



CHAMBER OF
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News Release

Contact: Hal Silliman,
Communications Director,
408-291-5282
hals@sjchamber.com

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Top Silicon Valley member businesses take on state, federal tax issues

San Jose Silicon Valley Chamber's Taxation & Budgetary Legislation Committee reviews bill status

A dozen San Jose Silicon Valley Chamber members from top Silicon Valley companies met last week to review a variety of tax proposals coming out of the state and federal governments.

Gathering at PricewaterhouseCoopers on Oct. 6, were members of the chamber's Taxation & Budgetary Legislation Committee who are chiefly corporate tax and government affairs representatives from Agilent, Cadence, CISCO, eBay and other organizations. The Tax and Budget committee has been recently rekindled as the chamber begins to coalesce members from across the valley to work on strengthening the local economy.

In an overview led by committee chair George Famalett of PWC, the committee heard about current status of the state's split roll property tax, the mandatory single sales tax, the software tax and the federal repatriation legislation.

"We've got a lot of challenges out there," said Famalett, noting that two months into the 2011-12 fiscal year, the state budget is already \$600 million behind in revenue collections. This is likely to fuel the fire for more new tax proposals, especially if during the 2012 elections the Democrats achieve a two-thirds majority in the statehouse, he said.

In noting that the committee will help the chamber play a distinctive role in advocacy, SJSV Chamber board member Steve Beitler of Agilent said doing so "will require new collaboration across the region and among the committee."

Steve Rosenthal of eBay, agreed, adding that, "these are trying times, and collaboration is a very good thing"—especially considering that representatives in both Washington and Sacramento may have heard business's concerns but still bow to politics and vote trading.

"We still need to keep sending a very strong message," Rosenthal said.

A brief overview of potential tax changes or new taxes found that:

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SJSV Chamber
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- The state's split role property tax—where businesses would lose Proposition 13 protections—will likely not be considered in the next year because of continued high unemployment and vacancy rates.
- The mandatory single sales tax factor to source the California share of income for corporate income taxes was considered by committee members to be OK, but it was conceded that it would be likely difficult to keep the state legislature from adding industry exemptions. The tax legislation is off the table for now, but the committee could approach state legislators and asked for it to be reintroduced.

"We will be a strong voice asking for the legislature to support it," said Famalett, "but we can't control what's tacked on in carve-outs."

- There are currently no active bills on taxing software downloaded from the Internet, but the issue needs continual watching.
- Of the \$1 trillion in profits held by U.S. corporations off shore, \$230 billion is held by California companies—many with a presence in the Silicon Valley. Having the money back in the U.S. would significantly stimulate the economy, but to repatriate the funds, corporations face a current top rate of 35 percent.

"It's pretty frustrating that the nation can't do better than this," Beitler said. "It's a significant issue for us."

The committee learned that new corporate repatriation legislation proposed by Senators Kay Hagan and John McCain would let U.S. businesses bring home offshore profits at an 8.75 percent tax rate. The rate on repatriated profits would drop to 5.25 percent if a company's payroll expanded during 2012. To qualify for the lowest tax rate, a company would have to increase its payroll by 10 percent as measured by additional workers or higher employee pay.

Pat Sausedo, senior vice president for public policy, will work with committee members in the next several weeks to develop an issue paper on the federal repatriation legislation. The paper then would be presented to the chamber's Operations Committee for approval and then sent onto the entire board. With board approval, the chamber then can begin heavy lobbying efforts of the region's U.S. elected representatives and build regional support through an outreach campaign.

The next Taxation & Budgetary Legislation Committee meeting is set for Thursday, Nov. 3. For more information, contact Pat Sausedo at 408-291-5262.

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The SJSV Chamber of Commerce is a nonprofit business association representing nearly 1,500 employers and a quarter million employees throughout the greater Silicon Valley. Its mission is to create a strong local economy, provide premier business connections and visibility, represent the interests of business to government, promote the community and initiate political and community action. For more chamber information, visit sjchamber.com.