



Written by [Brian Koenig](#) on November 7, 2012

California Voters Pass \$6-Billion-a-Year Tax Hike

In the wake of the November 6 elections, voters have approved a number of contentious state initiatives, including a \$6-billion-a-year bundle of tax increases sponsored by California Governor Jerry Brown. [Proposition 30](#), a focal point of Brown's administration, would increase the sales tax by 0.25 cent for the next four years, while raising income taxes on those earning more than \$250,000 for the next seven years.



Specifically, the measure installs three new personal income tax brackets for high-income residents, and the wealthiest one percent — which includes those earning at least \$533,000 a year in income — will account for nearly [80 percent](#) of the tax hike. Those high-income earners will see their income taxes rise by 1.1 percent, while the bottom four-fifths of the state's earners will see a tax increase of between 0.1 percent and 0.2 percent.

"I know a lot of people had some doubts and some questions: 'Can you really go to the people and ask them to vote for a tax?'" Brown [asserted](#) Tuesday night to a rally of supporters. "Here we are.... We have a vote of the people, I think the only state in the country that says, 'Let's raise our taxes, for our kids for our schools, and for our California dream.'"

The Governor billed his tax plan as a measure to prevent spending cuts to the state's universities and public school system, insisting that rejecting Prop 30 would translate into a \$6-billion spending cut to schools starting January 1 — which, he warned, would hike tuition at public universities and abridge the school year for K-12 public education.

Naturally, public employee unions provided rigid support for the effort, doling out a considerable portion of the \$40 million spent to back the proposal. "It sold itself," Brown [declared](#) at a victory party in Sacramento. "The core reason it brought people together was a belief in schools and universities and the capacity of government to make wise investments that benefit all of us."

Interestingly, while Brown and his Democratic allies created a doomsday scenario about California's cash-strapped schools, the state's lawmakers continued to bolster costly legislative efforts, including a high-speed rail project worth an estimated \$68 billion. Without a definitive plan for funding, the landmark rail line, the first of its kind in the United States, has been burdened with an array of budgetary concerns, as private investments have gone awry and as taxpayers protest the project's towering price tag.

"Following years of heated legislative battles, California senators approved in a 21-16 vote on July 6 to allot some \$8 billion for the project's initial line of track, which is slated to operate trains at speeds of up to 220 miles per hour," *The New American* [reported](#) in July. "The vote approved \$4.5 billion in state funding and provided \$3.2 billion in federal bond money."

And while many political leaders were touting the \$60 billion-plus rail project — which will dip into the state's education budget — they were railing against critics who opposed Governor Brown's exorbitant



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tax package. "It's unfortunate that the majority would rather spend billions of dollars that we don't have for a train to nowhere than keep schools open and harmless from budget cuts," Republican Senator Tom Harman [said](#) of the project. "Closing schools for three weeks while spending \$8 billion on 130 miles of train tracks defies logic and is irresponsible," Senate GOP leader Bob Huff added, echoing other Republicans' concerns over the project's lavish price tag.

But instead of sidelining the rail project, as well as eliminating other costly spending initiatives, Brown forced California residents to vote on a tax increase when job producers are already struggling to keep their businesses afloat. The governor blames California's struggling economy for the state's rising budgetary woes, but then blazons a tax increase on California's economic drivers.

California, or as the Pacific Research Institute refers to it as "Taxifornia," harbors the highest personal income taxes in the country, and has higher sales taxes than all but four other states. Thanks to its daunting business environment, businesses and investors are migrating to other states in search of lower taxes and less regulations. [Breitbart.com reported](#) on this trend in an article earlier this year:

Spectrum Locations Consultants recorded 254 California companies moved some or all of their work and jobs out of state in 2011, 26% more than in 2010 and five times as many as in 2009. According SLC President, Joe Vranich: the "top ten reasons companies are leaving California: 1) Poor rankings in surveys 2) More adversarial toward business 3) Uncontrollable public spending 4) Unfriendly business climate 5) Provable savings elsewhere 6) Most expensive business locations 7) Unfriendly legal environment for business 8) Worst regulatory burden 9) Severe tax treatment 10) Unprecedented energy costs.

Mark Stevens, a venture capitalist and partner at S-Cubed Capital, says Brown's tax package will only hinder the state's economic recovery. "By increasing sales tax and increasing income taxes on the upper income brackets," he [asserts](#), "it makes California that much more dependent on two sources of revenue."

According to Vranich, California has the most hostile business climate in the U.S., and Los Angeles is the worst city to launch a new business. Yet Governor Brown and more than half of the state's voters have just boosted the burden on California businesses and investors, encouraging more of them to flee to states with greener political pastures.

Photo of California Governor Jerry Brown thanking supporters after the passage of his Proposition 30 tax hike initiative: AP Images



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