



May 31, 2005

Members, California State Legislature
State Capitol
Sacramento, California 95814

Subject: Coalition Letter in Opposition to Hidden Taxes Masquerading as Fees

Dear State Legislators:

In the past five years, the California Legislature and local governments have tried to impose more than \$7 billion in new taxes while avoiding constitutional approval requirements for tax increases. The strategy is to disguise taxes as mere regulatory “fees” in order to avoid the public debate and rigorous vote requirement that voters have repeatedly demanded before taxes are raised.

The threat of hidden taxes enacted by end-runs around the State Constitution is becoming acute for businesses and consumers in California. New tax-like fees increase the cost of doing business and threaten jobs that are already vulnerable because of high operating costs in the state. For this reason, a coalition of business and consumers has formed to raise public awareness and oppose efforts to disguise taxes as fees.

Creativity with regard to tax-like fees is limitless. These so-called “fees” have been proposed on just about everything imaginable – on phone bills, electric bills, beer, bottled water, wine, soda, diapers, prescription drugs, shipping costs, health care facilities, bicycles, and grocery bills, including “fees” on the cost of the grocery bag itself!

The coalition supports the following principles:

First, all state taxes should require a two-thirds legislative vote or a vote of the people. A tax is an enforced payment to raise revenue for public or general governmental purposes. On the other hand, legitimate fees are directly linked to, and limited by, the costs of providing a government service. Taxes should not be classified as fees to circumvent tax approval procedures specified in the Constitution.

Second, California history proves that the biggest revenue opportunity available to government is an economy that is growing. When the economy improves, state revenues surge. Imposing new taxes threatens the economy and the state revenues it

Page 2

would bring. That's why all proposed state taxes – including fees disguised as taxes – must be subjected to the scrutiny required by a 2/3 legislative vote.

Attached is a list of bills that violate these principles and threaten the economy. We urge policymakers to call a tax “a tax” and resist imposing these and other new hidden taxes on Californians without the 2/3 vote Californians deserve.

Sincerely yours,

Air Transport Association
BNSF Railway Company
The Boeing Company
California Building Industry Association
California Business Properties Association
California Business Roundtable
California Chamber of Commerce
California Farm Bureau Federation
California Fisheries and Seafood Institute
California Forestry Association
California Grocers Association
California Hotel & Lodging Association
California Independent Petroleum Association
California League of Food Processors
California Manufacturers & Technology Association
California Metals Coalition
California Natural Gas Producers Association
California Paint Council
California Portland Cement Company
California Restaurant Association
California Retailers Association
California Short Line Railroad Association
California Space Authority
California Taxpayers Association
Caterpillar Inc.
Chemical Industry Council of California
Consumer Specialty Products Association
Contra Costa Taxpayers Association
Employers Council of Mendocino County
Green Diamond Resource Company
Grocery Manufacturers of America
Howard Jarvis Taxpayers Association
Inland Valley Manufacturers' Association
Intel Corporation

Page 3

International Council of Shopping Centers

J.F. Shea Co., Inc.

Kimberly-Clark Corporation

Lee & Keiter Enterprises

Longs Drug Stores

N-Tech Industries, Ukiah, CA

National Association of Industrial and Office Properties – California Chapters

National Gypsum Company

National Paint and Coatings Association

Novartis Pharmaceuticals

Orange County Taxpayers Association

Pacific Merchant Shipping Association

Retail Industry Leaders Association

Rubber Manufacturers Association

Selzer Realty, Ukiah, CA

Solar Turbines Incorporated

Sonoma County Taxpayers' Association

Soper-Wheeler Company

Styrene Information Research Council

Union Pacific Railroad

United Organization of Taxpayers Inc.

Ventura County Taxpayers Association

Verizon Wireless

Vulcan Materials Co.

Western Plant Health Association

Western States Petroleum Association

Wine Institute

Attachment

