



Press Release

Statewide Business Community Asks U.S. Treasury for Critical Clarification on Tax Cut Provisions in Recent Federal Recovery Package

FOR IMMEDIATE RELEASE

March 25, 2021

**CONTACT: Brooke Armour
(916) 553-4093**

SACRAMENTO—The statewide California business community today issued a letter to the U.S. Treasury asking for immediate clarification on language included in the recent federal recovery legislation that has stalled critical economic recovery efforts. The language is intended to prevent states from using federal stimulus dollars to backfill state-level tax cuts, but, as written, is broad and has been interpreted to prohibit tax credits, fee waivers and other critical economic stimulus and anti-poverty programs.

“While we understand the intent of the language, it is overly broad and has left states, policymakers and the business community with more questions than answers. Important tax credits for small businesses, grant forgiveness programs, fee waivers and other efforts to help stimulate economic recovery have all stalled. Even critical anti-poverty programs, like expanding the Earned Income Tax Credit, cannot move forward as long as this issue goes unresolved. Clarification is needed now,” said Rob Lapsley, president of the California Business Roundtable.

As signed into law, [H.R. 1319 includes the following restriction](#) on the use of the funds allocated by the bill: “A State or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase .”

The statewide business community joins a growing number of states, policymakers and interested parties in calling on the Treasury to provide clarity on the interpretation of this provision.

“We are grateful that there is increased attention on this issue and thank the [governor’s office](#) and legislative leaders for their support in asking for this necessary and urgent clarification. Economic recovery cannot move forward as long as this ambiguity remains and we look forward to a quick and definitive response from Secretary Yellin and the Treasury Department,” Mr. Lapsley concluded.

A copy of the business community letter can be found [here](#).