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To: Comrade Chairman Parksy and COTCE Members
From: Edley

I am forwarding some quick comments to Fred Keeley's version of the Blue Proposal.

I agree wholeheartedly with Brother Boskin on the importance of comity and restraint. However, I and some other members of the Commission have consistently and repeatedly objected to a reduction in progressivity, or to using concerns about revenue volatility as a stalking horse for the traditional conservative agenda of a California "flat tax" that seems to have no empirical support as a growth matter. We can hardly be blamed for rushing back to the drawing board given the unhappy analysis of distributional data we reviewed at the last Commission meeting. The packages as presented were simply unacceptable, and I was not alone in fearing that goal of consensus would prove unattainable.

The Parsky Commission has an opportunity -- excruciatingly fragile -- to model good behavior for the folks in Sacramento. Most of those sad souls seem unable to reach across traditional lines of party and ideological orthodoxy, at increasingly serious grave cost for millions, and quite grave costs for many.

I yield to no one in my passion for the cause of tax-and-spend liberalism, especially in state that is so frighteningly broken. But when I agreed to serve, I did so intending to subordinate my passions if necessary in order to find a better path forward for California. Not a perfect path, not my path, but a pragmatic path of achievable progress.

In that spirit, I suggested (in the original Blue Proposal of July 1st), among other things, the following:

- Business Net Receipts Tax
- Elimination of the Corporate Tax
- Elimination of the State Sales Tax
- By implication: Leave the property tax and Prop 13 alone

These elements do nothing to warm the heart of Democrats generally, or liberals in particular. On the other hand, I also recommended:

- Leave the PIT rate structure in place to preserve basic progressivity parameters
- Allocate capital gains tax receipts, with the great majority of it going into a Rainy Day Fund or one-time expenditures
- By implication: Do nothing specifically to aid the famous top 150,000 taxpayers whom we appreciate so deeply, except perhaps give them a better-run state fiscal process.

I don't know for certain what the distributional consequences of this will be, and the truth is largely unknowable given uncertainty about tax incidence. Nor am I completely confident about the feasibility of the BNRT – but my experience suggests that with time and care the implementation and needed revenue would be realized. I look forward to instruction by the staffs of FTB, DOR and COTCE.

So, while I agree with Brother Boskin with regards to comity and efficiency – to which I would add “closure” – I respectfully suggest that the way to get there is a forthright search for substantive rather than procedural consensus.

Thanks. And forgive the typos on this and the accompanying. I'm on vacation.

Accompanying Document