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## Taxes in California's State Budget Hit Hard

*(Editor's note: At press time on Monday the California state legislature had not voted on the proposed budget.)*

By Jennifer Wake

There are few winners in California's state budget, which seeks to wipe a more than \$40 billion deficit from its books. While some speculate that sweeping cuts in education, healthcare, and other services might be offset by money from the federal stimulus plan, a variety of new taxes will likely touch everyone.

The taxes affecting vehicle licensing and taxes at the pump are causing worry among local independent business owners - especially those who rely on vehicles to conduct their business.

Moraga resident Mike Kelley, owner of Kelley Construction, says the increased gas excise tax of 12 cents per gallon will be tough in this economy.

"We use a lot of money on fuel," Kelley said. "The timing is very difficult, especially with independent business owners. People are tightening belts. Additional costs make it difficult for independent business owners to survive. It's a difficult situation."

Governor's Schwarzenegger's budget proposal last week included the extension of sales tax to services including veterinarian visits, appliance repair, and auto repair. This caused an outcry from professional organizations and local business owners, including Orinda Motors owner Allen Pennebaker, who is the former president of the Automotive Service Councils of California (ASCCA).

Pennebaker believes regressive taxes like those in the budget unfairly burden lower- and middle-income citizens.

"They are the ones who have to fix and service their cars," he wrote in a recent editorial.

"Upper income people buy or lease new cars regularly before they need extensive repairs or service. There is a basic unfairness here. In fact, this same deterrent effect will apply to the level of safety on the road. ASCCA members are reporting ever increasing numbers of motorists declining even safety-related repairs due to cost."

Cited as unfairly targeting specific industries, the extension was said to affect these businesses because of the "ease of implementation as these services are generally provided by entities that already have a relationship with the Board of Equalization."

"This is blatantly unfair," Pennebaker noted. "A ten percent tax on auto repairs could cause fewer older cars to be repaired and maintained correctly, causing increased pollution and greenhouse gasses. Not a very intelligent deterrent to have in place when the state is spending billions to combat exactly what these cars produce."

Even without broadening taxes to include these services, the increase in the sales tax to 9.25 percent in Contra Costa County will have an impact - especially for those on fixed incomes.

Karen Stein, an attorney in Lafayette with an estate planning and elder law practice, gives presentations at the Lafayette Senior Center and is a member of the steering committee for the Central County Senior Coalition. She states that increased taxes on car ownership, gas consumption, and on every non-food item you buy at the store, impose a relatively greater burden on those living on fixed or low incomes.

"Higher sales taxes take up a greater percentage of a fixed income person's budget compared to someone who spends discretionary income on non-taxed services or investments," Stein said. "This inverse relationship between the tax rate and the taxpayer's ability to pay results in an increasingly regressive tax scheme that hurts fixed income people the most. Like inflation, tax increases eat away, little by little, at what fixed income seniors live on."

Although Lafayette resident Marilyn Finn says that she hasn't fully researched the budget solutions, she feels as if "those of us on fixed incomes, those of us who have lost our jobs, and those of us raising children as single parents are seemingly getting the privilege to bite the bullet pretty much alone."

"I believe that every citizen and business in California should have to bite the bullet," Finn said, "and as a senior citizen on a fixed income I want to do my part. I just don't see the wealthy having to bite very hard."

In addition to the new taxes, legislators plan to eliminate the state and federal cost of living increases for those receiving Supplemental Security Income/State Supplementary Payment.

Stein added, "Fixed income people who already struggle to live within their means shouldn't have to shoulder the burden of a state government that has never figured out the way to live within its own."

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