

April 18, 2013



The Honorable Lois Wolk
Chair
Senate Governance and Finance
California State Senate
State Capitol, Room 5114
Sacramento, CA 95814

RE: SB 209 — SUPPORT

Dear Senator Wolk:

On behalf of the California Healthcare Institute (CHI), the statewide public policy association representing the innovative life sciences sector – biotechnology, pharmaceutical, medical device and diagnostics companies, venture capital firms, research universities and institutes and its 275,000 workers – I am writing in support of SB 209.

For the past twenty years, small business entrepreneurs took advantage of a California statute that gave a tax incentive on the sale of qualified small business stock (QSBS). In 2012, the California Court of appeal found a portion of the bill unconstitutional, leading the California Franchise Tax Board (FTB) to declare the entire statute null and void. Further, the FTB announced they would send retroactive tax bills going back four years to those who took advantage of the statute.

SB 209 would resolve the issue by preventing the retroactive tax. SB 209 would also restart the QSBS after a three-year period, preserving the QSBS benefit prospectively. By restarting the QSBS benefit after three years, enough General Fund savings are made to cover the cost of resolving the issue. Specifically, SB 209 would:

1. Clarify that the QSBS incentive remains for 2008-2012, retaining the requirement “at issuance” that the stock be in a small business that has 80% of its compensation paid to Californians.
2. Hold the General Fund harmless by not restarting the QSBS incentive in years 2013-2015;
3. Commence the QSBS incentive again for 2016 forward;
4. Ensure retroactive tax assessments would *not* be sent.

California is a global leader in biomedical innovation. Confidence in state government is essential for keeping innovators and entrepreneurs who generate revenue and jobs. The actions intended by the FTB will seriously undermine confidence in California’s economy at a time when everything should be done to create jobs and emerge from the recent recession.

For these reasons, we strongly support SB 209.

Sincerely,

A handwritten signature in black ink that reads 'Eve Bukowski'.

Eve Bukowski
Vice President, State Government Affairs
cc: Senate Governance and Finance