Legislators Propose Making Passage of New Taxes Easier

The California Chamber of Commerce is opposing a half dozen measures awaiting action in the Senate that will make it easier for lawmakers to approve new taxes.

All the measures, which are on the CalChamber “job killer” list, propose amending the State Constitution to lower the vote requirement for tax increases from two-thirds to 55%, thereby adding complexity and uncertainty to the current tax structure and pressure to increase taxes on commercial, industrial and residential property owners.

- SCA 3 (Leno; D-San Francisco) gives school districts and community colleges new authority to enact a parcel tax for education programs through the lowered vote requirement.
- SCA 4 (Liu; D-La Cañada Flintridge) and SCA 8 (Corbett; D-San Leandro) give local governments the new authority to enact special taxes, including parcel taxes, for transportation projects.
- SCA 7 (Wolk; D-Davis) gives local governments the new authority to enact special taxes, including parcel taxes, to finance library construction.
- SCA 9 (Corbett; D-San Leandro) gives local governments the new author-

See Legislators: Page 6

Video Explains What Small Business Owners Need to Know about State Health Exchange

Peter Lee, executive director of the state’s health exchange, answers small business owner questions about how the new insurance marketplace works in the latest CalChamber News video. See Page 3.

Environmental Reform Proposal Begins Moving in Senate

A proposal establishing the Legislature’s intent to address a variety of problems with the California Environmental Quality Act (CEQA) process won approval in a Senate policy committee this week.

The California Chamber of Commerce is supporting SB 731 (Steinberg; D-Sacramento) as a job creator that lays the groundwork for comprehensive CEQA reform to help encourage well-considered development in the state and improve the effectiveness of the act.

Work in Progress

Details still need to be negotiated among interested parties, but important reform topics SB 731 ultimately may encompass include:
- expanding the exemption of infill from the CEQA process;
- streamlining the process for several types of projects;
- adopting thresholds of significance for certain environmental impacts;
- streamlining the process for projects subject to a plan with a full environmental impact report (EIR);
- giving clearer instruction to trial courts to allow more projects to proceed in a timely manner; and
- addressing document dumping.

See Environmental Reform: Page 4

Inside

Governor Signs Bill to Reduce Filing Delays: Page 6
Outdoor Workplaces Must Provide Heat Illness Prevention Training

Heat Procedures,” include:

- Agriculture;
- Construction;
- Landscaping;
- Oil and gas extraction; and
- Transportation and delivery of agricultural products, construction materials or other heavy materials. There is an exemption for employees who are not performing loading or unloading duties, but who are operating an air-conditioned vehicle.

Definitions

Definitions in the regulations include:

- “shade”—which can be artificial or natural if it meets the other requirements; and
- “temperature”—with instructions on how and where to take the temperature reading.

Shade Requirements

If the temperature is 85 degrees, the shade must accommodate at least 25% of the employees. Additionally, if the temperature is less than 85 degrees, shade must be provided initially, or upon request from an employee.

The employees must be allowed and encouraged to take a break in the shade for at least five minutes, when they feel the need to do so to protect themselves from overheating.

High Heat Procedures

When the temperature reaches 95 degrees, additional requirements must be met by the industries listed above as subject to all provisions of the regulation. The additional requirements include:

- Providing and maintaining an effective communication system so that employees at the work site can contact a supervisor when necessary. The system/communication may be direct voice contact, observation or electronic, such as a cell phone or text messaging device, but only if reception in the area is reliable.
- Observing employees for symptoms of heat illness.
- Reminding employees periodically throughout the shift to drink plenty of water.
- Closely supervising a new employee for the first 14 days of employment, unless the employee has been doing similar outdoor work for at least 10 of the past 30 days for four or more hours per day.

Training

Training must be provided for employees who are reasonably expected to be exposed to the risk of heat illness, and to their supervisors as well. All such employees and supervisors must be trained in:

- Environmental and personal risk factors for heat illness, as well as the added burden of heat load on the body caused by exertion, clothing, and personal protective equipment.
- Employer’s procedures for complying with the requirements of this standard.
- Importance of frequent consumption of small quantities of water, up to four cups per hour, when the work environment is hot and employees are likely to be sweating more than usual in performing their duties.
- Importance of acclimatization.
- Different types of heat illness, and the common signs and symptoms of heat illness.
- Importance to employees of immediately reporting to the employer, directly or through the employee’s supervisor, symptoms or signs of heat illness in themselves, or in co-workers.
- Employer’s procedures for responding to symptoms of possible heat illness, including how emergency medical services will be provided should they become necessary.
- Employer’s procedures for contacting emergency medical services, and if necessary, for transporting employees to a point where they can be reached by an emergency medical service provider.

