



SEN. GEORGE RUNNER (RET.)

MEMBER
STATE BOARD OF EQUALIZATION
CALIFORNIA'S TAX BOARD

September 23, 2013

The Honorable Edmund G. Brown, Jr.
Governor, State of California
State Capitol, First Floor
Sacramento, CA 95814

RE: AB 1412 (Relief from Retroactive Assessment of Income Tax) – **REQUEST FOR SIGNATURE**

Dear Governor Brown:

I am writing to request that you sign Assembly Bill 1412 when it reaches your desk. AB 1412 would bring about a reasonable resolution of the problem created by *Cutler v. Franchise Tax Board* (2012), in which the Court of Appeal found constitutional issues with the Qualified Small Business Stock (QSBS) incentive which California had used to incentivize start-up investments for 20 years.

It is no secret I was highly critical of the Franchise Tax Board's initial decision to assess five years of retroactive taxes against the most creative and productive sector of the economy. I urged the Legislature to craft a solution that would avoid imposing five years of retroactive personal income taxes, plus interest and penalties, on 2,500 small business entrepreneurs.

AB 1412 is the product of rare bipartisan legislative cooperation, and would equitably resolve the *Cutler* problem. It would not retroactively tax the start-up risk-takers who relied on the law as it was written, and who created the economic wealth the state sought in the QSBS statute. Instead, by definitively ending the QSBS incentive program at the end of 2012, AB 1412 conclusively limits the risk that our Board or the Courts could find the QSBS incentive, less the restrictive language of concern to the *Cutler* court, continues on into the future. This, and the millions of dollars of exposure the state would avoid as a consequence, makes AB 1412 a square deal for all stakeholders.

For these reasons I request that you sign AB 1412 when it reaches your desk.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Runner".

GEORGE RUNNER
Second District