

## **SB 573 Would More Than Double California's Tax Rate on Many Employers**

**Statement from California Taxpayers Association President Robert Gutierrez on SB 573, which would increase California's 8.84 percent corporation tax to a top rate of 19.5 percent:**

"This bill would make California's affordability crisis worse, pure and simple. By more than doubling taxes on targeted employers, [SB 573](#) would increase costs for consumers as the tax gets passed down in the form of higher prices for goods and services in every area of life.

"Compounding the problem, the bill would put many Californians out of work, as this bill would be the last straw for many employers, convincing them that California is simply uncompetitive when it comes to running a business."

### **Background**

California's corporate tax rate is 8.84 percent for most businesses – the highest rate among the Western states and higher than the rates in 43 other states – and 10.84 percent for financial institutions.

Under SB 573, the new rates would be 7 percent to 13 percent, based on CEO-to-median-employee compensation ratio, with a 50 percent increase (bringing the top rate to 19.5 percent) if a company's U.S. workforce decreases more than 10 percent while foreign or contracted employment increases. The top rate for financial institutions would be 15 percent based on the compensation ratio, increasing to 22.5 percent if the employment provision is triggered.

Taxes on businesses and employers typically are passed along to consumers, and tax rates are a major factor used by companies when deciding where to start or expand their operations and investments.