

Date: September 6, 2007  
Initiative No. 07-0031

The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

PERSONAL INCOME TAX. STATE SALES AND USE TAX. CORPORATE TAXES.

STATUTE. Abolishes state personal income tax. Increases state sales and use tax by 5.5 percent. Eliminates the requirement that residents file a state income tax return. Eliminates withholding authority of Franchise Tax Board. Eliminates prohibition on municipal income taxes. Exempts tangible personal property used in the manufacturing process from sales and use tax. Reduces corporation franchise tax by 1.84 percent, corporate alternative minimum tax by 1.13 percent, and taxes on S Corporations by 0.3 percent. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: Net reduction in state General Fund revenues of over \$30 billion annually, primarily due to the elimination of the PIT and an approximate doubling of the state sales tax rate. Major behavior effects in response to the measure, resulting in unknown impacts on state revenues and expenditures. (Initiative 07-0031.)