



For Immediate Release
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Runner Calls for Holiday on Interest and Penalties Owed by Struggling Taxpayers

One-Time Reprieve Would Boost State Coffers and Help Job Creators

Board of Equalization Member Senator George Runner today called upon the Governor and Legislature to enact a six month interest and penalty holiday to help struggling small business owners and other taxpayers who have fallen behind on tax payments during the recent economic downturn.

"Our job is to collect taxes not penalties and interest," said Runner. "Too often heavy penalties and punitive interest charges actually make it more difficult for struggling taxpayers to catch up on late payments. If we want more jobs we need to help California's job creators get back on their feet."

California tax agencies have the power to assess significant penalties, as well as interest charges that far outpace the rate of inflation. For instance, the Board of Equalization can impose multiple 10% penalties and interest charges that in recent years have ranged from 6% to 12%. Although the Board is authorized to waive penalties, interest charges cannot be waived under existing law.

Runner believes a tax penalty holiday would result in a surge of revenues that could help balance the state's budget without raising taxes.

"Instead of increasing taxes or cutting vital programs, we ought to learn from the experience of other states where these programs have successfully raised millions of dollars," said Runner. "A tax interest and penalty holiday would be a win-win for both California's job creators and state coffers."

Last year the State of Illinois quickly raised \$717 million in just five weeks on its tax amnesty program. Officials had expected the program to yield only \$250 million.

A Louisiana program last year generated \$478 million in a two month period, far exceeding its \$150 million revenue projection. When Louisiana Governor Bobby Jindal first announced the program in February 2009, he estimated the state had only \$297 million in outstanding collections since its last reprieve in 2001.

Similar programs have also been recently implemented in other states, including Florida, Kentucky, Maine, Massachusetts, Michigan, Nevada, New Mexico, New York, Pennsylvania and Washington.

By eliminating interest and penalties for all delinquent taxpayers, Runner's proposal is bolder than the programs in other states. Given the large number of delinquent California taxpayers, Runner expects returns could be significantly greater.

In a letter to the Governor and legislative leaders, Runner writes: "In California up to \$10 billion of delinquent accounts could be offered this relief. Based on the results of past programs and those in other states, an interest and penalty holiday could potentially generate several billion dollars of accelerated revenues for state and local government plus the payment of dollars we might otherwise never collect."

Runner has also urged state leaders to consider selling-off older debts owed the state, including billions in written-off accounts no longer actively pursued by state collectors. He believes his two proposals complement each other: a debt sale would consist of older debts, whereas an interest and penalty holiday would focus primarily on helping taxpayers who have fallen behind more recently on their tax payments.

Elected in November 2010, George Runner represents more than nine million Californians as a member of the State Board of Equalization. For more information, visit www.boe.ca.gov/Runner.

FULL TEXT OF RUNNER LETTER

Dear Governor and Legislative Leaders:

I am writing to urge you to include in your budget an interest and penalty holiday for delinquent taxpayers.

The severe economic downturn of recent years has proven difficult for many California taxpayers, including thousands of small business owners who are struggling to stay in business. As a result, many have fallen behind and now face steep penalties and interest charges that make it even more difficult for them to catch up. Accordingly, it seems timely to consider ways to help these taxpayers get back on their feet.

It has been many years since California offered a reprieve for delinquent taxpayers. In recent years other states have successfully implemented programs to spur catch-up

payments. The revenue generated by many of these programs, including those in Illinois, Louisiana, and Pennsylvania, has greatly exceeded expectations.

In California up to \$10 billion of delinquent accounts could be offered this relief. Based on the results of past programs and those in other states, an interest and penalty holiday could potentially generate several billion dollars of accelerated revenues for state and local government plus the payment of dollars we might otherwise never collect.

Rather than impose higher taxes on the people of California, it makes much more sense to incentivize payment of the billions of tax dollars already owed state and local government.

Thank you for your consideration. Should you have any questions, please do not hesitate to contact me.

Sincerely,

GEORGE RUNNER

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