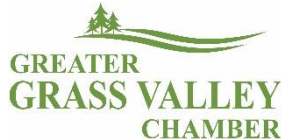
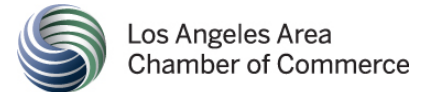
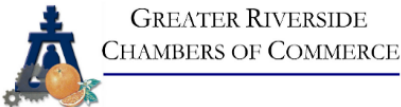
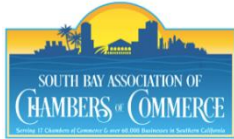




San Jose Chamber of Commerce





October 19, 2021

TO: California Congressional Delegation

SUBJECT: Fiscal Year 2022 Budget

Sent via email

Dear California Congressional Delegation Members:

The California Chamber of Commerce and listed organizations urge you to reject proposals in Congress to increase taxes on large and small businesses to pay for the massive multi-trillion-dollar reconciliation package. While we support the bipartisan infrastructure package, employers have suffered staggering financial setbacks as a result of the COVID-19 pandemic and the reconciliation bill will only add to that struggle while they are attempting to rebuild, recover and deal with acute workforce shortages.

With a state corporate tax rate of 8.84%, the current proposal to increase the federal corporate rate from 21% to 26.5% will result in California corporations paying a combined rate of over 33% - that's roughly ten points higher than the weighted average rate of every other developed nation on Earth. Our rate would be eight points higher than China and nearly 11 points higher than the average rate in the European Union. In other words, the proposal to increase the federal corporate tax rate will put California corporations at a severe competitive disadvantage.

California residents are not immune from the effects of higher corporate taxes. Millions of residential utility ratepayers will see higher utility bills from increased taxes levied on gas and electric utilities. Utility providers regulated by the California Public Utilities Commission must pass along the increased costs resulting from higher taxes directly to consumers.

Congress isn't just taking aim at corporations. They are also considering significant tax increases on the pass-through business sector, including raising the top individual tax rate, lowering the top rate's threshold, imposing the 3.8% Net Investment Income Tax (NIIT) to all forms of business income, and capping the 199A deduction.

Coupled with the California's top-heavy income tax, this package of rate hikes would increase the top rate on our state's pass-through businesses to over 50% of their taxable income.

Finally, Congress is considering raising the capital gains tax to 25%. When factoring California's own taxes on capital gains, most investors in the state will end up paying a combined capital gains rate of over 35%. The rate increase will affect approximately two-thirds of capital investment in the U.S. and could dampen investments in California start-ups and hurt California families as they save for retirement or look to buy a new home.

Many California employers are vulnerable as they continue to rebuild and recover from the pandemic. The tax increases contained within the reconciliation package will further cloud California's difficult business climate and stifle job growth at a time it is desperately needed.

Sincerely,

Policy Advocate
California Chamber of Commerce
on behalf of

Agricultural Council of California
Alameda Chamber of Commerce
Anaheim Chamber of Commerce
Antelope Valley Chambers of Commerce
Brea Chamber of Commerce
California Beer and Beverage Distributors
California Building Industry Association
California Business Properties Association
California Cable & Telecommunications
Association
California Chamber of Commerce
California Farm Bureau
California Framing Contractors Association
California Grocers Association
California Manufacturers & Technology
Association
California Retailers Association
Carlsbad Chamber of Commerce
CAWA-Representing the Automotive Parts
Industry
Chino Valley Chamber of Commerce
El Dorado County Chamber of Commerce
El Dorado Hills Chamber of Commerce
Elk Grove Chamber of Commerce
Family Business Association of California
Folsom Chamber of Commerce
Fresno Chamber of Commerce
Garden Grove Chamber of Commerce
Gateway Chambers Alliance
Gilroy Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
Greater Conejo Valley Chamber of Commerce
Greater Grass Valley Chamber of Commerce
Greater High Desert Chamber of Commerce
Greater Irvine Chamber
Greater Riverside Chambers of Commerce
Greater San Fernando Valley Chamber of
Commerce
Harbor Association of Industry and Commerce
Hollywood Chamber of Commerce
Housing Contractors of California
La Mesa Chamber of Commerce

Laguna Niguel Chamber of Commerce
Lake Elsinore Valley Chamber of Commerce
Lincoln Area Chamber of Commerce
Lodi Chamber of Commerce
Long Beach Area Chamber of Commerce
Los Angeles Area Chamber of Commerce
Modesto Chamber of Commerce
Murrieta/Wildomar Chamber of Commerce
Neighborhood Market Association
North San Diego Business Chamber
Norwalk Chamber of Commerce
Oceanside Chamber of Commerce
Orange County Business Council
Palos Verdes Peninsula Chamber of Commerce
Pleasanton Chamber of Commerce
Plumbing-Heating-Cooling Contractors
Association of California
Rancho Cordova Chamber of Commerce
Redding Chamber of Commerce
Redondo Beach Chamber of Commerce
Roseville Area Chamber of Commerce
Sacramento Metropolitan Chamber of Commerce
San Jose Chamber of Commerce
San Mateo Area Chamber of Commerce
San Ramon Chamber of Commerce
Santa Barbara South Coast Chamber of
Commerce
Santa Maria Valley Chamber of Commerce
South Bay Association of Chambers of
Commerce
South Orange County Economic Coalition
Southwest California Legislative Council
The Errigo Group
Torrance Area Chamber of Commerce
Tulare Chamber of Commerce
United Chamber Advocacy Network
Vacaville Chamber of Commerce
West Ventura County Business Alliance
Western Electrical Contractors Association, Inc.
Whittier Area Chamber of Commerce
Yuba Sutter Chamber of Commerce

PY:ldl