Correction: Spanish I-9 Form

The use of the Spanish I-9 Form was incorrectly reported in last week’s Alert. The Spanish form may be used only in Puerto Rico. In the 50 states, Washington, D.C., and other U.S. territories, the Spanish form can be used to provide instructions, but the English I-9 Form must be the one completed.
Video Answers Small Business Questions about New State Health Insurance Market

Information about Covered California, the state’s health exchange, is featured in the latest edition of CalChamber News, released by the California Chamber of Commerce on April 29.

Covered California is the first-in-the-nation online health insurance marketplace established under the Affordable Care Act. It will help individuals and small businesses compare health plans, get answers to questions, find out if they qualify for federal tax credits and enroll in a plan that meets their specific needs.

A key part of the Affordable Care Act, Covered California will go live in January 2014, but many small businesses still have questions about the marketplace as well as their options and obligations.

Covered California

In this installment of CalChamber News, Peter Lee, executive director of Covered California, clarifies what small businesses (2–50 employees) need to know about the state’s new insurance marketplace.

Designed to offer small businesses and their workers simplicity and a chance for affordable health coverage, Covered California aims to level the playing field and offer employers better choices at lower costs. Covered California will provide California small businesses one more avenue to maintain a healthy, productive workforce.

Health care reform “is a mammoth challenge,” says Lee. But, purchasing insurance will be “easy relative to how complicated buying insurance has been in the past.”

Answers for Small Business

In response to questions posed by small business owners Patrick Mulvaney of Mulvaney’s Building & Loan and Marco Rodriguez of MVP’s Sports Grill, Lee explains:

- Small businesses don’t have a mandate to offer health insurance.
- Small businesses will be able to purchase insurance through Covered California’s marketplace or on the open market.
- Small businesses will be able to choose how much coverage they want to provide but then let employees pick the right plan from a range of options that fit them best.
- Additionally, small businesses purchasing coverage in Covered California’s Small Business Health Options Program (SHOP) will be able to continue to use their brokers and some will be eligible for federal tax credits.

According to Lee, getting everyone insured through the Affordable Care Act and having a system about better care and prevention will help to reduce health care premium costs over time.

Launched last year, CalChamber News covers issues affecting employers in the state. This is the third of a four-part video series produced in partnership with Health Law Guide for Business to educate employers about the implementation of the Affordable Care Act in California.

View Video

To view the video, visit www.calchamber.com/calchambernews.

Briefing to Offer Insider’s Look at Competitiveness Issues

The politics behind major issues affecting employers’ ability to stay competitive will be the subject of the California Chamber of Commerce Legislative Briefing on May 21 in Sacramento.

CalChamber President and CEO Allan Zaremberg will open the program with an overview and “straight talk.”

Next, he will ask political columnist Dan Walters of The Sacramento Bee to provide insights about what’s really happening (or isn’t) at the State Capitol.

The briefing agenda will include updates on CalChamber job creators and job killers, presentation of President’s Circle and Small Business Advocate of the Year awards, plus lunch and a look at “hot” issues to discuss with legislators.

Host Reception/Host Breakfast

Briefing attendees also are invited to attend at no additional cost the Sacramento Host Reception and Host Breakfast, a networking opportunity for business leaders from all industries in California to discuss key issues facing the state.

The reception on May 21 is a precursor to the following morning’s Host Breakfast, at which California’s top industry and government leaders can meet, socialize and discuss contemporary issues facing businesses, the economy and government.

Traditionally, the Governor of California and the Chair of the CalChamber Board of Directors speak on current issues facing employers in California.

Leaders from business, agriculture, the administration, education, the military and legislators from throughout the state are invited to join the discussion.

