



June 17, 2013

The Honorable Ted Lieu
California State Senate
State Capitol Building
Sacramento, CA 95814

Board Members, Cont.
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Readers Fine Jewelers

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One West Bank

RE: SB 209 (Lieu)

Santa Monica Chamber Position: Support

Mark Harding
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David Hibbert
David Forbes Hibbert, AIA

Robert Isomoto
Santa Monica College

Jeff Jarow
PAR Commercial Real Estate Brokerage

Iao Katagiri
RAND Corporation

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Matt Lavin
Worthe Real Estate Group

Paul Leclerc
Loews Santa Monica Beach Hotel

Jenna Linnekens
Extraordinary Events

Gary Loeb
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Tom Neary
Morley Builders

Shirley Pe
Metro Cab

Krista Phipps
Southern California Gas Company

Evan Pozarny
Muselli Real Estate

Linda "Tish" Tisherman
Staff Support Inc.

Dear Senator Lieu,

On behalf of the Santa Monica Chamber of Commerce, we are writing to state our support for your bill SB 209, which would address the short-term need of overturning the retroactive tax on Qualified Small Businesses by the Franchise Tax Board.

For nearly 90 years the Santa Monica Chamber of Commerce has supported tax policies that create a fair playing field and competitive economic climate in California for startups, entrepreneurs and well-established businesses. SB 209 would provide a timely solution in the short term by repealing the decision by the FTB to retroactively deny benefits dating back to 2008 for Qualified Small Business (QSBS) stock tax exclusions. SB 209 would also prospectively allow the QSBS benefit in the longer term. California entrepreneurs and start-up investors rely on the assurances given to them by the state when this incentive was offered to encourage operations and growth in California. Without any corrective statutory direction by the legislature, innovative entrepreneurs and startups would otherwise receive large, unexpected retroactive tax bills.

As you know, the FTB issued a notice to taxpayers on Dec. 21, 2012 following the Second District Court of Appeal's reversal of a trial court's decision. The exclusion was originally passed by the Legislature in 1999 to spark venture capital investment into small businesses. It allowed investors in small businesses (under \$50 million in gross assets and with 80 percent of their payroll costs and assets in California) to exclude 50 percent of the state's capital gains tax on the sale of their stocks. This California tax law had favored investments in startups, but would now retroactively cost businesses four years of back taxes claimed due by the FTB. FTB's recent announcement of a retroactive tax on businesses could amount to as high as \$120 million. Also, it is worthy to note that a majority of the businesses impacted are disproportionately California-based companies.

Thank you for your leadership on this important legislation. If we may be of assistance to partner with you on your bill, please do not hesitate to call.

Sincerely,

Brad Cox
Chairman

Laurel Rosen
President & CEO