



California Returning Millions to Business Owners

By George Runner

This spring thousands of business owners throughout California are receiving a welcome surprise in their mailbox. Rather than a notice of a new tax, fee or audit, they're getting a check from the State Board of Equalization.

No, we're not talking about annual income tax refunds from the Franchise Tax Board. These checks are marked "SECURITY REFUND" and represent a dramatic shift in how California's elected tax board welcomes new businesses to our state.

Previously new corporations and LLCs were forced by the BOE to turn over anywhere from \$2000 to \$50,000 of their own money as security before they could make a single legal taxable sale. This "security" was held just in case a business might default on its taxes during its first three years of operation.

It was a uniquely California-style shake down. Rather than encourage new business start-ups, the government robbed them of the capital they needed to be successful, only to sit on it for three years before returning it.

I took a close look at the program and found it didn't make sense for taxpayers or the state. Security was rarely applied, and staff time and energy were needlessly being diverted from assignments that could yield real revenue for the state.

At my urging, the Board of Equalization voted in December to end its long-standing security policy. Going forward, the Board will require security only when a business has a history of non-payment or poses a high compliance risk.

So far, we've identified nearly 10,000 accounts with security totaling \$95.4 million eligible for release. We are releasing this security back to its rightful owners. Nearly all non-cash refunds, like bonds, TCDs and guaranties, are already out the door. Cash refunds begin mailing this month.

A breakdown of cash deposits being released is [available by city](#).

Small business owners, entrepreneurs and others who do business in our state are some of the bravest people I know. We owe them our gratitude for the jobs they create and the billions in tax revenue they generate. These dollars pay for shared priorities like schools, public safety and roads.

Although California continues to have some of the highest tax rates and most burdensome regulations in the nation, the Board's vote sends a signal that California is not beyond hope. Elected officials can work together in a bipartisan manner to make commonsense changes that help small business owners and entrepreneurs be successful.

Gary Toebben, President and CEO of the Los Angeles Chamber of Commerce, writes: "On behalf of business owners throughout California, we thank the Board of Equalization for doing the right thing for California and our economy. We hope that this is just the start of smart legislation and regulatory reform by government at all levels during 2014 to seek out and eliminate unnecessary regulations that stand in the way of job creation."

Gary's right. If we want jobs and revenue, the best way to bring it about is by helping business owners be successful in our state. The Board's new security deposit policy does just that. Let's look for other opportunities to do the same.

George Runner represents more than nine million Californians as a taxpayer advocate and elected member of the State Board of Equalization. For more information, visit boe.ca.gov/Runner.