



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Ash Kalra

**SUBJECT: COUNCIL DISCUSSION AND
POSSIBLE ACTION ON A CITY
POSITION REGARDING PROPOSITIONS AND
MEASURES ON THE NOVEMBER 6, 2012
CALIFORNIA GENERAL ELECTION BALLOT
(PROPOSITION 39)**

DATE: October 22, 2012

Approved

Date

10/22/12

RECOMMENDATION

Adopt a resolution in support of Proposition 39 on the November 2012 General Election Ballot.

BACKGROUND

A couple of years ago, a tax loophole was enacted that created an incentive for out-of-state and multi-state businesses to limit their California tax liability by not locating facilities or hiring employees within California. Proposition 39 would rectify this mistake.

Proposition 39 will repeal this loophole by requiring out-of-state businesses to based their California tax liability upon their California sales. According to the California Legislative Analyst's Office, this approach could generate \$1 billion in revenue and create approximately 40,000 jobs. Importantly, Prop 39 would not impact businesses that only operate in California. In addition, a portion of the funds generated by the additional tax revenue would be dedicated to funding clean energy job and projects for five years.

The decision that was made three years ago to disincentivize job and facility creation and expansion within California impacted San José as much if not more than any major California city, given the nature of our local economy. Proposition 39 will rectify this poor policy choice by leveling the playing field for California businesses, and by generating critically needed tax revenue.