



For Immediate Release
December 17, 2013
Contact: David Duran
916-322-1447 or 916-531-7317 (mobile)

Runner: Vote to Eliminate Costly Security Deposit Requirements Removes Burden for California Startups

Board to release millions in taxpayer deposits beginning February, boosting business operations and economic growth

SACRAMENTO – George Runner today hailed a 5-0 Board of Equalization vote to end the sweeping security deposit requirements automatically imposed on new California corporations and LLCs.

“Since being elected to BOE three years ago, ending this onerous practice has been my top priority,” said Runner. “It’s challenging enough starting a new business in California. Forcing new business owners to turn over up to \$50,000 of their money does nothing to help them succeed, nor has it proven cost-effective for the state.”

"NFIB commends George Runner for spearheading today's vote to end a long-time California practice of forcing certain small businesses to hand over tens of thousands of dollars to the state to ensure that they will pay future taxes," said National Federation of Independent Business/California Executive Director John Kabateck. "This money is capital that is desperately needed to help new businesses stay solvent and grow, but California was choosing to penalize businesses before taxes were even owed. Now those small businesses can focus on what is critically needed in this state—creating jobs for the nearly two million unemployed."

The Board action immediately suspends automatic security requirements for corporations and limited liability companies registering with BOE. Going forward, the Board will require security only when a business has a history of non-payment or poses a high compliance risk. The required security amount typically equals half a year’s worth of taxes and ranges from \$2,000 to \$50,000 per company.

In addition the Board will review and release much of the security currently held in the form of cash and liquid deposits, surety bonds and personal guarantees.

“This is welcome holiday news for thousands of California small businesses,” said Runner. “The state currently holds security belonging to more than 15,000 taxpayers and valued at nearly \$300 million. We expect more than half of this amount will be released to taxpayers, boosting California’s economy and jobs.”

Of the nearly \$300 million in security on deposit with the state, more than \$67 million is held in the form of cash and other liquid deposits, like certificates of deposit. The remaining \$228 million consist of surety bonds and personal guarantees.

BOE staff plan to review security on hand to determine which deposits will be subject to release. They expect to begin releasing deposits to business owners in February 2014.

According to the [staff recommendation](#), returned funds will provide “taxpayers with additional capital for their business operations and the economy.” The funds have not been booked as revenue and are not subject to the state budget process.

Runner noted that eliminating security deposit requirements could encourage voluntary compliance as more businesses register and report taxes to the state. In addition, staff time and resources involved in the Board’s security program will be redirected to more productive activities.

Most states do not impose automatic security requirements. In fact, California’s requirements were among some of the most sweeping in the nation and have caught many new business owners by surprise.

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.

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