



June XX, 2025

The Honorable Mike McGuire
President Pro Tempore, California State Senate
1021 O Street, Suite 8518
Sacramento, CA 95814

The Honorable Robert Rivas
Speaker, California State Assembly
1021 O Street, Suite 8330
Sacramento, CA 95814

The Honorable Scott D. Wiener
Chair, Senate Committee on Budget and Fiscal Review
1020 N Street, Room 502
Sacramento, CA 95814

The Honorable Jesse Gabriel
Chair, Assembly Committee on Budget
1021 O Street, Suite 8230
Sacramento, CA 95814

SUBJECT: 2025-26 State Budget Tax Discussions

Sent Via Email

Dear Legislative Leaders,

The California Chamber of Commerce, CalTax and the undersigned organizations urge you to consider the potential unintended consequences of the various revenue-generating proposals being proposed by various progressive organizations. California's businesses are facing the most unsettled economic conditions in decades, from the looming shadow of unprecedented tariffs to rising labor costs and beyond. Another tax increase would be nothing short of reckless.

California Businesses Already Carrying the Financial Burden of State Policy

We understand that California faces budget challenges. California's business community has done its part to make sacrifices to address these problems. The 2024-25 state budget included significant tax increases on businesses, including a suspension of the net operating loss deduction and retroactive changes in apportionment rules. In addition, while other states have expanded their research-and-development tax credits in the last year, California has placed limits or held off on increasing research-and-development incentives. The past policy changes resulted in \$6 billion in tax increases for businesses to help bridge recent state budget shortfalls.

Additionally, because of California's outstanding Unemployment Insurance Fund debt, California employers are paying increased UI taxes of approximately \$1.2 billion in 2025 and will pay even more in the coming years to repay that debt – which had its roots in the COVID-19 shutdown. This increased silent tax burden will disincentivize hiring and negatively impact California's economic competitiveness, as these costs are ultimately reflected in higher prices for consumers and job losses.

Potential Harm to a Fragile Economy, Discouraging Growth

California's corporate tax rate, at 8.84%, stands among the highest in the nation. This elevated tax burden directly impacts the state's competitiveness in attracting and retaining businesses, which are crucial drivers of revenue growth. Companies have a range of options when considering expansion or new revenue opportunities, and any increase in the cost of doing business dims California's prospects. This challenge is further exacerbated by external factors such as fluctuating tariffs, which escalate the cost of materials and components for many California-produced goods. Such increased costs render products less competitive, potentially leading to reduced production and job losses. Consequently, this dampens activity at California's vital ports, as higher costs and diminished demand result in fewer imported and exported goods.

Compounding these pressures, California's jobless rate consistently ranks among the highest in the United States, holding at 5.3% as of April 2025. Imposing additional tax increases on an already fragile employment market will likely impede or freeze job growth. Efforts to finance unsustainable spending through new financial pressures will only further erode California's affordability for both employers and residents, who already face an ever-rising cost of living.

Updating the Gann Limit Is a Slippery Slope

The business community generally supports the Gann Limit, as it is a tool to prevent unsustainable spending and ensure taxpayer rebates when revenues exceed the limit. Adjusting the Gann Limit mechanism and its interplay with the Budget Stabilization Account will remove an important backstop that protects taxpayers and ensures that government spending remains within reasonable limits.

California's businesses thank you for your continued leadership in advancing an affordability agenda and urge you to carefully consider the negative impacts of new financial burdens on businesses of all sizes. We stand ready to collaborate with all of you in the coming months to minimize any negative economic impact to the California economy and strengthen revenues over the long term. Economic growth will bring additional revenue to the state, and a balanced approach will ensure the long-term sustainability of essential public services.

Sincerely,



Executive Vice President and
Chief of Staff, Policy
California Chamber of Commerce



Peter Blocker
Vice President, Policy
CalTax

on behalf of

Brea Chamber of Commerce, Lacy Schoen, President & CEO
California Chamber of Commerce, Ben Golombek
CalTax, Peter Blocker
Carlsbad Chamber of Commerce, Bret Schanzenbach, President & CEO
Chino Valley Chamber of Commerce, Zeb Welborn, President
Cupertino Chamber of Commerce, Deborah L. Feng, CEO
Danville Area Chamber of Commerce, Amy Millington, President & CEO
Gateway Chambers Alliance, Caren Spilsbury, Executive Director
Gilroy Chamber of Commerce & Economic Development, Michelle Carlen, President & CEO
Greater High Desert Chamber of Commerce, Mark Creffield, President & CEO
Greater Riverside Chambers of Commerce, Nicholas Adcock, President & CEO
La Cañada Flintridge Chamber of Commerce & Community Association, Pat Anderson, President & CEO
Laguna Niguel Chamber of Commerce, Teresa Schickling, President & CEO

Lake Elsinore Valley Chamber of Commerce, Kim Joseph Cousins, President & CEO
Lompoc Valley Chamber of Commerce & Visitors Bureau, DeVika Stalling, President & CEO
Norwalk Chamber of Commerce, Caren Spilsbury, Executive Director
Oceanside Chamber of Commerce, Scott Ashton, CEO
Orange County Business Council, Amanda Walsh, V.P., Government Affairs
Palm Desert Area Chamber of Commerce, Alisa Williams, President & CEO
Paso Robles and Templeton Chamber of Commerce, Gina Fitzpatrick, CEO & President
Rancho Cucamonga Chamber of Commerce, Robert A. Hufnagel, General Counsel
Rancho Mirage Chamber of Commerce, James Brownyard, Director, Governmental Affairs
Sacramento Metropolitan Chamber of Commerce, Robert W. Heidt, Jr., President & CEO
San Diego Regional Chamber of Commerce, Justine Murray, Executive Director, Public Affairs
San Juan Capistrano Chamber of Commerce, Benjamin Medina, Director of Operations
Simi Valley Chamber of Commerce, Anthony Angelini, Director, Tourism and Government Affairs
Santa Barbara South Coast Chamber of Commerce, Dustin Hoiseth, Director, Public Policy
Santa Clarita Valley Chamber of Commerce, Ivan Volschenk, President & CEO
Vista Chamber of Commerce, Rachel Beld, CEO
Walnut Creek Chamber of Commerce, Bob Linscheid, President & CEO
Yorba Linda Chamber of Commerce, Alex Berrios-Hernandez, Deputy Executive Director

cc: Members, Senate Committee on Budget and Fiscal Review
Members, Assembly Committee on Budget
Chris Woods, Budget Director, Office of the Senate President Pro Tempore
Jason Sisney, Budget Advisor, Assembly Speaker's Office
Abram Diaz, Chief of Staff, Office of Assemblymember Jesse Gabriel
Krista Pfefferkorn, Chief of Staff, Office of Senator Scott Wiener
Joe Stephenshaw, Director, California Department of Finance
Christine Aurre, Legislative Affairs Secretary, Office of Governor Gavin Newsom
Nani Coloretti, Cabinet Secretary, Office of Governor Gavin Newsom

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