Register by May 10

To register for the CalChamber Legislative Briefing and Host events, or for more information, visit www.calchamber.com/2013briefing-hostb.
Senate to Vote on New Business Burden

A California Chamber of Commerce-opposed “job killer” bill that creates a new burden on small businesses as well as additional opportunities for frivolous litigation is awaiting action by the Senate.

SB 761 (DeSaulnier; D-Concord) transforms the wage replacement benefits under the paid family leave (PFL) program into an additional protected leave of absence, thereby adding to the cost and burden for all California employers, especially small employers.

Paid Family Leave

PFL is a wage replacement program, meaning that it provides employees with partial compensation while they are out on an employer-approved leave of absence or mandated protected leave of absence.

The existing PFL, however, does not independently provide an employee with a right to a protected leave of absence.

SB 761 dramatically alters PFL and transforms it into an additional protected leave of absence. Specifically, by allowing an employee to sue for alleged discrimination on the basis that the employee applied for, used, or expressed an intent to use PFL, it essentially forces an employer to provide an employee with six weeks of leave while receiving PFL, or face costly litigation.

New Protected Leave

Under SB 761, an employee of an employer with fewer than 50 employees would be able to request six weeks of leave, regardless of whether the employee worked one day, one week, or one year for the employer.

If the employer denies the employee such leave because the employee does not qualify for any leave mandated by law, such as the California Family Rights Act (CFRA), and within a short time of the leave being denied the employee suffers an adverse employment action, such as a written warning, the employee could file a lawsuit against the employer, claiming discrimination or retaliation.

This threat of potential litigation, with an employee-only right to attorney fees, transforms PFL into an additional protected leave, which will burden employers of all sizes.

Cumulative Impact

California already has multiple protected leaves of absence that employers struggle to comply with and still manage their business operations effectively.

The cumulative impact of these existing leaves already creates a significant burden for California-only employers. Accordingly, any expansion of such leaves, or the creation of new protected leaves, further impedes California employers’ growth and their ability to manage their businesses.

Potentially Frivolous Litigation

SB 761 also allows an employee to pursue civil litigation for discrimination, without first exhausting an administrative remedy. Discrimination or retaliation claims under the Fair Employment and Housing Act and CFRA require an employee to file a complaint with the Department of Fair Employment and Housing (DFEH) before pursuing civil litigation.

Although this initial requirement to file with the DFEH is not overly burdensome, it still provides the agency with an opportunity to investigate the complaint. SB 761 sidesteps this requirement that other similar discrimination complaints are forced to satisfy, thereby easing the process for potentially frivolous litigation.

Action Needed

Contact your senator and urge a vote to oppose SB 761. An easy-to-edit sample letter is available at www.calchambervotes.com.

Staff Contact: Jennifer Barrera

Environmental Reform Proposal Begins Moving in Senate

Changes

Much has changed since CEQA was first enacted in 1969 as state, federal and local lawmakers have worked to develop better standards and processes to protect the environment and encourage sustainable development. A myriad of new laws exist to protect all aspects of the environment, including the air, water, and wildlife. In addition, courts have clarified and expanded upon the original CEQA process.

Although many of these changes have been good, others have led to overlapping regulation and conflicting requirements governing environmental impacts. The litigation environment also has grown more complex and abuses of the system are prevalent, slowing or even stopping many good projects altogether.

At the same time, many environmentalists have noted that CEQA has not been as effective in some areas as they would have hoped.

The CalChamber believes the time has come to modernize CEQA to address these challenges. SB 731 sets forth an ambitious agenda to bring stakeholders from all sides together to discuss how that can best be accomplished. The CalChamber looks forward to working with legislators and other stakeholders to build a comprehensive reform package.

Key Vote

SB 731 passed the Senate Environmental Quality Committee on May 1 with bipartisan support:

Ayes: Hill (D-San Mateo), T. Gaines (R-Rocklin), R. Calderon (D-Montebello), Corbett (D-San Leandro), Hancock (D-Oakland), Jackson (D-Santa Barbara), Leno (D-San Francisco), Pavley (D-Agoura Hills).

No vote recorded: Fuller (R-Bakersfield).

