

★ ARGUMENT IN FAVOR OF PROPOSITION 39 ★

IN 2009, A POLITICAL DEAL CREATED A BILLION DOLLAR TAX LOOPHOLE FOR OUT-OF-STATE CORPORATIONS . . .

At the end of the 2009 budget negotiations in Sacramento, in the middle of the night, legislators and lobbyists for out-of-state corporations made a deal—with no public hearings and no debate. They put a loophole into state law that allows out-of-state corporations to manipulate our tax system every single year, and avoid paying their fair share to California.

The cost of this loophole: \$1 billion per year in lost revenues for California.

**YES on 39 ELIMINATES THE OUT-OF-STATE TAX LOOPHOLE**

Prop. 39 simply closes this loophole. It ends this manipulation of our tax system—and requires that all corporations doing business in California pay taxes determined by their sales here, no matter where they are based.

Prop. 39 *LEVELS THE PLAYING FIELD*, ensuring that multistate companies play by the same rules as California employers.

**YES on 39—ELIMINATING THE LOOPHOLE IS GOOD FOR CALIFORNIA'S JOB MARKET**

The current tax loophole lets corporations pay less tax to California if they have FEWER employees here—giving companies a reason to send jobs out of state.

In fact, the state's nonpartisan, independent Legislative Analyst has cited studies showing that the tax policy in Prop. 39 will bring California as many as 40,000 jobs. That's why the independent Legislative Analyst has called for eliminating the present loophole. **YES on 39 BENEFITS CALIFORNIA TAXPAYERS**

Multistate corporations that provide few jobs here are using the loophole to avoid paying their fair share to California, costing the state \$1 billion per year in lost revenues. Prop. 39 will close that loophole and keep these funds in California to provide

vitaly-needed revenues for public services. Because almost half of all new revenue is legally required to go to education, hundreds of millions of dollars per year will be dedicated to schools.

Additionally, Prop. 39 will create savings for taxpayers. 39 will use a portion of the revenues from closing the loophole to fund energy efficiency projects at schools and other public buildings. Using proven energy efficiency measures like improving insulation, replacing leaky windows and roofs and adding small-scale solar panel installations will reduce state energy costs—freeing up dollars for essential services like education, police, and fire.

*“By increasing energy efficiency, Prop. 39 will reduce air pollution that causes asthma and lung disease. In the process of upgrading school buildings, Prop. 39 will also remove lead, asbestos, mold, and other toxic substances from schools.”*—Jane Warner, President, American Lung Association in California

**YES on 39—STRICT ACCOUNTABILITY**

Prop. 39 contains tough financial accountability provisions—including INDEPENDENT ANNUAL AUDITS, ongoing review and evaluation by a CITIZENS OVERSIGHT BOARD, a COMPLETE ACCOUNTING of all funds and expenditures, and FULL PUBLIC DISCLOSURE.

**YES on 39—IT'S COMMON SENSE: CLOSE the OUT-OF-STATE TAX LOOPHOLE. BRING \$1 BILLION per YEAR BACK TO CALIFORNIA.**

<http://www.cleanenergyjobsact.com/>

**JANE WARNER**, President  
American Lung Association in California

**TOM STEYER**, Chairman  
Californians for Clean Energy and Jobs

**MARY LESLIE**, President  
Los Angeles Business Council

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 39 ★

When you read Prop. 39's campaign promises, remember that Tom Steyer—whom CNN called “California's Hedge Fund King”—is bankrolling \$20 million on slick poll-tested buzzwords like “loophole,” and promising “clean jobs.”

California is already losing businesses at a record rate. Ask yourself how raising taxes on companies employing tens of thousands of Californians makes things better?

It won't!

**CALIFORNIA IS ALREADY BILLIONS IN DEBT BUT PROP. 39 MAKES THINGS WORSE!**

California is the *worst state for business for eight consecutive years*, and has the worst credit rating in America. Millions are unemployed.

Loophole? No. Prop. 39 repeals a tax law that's been in effect for decades generating billions in state revenue. The nonpartisan Legislative Analyst and the Department of Finance agree: **39 IS A \$1 BILLION TAX INCREASE.**

Here's the truth. A \$1 billion tax increase gives California employers another reason not to invest or hire. Fewer jobs mean lower revenue and more cuts to schools and law enforcement.

Is that good for California?

Prop. 39 is ballot box budgeting at its worst. It raids \$2.5 billion from the state budget—money that could go to schools, roads, infrastructure, or public safety.

**PROP. 39 ALSO ADDS NEW BUREAUCRACY—MILLIONS IN SALARIES AND PENSIONS FOR POLITICAL CRONIES.** No accountability, and no taxpayer protection against corruption.

Higher taxes, fewer jobs, more bureaucracy and waste . . . ZERO accountability and no taxpayer protections against conflicts of interest. That's the story on Prop. 39.

Democrats, Independents, and Republicans agree—vote NO!

**MIKE SPENCE**, President  
California Taxpayer Protection Committee

**ROBERT MING**, Chairman  
Friends for Saving California Jobs

**JACK STEWART**, President  
California Manufacturers & Technology Association

★ **ARGUMENT AGAINST PROPOSITION 39** ★

PROPOSITION 39 IS A MASSIVE \$1 BILLION TAX INCREASE ON CALIFORNIA JOB CREATORS THAT WILL RESULT IN THE LOSS OF THOUSANDS OF MIDDLE CLASS JOBS. California's unemployment rate is already third worst in the country at nearly 11%. Prop. 39 makes our problems worse.

