**DATE**

Senator Henry Stern
State Capitol, Room 5108
Sacramento, CA 95814

**ORGANIZATION NAME**

Re: Oppose SB 993 (Hertzberg; D-Van Nuys)

Dear Senator Stern:

On February 5, 2018, Senator Robert Hertzberg introduced “SB 993,” which would impose a 3% tax on services purchased by businesses in California, with some exceptions, adding another layer of taxes onto California companies, raising costs, and putting them at a competitive disadvantage.

If adopted, this proposed tax would create a new burden on California businesses and taxpayers. SB 993 would increase the cost of doing business in an already costly state by taxing most of the services used by businesses, including those necessary for day-to-day operations, like accounting or janitorial services. This would have the most impact on small business. Small businesses depend on the services included under SB 993 to conduct their operations.

For the following reasons, we OPPOSE SB 993:

* This Business Services Tax does not exist in the majority of other states, thereby SB 993 would create a competitive disadvantage for businesses in California, a state already beleaguered by an excessively challenging business climate.
* As a result of this proposed Business Services Tax, the cost of doing business in California would increase, which would logically translate into higher prices of goods and services. Consequently, California consumers would ultimately bear the financial burden from this proposed tax.
* If enacted, this Business Services Tax would have a significant negative impact on smaller businesses who rely on these day-to-day operational services. While larger businesses often have the ability to bring these services in house and avoid this tax, smaller businesses typically cannot afford to do so, and therefore will be subject to these costly fees.

SB 993 will unquestionably put California businesses at a competitive disadvantage. If adopted, any other state in the country will have a more business friendly tax environment than California and lower prices for the services covered. This would continue our unfavorable ranking by the Tax Foundation’s *State Business Tax Climate Index;* every year since 2015 California has ranked 48th out of 50 states based on how well the State structures their tax systems. California does not need another disincentive for businesses to stay in California, locate in California, or grow in California.

Given the foreseeable negative impact that this proposed Business Services Tax would levy upon California businesses, consumers, and the State, we **strongly opposes** 993 and ask for you to vote **no** on this bill.

**Contact Information**