Staff Contact: Mira Guertin
CalChamber Supports Bills Helping Taxpayers, Small Business Investors

The California Chamber of Commerce joined Senator Ted Lieu (D-Torrance) and Assemblyman Jeff Gorell (R-Camarillo) at a news conference on April 30 in support of two bills that would protect small business investors—who relied in good faith on California’s tax law—from receiving large, retroactive tax bills.

**SB 209 (Lieu; D-Torrance)** repeals the decision by the Franchise Tax Board (FTB) to retroactively tax small business investors who relied in good faith on the law when they decided to invest in California and use the Qualified Small Business tax incentive, which recently was found unconstitutional.

SB 209 passed the Senate Governance and Finance Committee on May 1.

**AB 1203 (Gorell; R-Camarillo)** bars penalties and interest on any additional tax owed by a taxpayer that resulted from a court striking down a statute the taxpayer relied on when calculating tax liability. The bill is on the Assembly Revenue and Taxation Committee suspense file, pending a review of its fiscal impacts.

**Small Business Incentive**

In 1999 the Legislature passed the “qualified small business stock” (QSBS) incentive to spur investment in California’s small businesses and startup companies. This incentive encouraged investment by allowing small business investors to exclude up to 50% of California’s capital gains tax upon sale of their small business stock.

Recently, however, the 2nd District Court of Appeal found certain provisions in the QSBS incentive unconstitutional. *Cutler v. FTB*, 208 Cal. App. 4th 1247 (2012).

In response to this decision, the FTB claimed that—without legislative action—it was compelled to retroactively issue tax bills going back five years to thousands of investors who had relied on the law in good faith and chose to invest in California’s small businesses. Estimates of this retroactive tax range up to $120 million and an average of $60,000 per small business investor.

Retroactively taxing investors is both inequitable and unfair. Small business investors chose to invest capital in California’s small businesses based in part on the state’s tax structure and incentives. These investors made a good faith reliance on the QSBS incentive at the time, deciding to risk their time and capital in California small businesses.

After receiving the benefit of hundreds of millions of dollars in capital investment, the state is now repealing the entire QSBS incentive and issuing tax bills after the fact. As a result, the state receives a fundamentally unfair and inequitable windfall of both the capital investment dollars lured into the state in part by the repealed QSBS incentive, as well as the retroactive tax of close to $200 million.

The retroactive tax also creates an unpredictable business climate in the state. Predictability is as important to small business investors as overall tax burden to economic investment. Small business investors cannot adequately evaluate potential costs if they cannot predict future tax liabilities. When the state changes the rules retroactively, it creates a volatile tax environment and business climate that discourages future investment and growth, hindering California’s job growth and economic recovery.

**SB 209**

SB 209 restores fairness and predictability in California’s tax system. By reversing FTB’s decision to retroactively tax investors and removing the provisions of the QSBS incentive the *Cutler* decision found unconstitutional, this bill would keep small business investors who already relied on the QSBS law from receiving a retroactive tax bill.

In addition, SB 209 addresses potential fiscal concerns that have been raised. By removing the unconstitutional provisions, there is some concern that the state’s general fund may face unanticipated liability. SB 209 protects the general fund, however, by temporarily suspending the QSBS incentive from 2013 to 2015.

SB 209 provides a thoughtful solution to the QSBS incentive that balances both taxpayer and state interests.

**AB 1203**

FTB also indicated that, along with seeking the retroactive tax, it would be seeking interest from the small business investors. Fundamental fairness dictates that California taxpayers who make a good faith reliance on a law passed by the Legislature and implemented by the FTB should not be penalized for compliance.

AB 1203 would prevent this by barring assessments of interest and penalties on taxpayers who rely on law that is later found unconstitutional by the courts.

**Key Vote**

The vote on SB 209 was 6–1:

Ayes: Beall (D-San Jose), DeSaulnier (D-Concord), Emmerson (R-Hemet), Hernandez (D-West Covina), Knight (R-Palmdale), Liu (D-La Cañada Flintridge).

Noes: Wolk (D-Davis).

**Staff Contact:** Jeremy Merz

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**CalChamber-Sponsored Seminars/Trade Shows**

More information: [calchamber.com/events](http://calchamber.com/events).

**Labor Law**

- Leaves of Absence: Making Sense of It All. CalChamber. May 9, Sacramento. (800) 331-8877.
- HR Strategies Webinars. CalChamber.

