

**Commentary -- November 15, 1995**

## **Taxpayers work with FTB to implement MICs**

By Larry McCarthy

More than two years ago, the Legislature and Governor Pete Wilson enacted a manufacturers' investment tax credit as the centerpiece of a legislative package hailed as the most sweeping tax reform in nearly two decades.

This 6% credit in SB 671 of 1993 was designed to help California compete with other states for businesses and jobs. Most other states were already luring and maintaining job-producing industries with these credits, called MICs.

Two years after this good-faith effort by the Legislature and governor to make California more attractive to industry, as businesses begin to prepare 1995 tax returns, the Franchise Tax Board is nearing completion of a proposed regulation to implement the law.

Most taxpayers are pleased that the FTB has been involving taxpayers earlier in the process, which follows a suggestion from CalTax at a recent Taxpayers' Bill of Rights hearing. As a result, many improvements have been made in the draft.

Still, some issues remain to be worked out. One problem is in the clarity of the underlying statute, which was placed on a fast track as the Legislature neared its adjournment date. These issues include types of property eligible for the credit and whether the credit could be assigned to a single entity or a unitary group, such as a parent corporation.

It is hoped that these issues can be resolved in an expeditious manner through the FTB and the business community working together. Those responsible for implementing the law should not lose sight of the objective of the manufacturing investment tax credit: A more competitive California, attracting investments that lead to high-wage jobs. In the long run, California's tax base will be stronger and better able to support needed government services.

**– Larry McCarthy was president of the California Taxpayers Association (CalTax) from 1989 to 2007.**

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