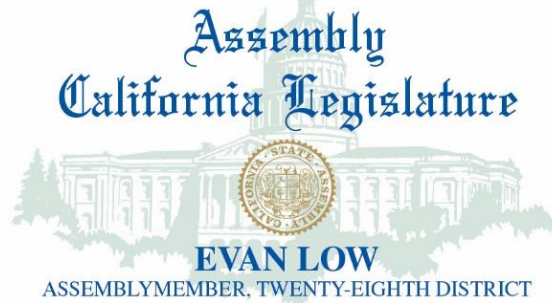


STATE CAPITOL  
P.O. BOX 942849  
SACRAMENTO, CA 94249-0028  
(916) 319-2028  
FAX (916) 319-2128

DISTRICT OFFICE  
20111 STEVENS CREEK BOULEVARD, SUITE 220  
CUPERTINO, CA 95014-2307  
(408) 446-2810  
FAX (408) 446-2815

E-MAIL  
Assemblymember.Low@assembly.ca.gov



COMMITTEES  
CHAIR: BUSINESS AND PROFESSIONS  
COMMUNICATIONS AND CONVEYANCE  
ELECTIONS  
GOVERNMENTAL ORGANIZATION  
HIGHER EDUCATION

CHAIR: LEGISLATIVE LGBTQ CAUCUS  
VICE CHAIR: ASIAN PACIFIC ISLANDER  
LEGISLATIVE CAUCUS

February 26, 2021

The Honorable Phil Ting  
Chair, Assembly Committee on Budget  
State Capitol, Room 6026  
Sacramento, CA 95814

The Honorable Vince Fong  
Vice Chair, Assembly Committee on Budget  
State Capitol, Room 2002  
Sacramento, CA 95814

The Honorable Wendy Carrillo  
Chair, Assembly Budget Subcommittee 4 on  
State Administration  
State Capitol, Room 4167  
Sacramento, CA 95814

**RE: RESTORING NET OPERATING LOSS DEDUCTIONS AND BUSINESS INCENTIVE TAX CREDITS**

Dear Assemblymembers Ting, Fong, and Carrillo:

We, the undersigned Members of the Legislature, respectfully request that this year's budget restore the net operating loss (NOL) deduction and business incentive tax credits that were suspended and capped in the 2020 budget via AB 85 (Chapter 8, Statutes of 2020). We approved this action last year in order to close an estimated \$54.3 billion budget deficit, which thankfully never came to fruition. Sunsetting the suspension and cap would assist employers in their economic recovery and incentivize them to remain in California. The sunset provision is also timely considering California's General Fund is experiencing a windfall.

In July, we approved the Governor's proposal to suspend the use of personal and business NOLs and limit the use of existing business tax credits to offset their tax liability for years 2020-2022. This proposal was advanced to raise approximately \$9.2 billion in revenue to help address the budget shortfall expected as a result of COVID-19. While the tax increases were painful for employers, they were willing to pitch in to support the state's pandemic response.

However, California is not even close to experiencing a budget shortfall in 2021. In fact, California's budget contains a record \$22 billion in reserves with \$15.6 billion in the state's Rainy Day Fund (Proposition 2). California's revenues have actually triggered the State Appropriations Limit (Proposition 4), which could require the state to return revenue in excess of the limit to taxpayers. Accordingly, the tax increases adopted last year as emergency measures are no longer needed. Businesses should be allowed to immediately utilize NOLs and earned tax credits to offset any harm they suffered as a result of this pandemic. This will encourage employers who are considering leaving the state to stay.

The business-incentive tax credit cap was particularly troubling considering many of California's employers are actively engaged in researching and developing COVID-19 vaccines and anti-viral therapies. These are activities the state should encourage. Additionally, the NOL suspension is causing an even greater financial strain on employers who have suffered staggering losses over the past year and have no way to offset their revenue declines. **Struggling businesses need help now — not in several years when the 2020 budget's carryback provisions take effect.**

California ranks 49th on the Tax Foundation's 2021 State Business Tax Climate Index. Some of California's most storied companies are either leaving the state, choosing to expand elsewhere, or encouraging employees to relocate to lower-cost states. Sunsetting the NOL suspension and cap on business incentive tax credits would send a strong, positive message that our state's employers are important to our government.

For these reasons, we urge the Budget Committee to end the NOL suspension and cap on business incentive tax credits this year.

Sincerely,



EVAN LOW  
Assemblymember, 28<sup>th</sup> District



MARC BERMAN  
Assemblymember, 24<sup>th</sup> District



STEVEN CHOI  
Assemblymember, 68<sup>th</sup> District



JIM COOPER  
Assemblymember, 9<sup>th</sup> District



JORDAN CUNNINGHAM  
Assemblymember, 35<sup>th</sup> District



TOM DALY  
Assemblymember, 69<sup>th</sup> District



LAURIE DAVIES  
Assemblymember, 73<sup>rd</sup> District



JIM FRAZIER  
Assemblymember, 11<sup>th</sup> District



ADAM GRAY  
Assemblymember, 21<sup>st</sup> District



TOM LACKEY  
Assemblymember, 36<sup>th</sup> District



BRIAN MAIENSCHIN  
Assemblymember, 77<sup>th</sup> District



DEVON MATHIS  
Assemblymember, 26<sup>th</sup> District



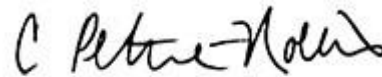
CHAD MAYES  
Assemblymember, 42<sup>nd</sup> District



PATRICK O'DONNELL  
Assemblymember, 70<sup>th</sup> District



JIM PATTERSON  
Assemblymember, 23<sup>rd</sup> District



COTTIE PETRIE-NORRIS  
Assemblymember, 74<sup>th</sup> District



BILL QUIRK  
Assemblymember, 20<sup>th</sup> District



ROBERT RIVAS  
Assemblymember, 30<sup>th</sup> District



RUDY SALAS  
Assemblymember, 32<sup>nd</sup> District



SUZETTTE VALLADARES  
Assemblymember, 38<sup>th</sup> District



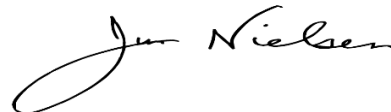
CARLOS VILLAPUDUA  
Assemblymember, 13<sup>th</sup> District



PATRICIA BATES  
Senator, 36<sup>th</sup> District



ANDREAS BORGEAS  
Senator, 8<sup>th</sup> District



JIM NIELSEN  
Senator, 4<sup>th</sup> District

A handwritten signature in black ink that reads "Scott Wilk". The signature is written in a cursive style with a large initial 'S' and 'W'.

SCOTT WILK  
Senator, 21<sup>st</sup> District

cc: Angie Wei, Legislative Affairs Secretary, Office of the Governor  
Members, Assembly Committee on Budget  
Christian Griffith, Chief Consultant, Assembly Committee on Budget  
Kristin Kolpitcke, Assembly Republican Caucus  
Senator Nancy Skinner, Chair, Senate Committee on Budget and Fiscal Review  
Senator Anna Caballero, Chair, Senate Budget Subcommittee 4

EL:cm/py