May 16: Flexible Work Options; June 20: Multigenerational Workforce Challenge. (800) 331-8877.


Ask the HR Compliance Experts Webinar. CalChamber. August 15. (800) 331-8877.

See CalChamber-Sponsored: Page 6
Governor Signs Bill to Reduce Delays in Processing Business Filings

A California Chamber of Commerce-supported bill that will reduce delays for the Secretary of State to process business filings has been signed by the Governor. AB 113 (Committee on Budget) will provide a $1.6 million appropriation increase in the current year for the Secretary of State to immediately expedite processing times for its backlog of documents through the use of overtime and temporary workers.

Legislators Propose Making Passage of New Taxes Easier

From Page 1

Legislators are moving to make it easier to enact special taxes, including parcel taxes, to finance community and economic development projects.

- SCA 11 (Hancock; D-Oakland) simply gives local governments new authority to enact special taxes, including parcel taxes, through lowering the vote threshold.

Blanket Authority

A chief concern with these proposals is that they provide blanket authority to the local government entity, school district or community college district to impose the designated tax.

There are few parameters or restrictions under which the tax may be imposed, other than that the revenue be used for the designated purpose.

With such broad discretion in the type or scope of the tax to impose on real property, the CalChamber is concerned that the constitutional amendments could lead to targeted taxes at the local level against unpopular taxpayers, industries, products or property.

Disproportionate Impact

For example, a parcel tax could be disproportionately directed at commercial property within the local jurisdiction, thereby potentially undermining Proposition 13 protections and discriminating against commercial property versus residential.

Similarly, a special sales tax could be imposed solely on sweetened beverages or high calorie items.

The CalChamber appreciates the current financial pressure many cities, counties, or special districts are under to maintain levels of funding for important services, such as services for educational entities, but does not believe amending the Constitution to reduce the level of local voter approval necessary to impose nearly any type of tax is proper.

The current two-thirds vote requirement for taxes provides a mechanism by which voters can still approve tax increases while protecting the interests of a small minority of taxpayers.

The business community consistently maintains that if a tax is necessary, it should be only temporary and broad based so that the impact is minimized as the tax is uniformly shared by all instead of an individual business, industry, or taxpayer.

Reducing the threshold for voter approval of a new tax increases the threat of unfair and economically harmful targeted taxes.

Action Needed

All these proposed constitutional amendments are scheduled to be considered in the Senate Governance and Finance Committee on May 15.

The CalChamber is encouraging businesses to contact their senators and members of the committee to urge them to oppose SCA 3, SCA 4, SCA 7, SCA 8, SCA 9 and SCA 11.

Staff Contact: Jeremy Merz

CalChamber-Sponsored Seminars/Trade Shows

From Page 5

Business Resources

- Acting Professionally in the Workplace. Worklogic HR. May 10, Bakersfield or online via live stream. (661) 695-5163.

Social Media at Work is No LOLing Matter. Worklogic HR, May 21, Bakerfield or online via live stream. (661) 695-5163.

International Trade


The BRICS (Brazil, Russia, India, China and South Africa) Countries Conference. Monterey Bay International Trade Association. May 24, Monterey. (831) 335-4780.

Think Asia, Think Hong Kong. Hong Kong Trade Development Council. June 14, Los Angeles. (212) 838-8688.

Spanish Language/Media Conference. California Leadership Institute and Mentoring Bridges. June 21–22, Los Angeles. (916) 719-1405

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14: Fair Play in the Field; May 13: Redwood City; May 22, Sacramento and Merced. May 10, Bakersfield or online via live stream. (661) 695-5163.

Worklogic HR. May 21, Bakerfield or online via live stream. (661) 695-5163.
Bills Leading to Higher Fuel/Energy Costs
Get OK from Assembly Policy Committee

Three California Chamber of Commerce—opposed “job killer” bills that substantially hinder oil and gas production in the state, driving up fuel and energy prices, passed an Assembly policy committee this week.

All harm the job market in these sectors and amount to moratoriums on hydraulic fracturing.

AB 649 (Nazarian; D-Studio City) and AB 1323 (Mitchell; D- Los Angeles) prohibit hydraulic fracturing and the use of fresh water in hydraulic fracturing for some or all oil and gas wells until the California Environmental Protection Agency (Cal/EPA) reauthorizes the practice under a new regulatory scheme, if at all, in 2019.

