant broad new taxing authority to California environmental agencies. Specifically, the proposal would hike taxes, referred to as "fees," for an environmental impact report prepared pursuant to the California Environmental Quality Act (CEQA). These new environmental taxes will increase costs for homebuilding, commercial building, agriculture, manufacturing, oil, forestry, local governments, school districts, hospitals, airports, water agencies, and transportation projects.

These tax-like fees are an attempt to hide from the public that spending increases continue in Sacramento, despite the Governor's admonitions.

Jack Stewart, president of the California Manufacturers & Technology Association said, "The economy and its consumers suffer when taxes are disguised as fees. These hidden taxes are ways for spending advocates to find what they think are new and secure revenue sources. Unfortunately, the damage done by these new taxes will hurt California consumers and undercut future growth of the state's economy."

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Robert Rivinius, CEO of the California Building Industry Association (CBIA), said these new taxes will increase housing costs in California and make the state's desperate affordability problems worse. "California is already home to the highest housing costs in the nation and, not surprisingly, is near-bottom when it comes to homeownership," Rivinius said. "According to a national study, every \$1,000 added to the price of a home in California removes over 20,000 families from the homebuying market.

"It's time government not only curbs its spending appetite," added Rivinius, "but it should be held accountable for the impact its hidden taxes have on working men and women in California."

The Hidden Taxes Coalition is convinced by history that California's largest revenue opportunity for government is an economy that is growing. When the economy improves, state revenues surge. However, imposing new taxes causes the opposite effect, threatening the economy and the state revenues it would bring. That's why the coalition believes all proposed state taxes - including taxes disguised as fees - must be subjected to the full legislative process and the scrutiny required by a 2/3 legislative vote.

The Hidden Tax Coalition strongly urges the Legislature and the Governor to resist new taxes disguised as fees. Coalition members are convinced that if the California state budget is to stabilize and the economy is to grow, the game of hiding new taxes must be stopped.

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