

Oppose Independent Contractor Withholding

Maximum burden, minimal return: Onerous, never-ending mandate on millions of businesses and agencies for one-time money-grab – not new revenue but accelerations or refundable.

Job Killer When Priority is Job Creation

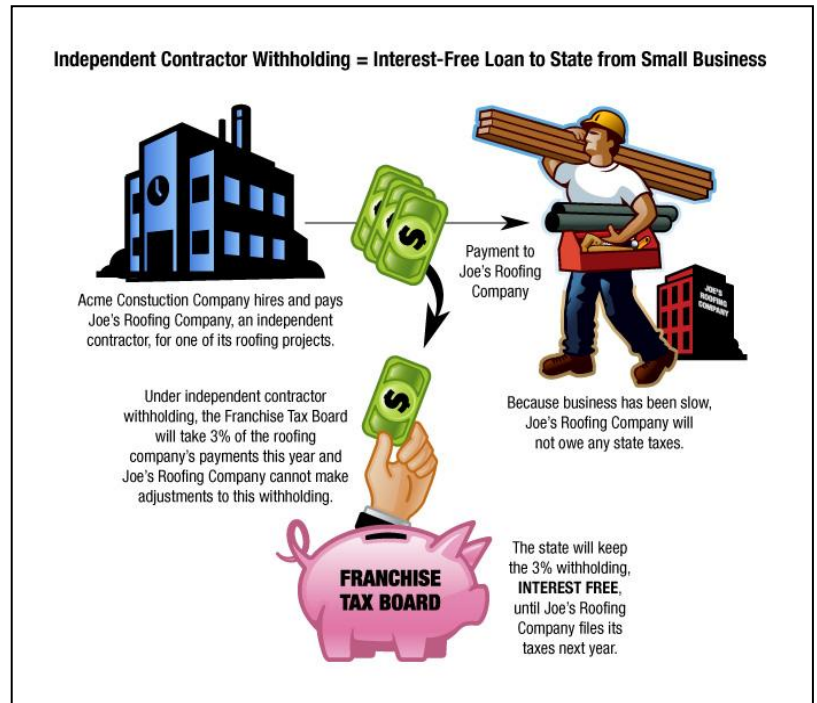
- Money-grab from businesses trying to stay afloat, meet payroll, and pay bills.
- After layers of recent tax increases and accelerations, could be last straw for cash-strapped companies.
- Incentivizes less-contracting out to small businesses and more in-house work.
- CA's investment competitiveness will take a hit as only state with this onerous burden.

Nothing Like Employee Withholding

- Applies to payments companies/agencies make for services by *outside* companies.
- Mandatory 3% reduction of amount due from client to service provider.
- Independent contractors pay income taxes during year with quarterly estimated payments.
- Recent budget agreements make independent contractors pay 70 percent of their taxes by June of each year for next 2 years.

Independent Contractors = Businesses

- Not on anyone's payroll, self-employed, and may have employees of their own.
- Pay more kinds of taxes than employees, such as self-employment taxes and local business taxes. Pay taxes not only on a personal level but also on business income, purchases, and property.



Who Will Have to Withhold?

- Companies
- Nonprofits
- Local and state agencies

Who Will See Money Withheld?

Included but not limited to:

- Builders
- Roofers
- Plumbers
- Real estate agents
- Insurance agents
- Attorneys
- Computer programmers
- Mechanics
- Doctors
- Health care providers
- Landscapers
- Gardeners
- Pool cleaners
- Janitors
- Security guards
- Engineers
- Auditors
- Accountants
- Engineers
- Surveyors
- Entertainers

Small Business the "Bank" for Interest-Free Loans to State

- 3% withheld even if company owes no taxes, due to losses or slim profit margins. Withholding cannot be adjusted.

- Money used interest-free by the state until tax return time.

Instead of refunds, there may be IOUs.

- Even if taxes owed, withholding forces early tax payment, also a type of loan, when many are struggling to pay their bills.

Budget Gimmick Generating Little if Any New Revenues

- Most is not new revenues but *one-time*, accelerated revenues.
- 70% and \$2+ billion of independent contractor taxes already accelerated by recent budgets, so little left to accelerate.

- Applies to taxpayers who are already reporting, which FTB states is around 90%, so any new tax gap revenues minimal.

Targets the Wrong Taxpayers

- Focuses on 90% compliant rather than the 10% non-compliant.
- Requires complex and costly staff and computer changes. In 2008, State Controller Chiang declared that state computer system changes to accommodate pay cuts would cost \$177 million.
- Applies only to the companies who are already reporting Form 1099-MISC, which means FTB and EDD already has the info.
- Companies/agencies can be liable for penalties and amounts wrongly over or under withheld.

Shifts FTB's Tax Collection Duties onto Companies

- Businesses already pay taxes to fund FTB tax collection.
- Withholding means unrecoverable new cost for businesses.

We Oppose Independent Contractor Withholding

Our sectors and industries represent the millions of companies and agencies making up the California economy that would be irreparably harmed by independent contractor withholding:

Ace Asphalt
American Council of
Engineering Companies
American Institute of
Architects, California Council
Apartment Association of
Greater Los Angeles
Associated Builders and
Contractors of California
Associated General Contractors
Association of California
Insurance Companies
Association of California Life &
Health Insurance Companies
Bozzuto Insurance Agency
Building Owners and Managers
Association
California Association of Joint
Powers Authorities
California Bankers Association
California Building Industry
Association
California Business Properties
Association
California Chamber of
Commerce
California Delivery Association
California Downtown
Association
California Farm Bureau
Federation
California Financial Services
Association
California Grain and Feed
Association
California Grocers Association
California Hospital Association
California Hotel and Lodging
Association
California League of Food
Processors
California Manufacturers and
Technology Association
California Moving and Storage
Association
California New Car Dealers
Association
California Newspaper
Publishers Association
California Professional
Association of Specialty
Contractors
California Retailers Association
California Sign Association
California Taxpayers
Association
CH2M Hill
Citadel Tile and Marble
CMora & Associates
Con-way Inc
DRI Companies
Fredrickson, Mazeika & Grant,
LLP
International Council of
Shopping Centers
Keyline Sales, Inc.
Kiwi Stair, Inc.
Lee & Associates Inland Empire
North, Inc.
Long Beach Area Chamber of
Commerce
Lumber Association of
California and Nevada
Messenger Courier Association
of the Americas
Moreno Trenching Ltd.
NAIFA - California
National Association of
Industrial and Office
Properties
National Federation of
Independent Business
Orange County Business
Council
Pacific Green Landscape
Incorporated
Personal Insurance Federation
of California
Pinnacle Plumbing, Inc.
Preston-Lee Management
Company, Inc.
Robbins Plumbing
Robert Lyndsey Drywall
San Carlos Agency, Inc
Santa Barbara Rental Property
Association
Seawright Custom Precast, Inc
Securities Industry and
Financial Markets
Association
Sherman Loehr Custom Tile
Works
Simas Floor and Design
Company, Inc.
State Farm
TechAmerica
Village Investment Partners