PROPOSITION 39 IS A RECIPE FOR WASTE AND CORRUPTION. It spends up to \$22 million on a new bureaucracy and special interest commission. It gives Sacramento politicians a blank check to spend billions without real accountability or taxpayer protections against conflicts of interest.

Here are the facts: a billionaire who CNN called "California's Hedge Fund King" is bankrolling 39, spending \$20 million to influence your vote and buy the election. His political consultants use terms like "closing a loophole" but don't believe them.

PROP. 39 IS POLITICS AT ITS WORST. CALIFORNIA NEEDS REFORM, NOT MORE TAXES AND WASTEFUL SPENDING. WE MUST VOTE NO.

\$2.5 billion that could go to schools, health and welfare, environmental protection or public safety is instead diverted to a new government commission with fat salaries and little accountability. Our state budget deficit today is nearly \$16 billion and Prop. 39 makes things worse by wasting money on a new unnecessary bureaucracy.

California needs teachers and police officers, not more bureaucrats!

PROPOSITION 39 ATTACKS BUSINESSES THAT PROVIDE MIDDLE CLASS CALIFORNIA JOBS.

Manufacturing jobs that provide for families are vanishing. Almost two million hard-working Californians are struggling to find any kind of work. The \$1 billion Prop. 39 tax increase changes tax laws that have been in effect for more than 40 years and will cost more union and non-union workers their jobs.

PROPOSITION 39 GROWS GOVERNMENT AND BUREAUCRACY. You've heard it before. Sacramento has a

plan to create jobs. We give them money to create a commission of political appointees with an appealing name like Citizens Oversight Board. They get a blank check to spend (or waste) tax dollars.

Under Prop. 39, money is spent to give contracts to so-called "Green Energy" programs. Who is likely to get those contracts? Big campaign contributors, that's who. 39 IS SO POORLY WRITTEN THAT IT DOESN'T EVEN PROHIBIT CONTRACTORS FROM GIVING CAMPAIGN MONEY TO SACRAMENTO POLITICIANS THAT AWARD THE CONTRACTS!

California needs reform, not tax increases that eliminate middle class jobs. Prop. 39 raises taxes by \$1 billion on California job creators to help fund more government bureaucracy and more bloated pensions. It doesn't protect against ongoing state budget deficits, high unemployment and continued economic recession.

Remember, a billionaire with an agenda is bankrolling 39. It's up to voters to protect California taxpayers. By voting NO on Prop. 39, you will stop a job-killing \$1 billion tax increase on California job creators. You will support middle class California jobs that provide for families and sustain our economy. And you'll tell Sacramento politicians no more blank checks for more special interest spending on bloated government and pensions.

SAY NO TO HIGHER TAXES, WASTEFUL SPENDING AND POLITICS AS USUAL. DEMAND GOVERNMENT ACCOUNTABILITY. VOTE NO ON 39.

**JACK STEWART**, President  
California Manufacturers & Technology Association

**LEW UHLER**, President  
National Tax Limitation Committee

**PAT FONG KUSHIDA**, President  
California Asian Pacific Chamber of Commerce

★ **REBUTTAL TO ARGUMENT AGAINST PROPOSITION 39** ★

**FACT: YES ON PROP. 39 CLOSES A TAX LOOPHOLE FOR OUT-OF-STATE CORPORATIONS**

The opposition argument is shamefully deceptive. Prop. 39 does NOT increase taxes on California families by even a penny. It simply closes a loophole that gives out-of-state corporations an unfair tax break, but costs the rest of us.

That's why out-of-state corporations—including those that dominate the "manufacturing group" that signed the above argument—are leading the deceptive campaign against 39: to keep their loophole.

**LEGISLATORS AND LOBBYISTS CREATED THE LOOPHOLE IN A BACKROOM DEAL IN 2009**

The San Jose Mercury News said that corporate lobbyists "pulled a fast one on California," and that "it was the kind of shenanigan that gives corporations a bad name and makes a mockery of government openness."

Yes on 39 closes the loophole, cleaning up the mess the Legislature created.

**FACT: 39 CREATES CALIFORNIA JOBS**

The opponents' argument about taxing employers is a farce. The loophole benefits corporations that keep jobs out of state.

Proposition 39 will eliminate a barrier to creating jobs in California. Plus, Proposition 39 creates thousands of clean energy jobs.

**FACT: REQUIRES STRICT ACCOUNTABILITY**

The phony opposition arguments about bureaucracy are nonsense. Prop. 39 creates a Citizens Oversight Board to ensure funds dedicated to job creation and energy efficiency are properly spent, including yearly INDEPENDENT AUDITS. Schools will receive hundreds of millions in dedicated funding from closing the loophole.

YES on 39. CLOSE the LOOPHOLE—KEEP DOLLARS and JOBS IN CALIFORNIA.

**ALAN JOSEPH BANKMAN**, Professor of Tax Law  
Stanford Law School

**RUBEN GUERRA**, CEO  
Latin Business Association

**JANE SKEETER**  
California Small Business Owner