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# Editorial: Californians' tax load already too heavy

## State ranks near bottom in business climate.

### The Orange County Register

The state Legislature came dangerously close last week to circumventing the constitutional protection against easily imposed new taxes. We fear the danger lingers.

Gov. Arnold Schwarzenegger properly refused to sign a bill with \$9.3 billion in new taxes, some disguised as "fees." But the governor didn't complain that the Democratic-controlled Legislature had approved the tax increases with a simple majority vote rather than the constitutionally required two-thirds approval.

It's an open question whether Gov. Schwarzenegger would sign a tax increase passed with a simple majority if it included the economic stimulus provisions he has demanded. He said only, "I don't get into those kinds of debates ... what is important is that we raise the revenue that we need."

The governor thinks a lot like the legislative Democrats, forever seeking "extra revenues." We

want to remind him and legislators of the devastating effects of higher taxes.

The nonprofit Tax Foundation said California already has the nation's third-highest individual income tax rate, topping out at 9.3 percent, plus a special rate of 10.3 percent for millionaires.

The foundation also said California's business tax climate ranks better than only three other states, considering taxes on corporate and personal income, sales, unemployment insurance and property. In 2007, Californians also had to work longer into the year than taxpayers in 43 other states before earning enough to pay off total federal, state and local taxes, the foundation reported.

The state's \$5,028 per-capita combined state and local tax burden ranks sixth highest nationally, said the Tax Foundation, which also found California's gasoline tax to be the nation's highest.

A separate 2008 study by the Small Business & Entrepreneurship Council in Virginia weighed 34 factors and determined California to be the "second-toughest state in the nation for small business," behind only New Jersey. Neighboring Nevada ranked as one of the nation's two *tax-friendliest* states for small business.

Since California imposed its additional 1 percent tax on income in excess of \$1 million, millionaires have been leaving. Millionaires nationwide increased by 5.9 percent in 2007 but Los Angeles County lost 7,000 millionaire households, while Orange and San Diego counties also showed declines, a private research firm found. Arizona attracted 23,000 new millionaire households during that time. Arizona's top income tax rate is 4.79 percent, less than half California's. Also during that

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period, 135,173 more California residents moved out of state than moved into California from other states.

Texas and California are described as the "two economic heavyweights of the United States," by the Texas Public Policy Foundation, which compared their income and consumption taxes, government spending and regulation and overall tax environments.

The foundation determined Texas' economic environment to be more competitive in five categories, and equal to California's in the sixth, taxes on consumption. "States fiercely compete with one another: they compete for jobs, they compete for businesses and they compete for people," the foundation noted. If California wants to compete, more and higher taxes aren't the answer.

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