



Written by [Brian Koenig](#) on August 26, 2011

California Gov. Jerry Brown Proposes New Tax Plan for Local Businesses

These dollars would shift to California companies in the form of sales-tax exemptions, with the intent to nudge companies to manufacture products and hire people within the state.

Under the 2009 budget plan, out-of-state companies were allowed to choose between two tax formulas, which the Brown administration claims left California-based businesses at a competitive disadvantage. The new plan would calculate out-of-state companies' tax liability solely on the portion of sales they earn in California, an approach called the "single-sales factor."



Proponents argue that the bill would encourage in-state companies to build facilities and create jobs in California, rather than benefiting large, multi-state corporations that "infiltrate" the California economy.

"Boosting job growth in California is a top priority, and this proposal is a critical step in making sure the state does everything it can to support local job creation," the Governor [charged](#). "This legislation would expand a currently existing job credit to make it more effective while adding new tax incentives for growth in the manufacturing sector."

Brown is striving to [tame](#) his state's ballooning 12-percent unemployment rate — the second-highest in the country behind only Nevada. Administration officials claim the proposal is "revenue neutral," as it will not go directly to the state's general fund, but instead will transfer the excess revenue to local businesses.

The Governor's proposal will require some Republican support in the Legislature — at least two Republicans in the Senate and Assembly. "At some point, Republican legislators are going to have to decide whether California jobs are more important than tax breaks for these corporations that send jobs out of state," [asserted](#) Brown spokesman Gil Duran.

The *Sacramento Bee* has more details on the Brown tax proposal:

The plan calls for a 3.9 percent sales tax exemption for startup manufacturers and a 3 percent exemption for all other firms buying manufacturing equipment. Such an exemption is aimed at benefiting California manufacturers, biopharmaceuticals, clean energy and software developers.

Brown also wants to raise the employer tax credit and give it to more small businesses. He wants to raise the credit from \$3,000 to \$4,000 per worker for businesses that employ up to 50 people. Currently, the credit applies only to businesses with up to 20 employees.

"We've got the plan Obama has been looking for. And if you believe that, I've got a bridge to sell you, too," Brown said in a statement. "We'll do what we can at the state level. The state is a different kettle



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of fish than the nation. We don't have the Federal Reserve, we don't have the instruments of massive fiscal capacity that the United States government has."

Other initiatives the California legislature is pushing to spur job growth include streamlining complex permit procedures and easing environmental regulations which stall, or terminate altogether, new projects. One bill in particular, SB 226, would [exempt](#) projects such as solar panel installations from environmental regulations, meaning they would bypass the review process and be able to start projects earlier.

"Promoting job creation in California should be a top priority for all legislators," Gil Duran wrote in an e-mail. "We are hopeful that there will be bipartisan support for job creation in California."

Photo of Jerry Brown: AP Images



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