

Measure V426

INSTRUCTIONS:

Please carefully read the following description of a ballot measure that was written by a disinterested expert. Feel free to take notes or outline passages as you read.

This should take you approximately 5 minutes.

BALLOT MEASURE V426

BACKGROUND

Taxation of Corporations. California currently imposes a tax on the taxable income of all corporations that do business or own property in this state. The present tax rate of 9.6 percent is applied to the taxable income of nonfinancial corporations.

In many cases, businesses operating inside California also have operations in other states and other countries. For these businesses, the California Franchise Tax Board allocates a share of the corporations' nationwide or worldwide income to California, based on California's share of the businesses' overall property, payroll and sales.

Transportation Planning and Development Account. The Transportation Planning and Development Account in the State Transportation Fund provides funds to support a variety of state and local transportation-related projects, including local transit assistance, and alternative motor vehicle fuel programs. This account is currently funded by annual transfers of sales tax revenue and is estimated to have \$139 million available for support of state and local transportation-related projects in 1980-81.

PROPOSAL

This initiative would:

- (1) Levy a 10-percent energy surtax on the taxable income of energy-related businesses operating in California.
- (2) Allow affected corporations to take a credit against the surtax for investments made in California which increase the production or refining of crude oil or gas.
- (3) Require that all proceeds from the surtax be deposited in the Transportation Planning and Development Account.

The surtax would apply to all corporations whose "principal activities" are energy related. The measure defines "principal activity" to mean that more than 50 percent of a corporation's total sales result from energy related products. The surtax would not apply to public utilities whose principal activity is the obtaining, processing, distributing, or marketing of oil, gas, coal or

uranium, and corporations whose principal activity is the production or sales of alternative sources of energy such as geothermal, solar or wind.

The energy surtax would be in addition to the normal corporation tax rate of 9.6 percent. Thus, most affected corporations would be subjected to a 19.6-percent tax rate, which would be applied to California's share of the affected corporations' worldwide income. The first \$5 million of a corporation's worldwide income would be exempt in determining the earnings which would be subject to the surtax. However, this exclusion would be reduced by \$1 for every dollar of worldwide business income in excess of \$5 million. Thus, for example, corporation with \$6 million in income would have an exclusion of \$4 million and would have to pay the surtax on California's share of the remaining \$2 million of worldwide income. Corporations with incomes over \$10 million would receive no exclusion and would have to pay the surtax on California's share of their total profits. A credit would be allowed against the surtax for investments made by corporations in California to increase oil or gas production above their 1978 levels. Such investments would have to be approved by specified state agencies.

The credit would be equal to 50 percent of the amount invested to increase oil or gas production or refining. Thus, for every dollar invested to increase oil or gas production or refining in California, corporations could reduce their surtax by 50 cents. The total amount of the credit taken in any one year would be limited to 50 percent of the total surtax for that year; however, any excess or unused credits could be used by corporations to offset the surtax in future years.

The proposal would not allow corporations to pass the surtax on to consumers. The proposal, however, does not provide a method for enforcing this provision.



STOP!

Please go to the online survey, enter the 4-character code for this ballot measure (printed at the top and bottom of this page) and answer the survey questions.