

The Realities of Taxing Services

Issue: Despite ongoing economic distress, we understand many in Sacramento continue to entertain a tax on services that would exacerbate a growing affordability crisis across the state. The reality is that a tax on services does not address the challenges of the current tax system. Instead, it needlessly compounds an already complicated tax code and adds significant new tax burdens on Californians.

Ask: Oppose efforts to tax services and the misguided claim that it is the anecdote to the challenges of California's current tax system

A Tax on Services is Opposed by a Broad Coalition

Because a tax on services continues to be entertained as a viable tax policy reform, CalCPA continues to work with a broad coalition of small businesses, employers, taxpayers and service providers to educate policy leaders about the facts of a sales tax on services and the harm it would cause Californians.

A Services Tax Increases Costs for All Californians

Taxing services does not address the challenges of the current tax system. Instead, nearly every Californian will be negatively impacted by an overall increase in the cost of living and policy priorities like affordable housing, infrastructure, schools modernization will become more expensive.

When taxing business inputs, like the myriad of professional services that a business relies upon, the pyramiding and compounding of the added costs filter through the production chain and translate into higher prices for the products and services purchased by a consumer.

Californians may not pay the tax directly, but will bear much of its burden.

A Service Tax is Not Viable

Extensive opinion research shows that a services tax is unfavorable with Californians.

- **In the current economic climate, voters are deeply concerned about taxes.** 66% of voters believe California is already heavily taxed.
- **By a wide margin, voters across the political spectrum oppose a sales tax on services.** 70% of voters oppose taxing services more than any other tax because of deep concerns of how it will negatively impact affordability, housing costs, and other state priorities.
- **Voters recognize they will bear the burden of a tax on business services.** 81% of voters believe a tax on business services will be passed on to consumers in the form of higher costs.
- **Service sector would be hit hard.** 72% of voters believe a services tax will make it harder to bring critical services jobs back from the current economic crisis.

A Services Tax is Not Sound Tax Policy

The reality is that a business service tax is not sound tax policy that can be applied fairly, effectively, or efficiently in a way that is practical and administrable for all taxpayers. Rather, it needlessly compounds an already complicated tax code and adds significant new tax burdens on Californians.