Similarly AB 1301 (Bloom; D-Santa Monica) imposes a moratorium on the use of hydraulic fracturing until the Legislature reauthorizes it through subsequent legislation that limits the conditions under which it can be conducted.

Coalition Opposition

The CalChamber and a coalition of industry and employer groups opposing the bills point out that they would arbitrarily prohibit the use of safe, proven hydraulic fracturing technology to develop supplies of oil and natural gas vital to California’s economy.

In doing so, the bills potentially increase energy costs, jeopardize jobs and eliminate a source of future revenues to the state and to local governments.

Economic recovery and growth require adequate supplies of reliable, affordable energy. By obstructing an important means of growing California’s in-state production capability, these bills will necessitate increased oil imports, raising the cost not only of fuel but of manufacturing, agricultural operations, public transportation and all goods and services that are energy-dependent.

Competitive Disadvantage

This will in turn place California businesses at a competitive disadvantage, impede job growth and suppress property, income and excise tax revenues.

This significant, untimely burden on California’s businesses and economy is unnecessary. Oil and gas production as a whole is heavily regulated and monitored, and hydraulic fracturing has been used here for decades with no reported incidents of harm to the environment or public health.

Further, the bills ignore current efforts on the part of the Division of Oil, Gas & Geothermal Resources in the California Department of Conservation to collect information and regulate hydraulic fracturing.

AB 649, AB 1323 and AB 1301 will not provide added public health or environmental protections, but will increase business costs, hamper California’s economic recovery and deprive the state of much-needed fuel, jobs and tax revenues indefinitely.

Action Needed

AB 649, AB 1323 and AB 1301 passed the Assembly Natural Resources Committee on April 29. They will be considered next by the Assembly Appropriations Committee.

Contact your Assembly representatives and members of Assembly Appropriations and urge them to oppose AB 649, AB 1323 and AB 1301.


Staff Contact: Mira Guertin

Outdoor Workplaces Must Provide Heat Illness Prevention Training

From Page 2

● Employer’s procedures for ensuring that, in the event of an emergency, clear and precise directions to the work site can and will be provided as needed to emergency responders.

The employer must designate someone to be available to invoke the emergency procedures when necessary.

Supervisor Training

Before assigning supervisors for the outdoor workers, the supervisors must also receive training about:

● Procedures the supervisor is to follow to implement the applicable provisions in this section.

● Procedures the supervisor is to follow when an employee exhibits symptoms consistent with possible heat illness, including emergency response procedures.

● How to monitor weather reports and how to respond to hot weather advisories.

More Information

Additional information on heat illness, including forms for developing a heat illness prevention plan for outdoor workers in English and Spanish, is available in the HR Library under “Workplace Safety” at HRCalifornia.com.

Compliance posters and an on-demand Heat Illness Prevention webinar are available through CalChamberStore.com.

The Division of Occupational Safety and Health (Cal/OSHA) has published several informational documents on its website, www.dir.ca.gov/DOSH, including information on free seminars relating to instruction and prevention of heat illness at www.dir.ca.gov/dosh/heatillnessinfo.html.

The Labor Law Helpline is a service to California Chamber of Commerce preferred and executive members. For expert explanations of labor laws and Cal/OSHA regulations, not legal counsel for specific situations, call (800) 348-2262 or submit your question at HRCalifornia.com.
Your Guide to Trends and Court Decisions Impacting California Employers

Think it’s OK to have Aunt Sally run the register a few nights a week? Why not, she’s retired and likes to help. Actually, Aunt Sally’s willingness to help can land her employer in trouble with the Division of Labor Standards Enforcement if she isn’t treated like other employees.

That’s just one example of the relevant articles you’ll read in California Employer Update. The in-depth newsletter tackles complicated employment laws, making them easy to understand and apply to your business. Subscribers appreciate the insight and best practices from CalChamber’s HR compliance experts each month.

Subscribe to CalChamber’s California Employer Update newsletter by 5/31/13 and receive a certificate for a 1-lb. box of See’s Candies®. Preferred and Executive members receive their 20% discount in addition to this offer.

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