



Amazon Saga Did Little to Help State Finances

By George Runner

Gov. Jerry Brown recently signed compromise legislation aimed at avoiding a costly ballot fight between Amazon and in-state retailers. This compromise opens the door for Amazon to build distribution centers in our state that could provide thousands of jobs for out-of-work Californians. That's very good news.

But it's hard to dismiss the nagging suspicion that while the "Amazon tax" saga created political intrigue and drew media interest, it has done little to move our state toward economic recovery.

The compromise measure, while welcome, provides only a short-term delay to a bad law that lawmakers approved as part of California's budget this summer. The constitutionally questionable law was supposed to produce \$200 million a year in revenue by forcing more out-of-state online sellers to serve as California's tax collectors.

The law was doomed to fail from the start. It did not produce the revenue, or provide the level playing field, its proponents envisioned. Even so, it took a well-funded referendum effort to force lawmakers to negotiate a delay to allow time for Congress to act on the issue.

Absent a highly unlikely federal solution, we'll be right back in the same mess in a year. The state of California will again be killing jobs, driving away investment and inviting costly litigation.

A recent survey by the Performance Marketing Association found that in just two months, the Amazon tax wreaked havoc on an estimated 25,000 California-based Internet affiliate businesses: 37 percent lost more than half of their income, 22 percent closed their businesses, and almost 32 percent moved or plan to move out of state.

Given Amazon's plans to reinstate affiliates, some of these folks will soon get a new lease on life. But for the estimated 15,000 affiliates who don't have ties with Amazon the news means they will be able to work for an additional year only if they are reinstated. There's no guarantee that will happen.

Those who have already left California are unlikely to return. In early August, successful online entrepreneur Erica Douglass blogged "Dear California: I'm Leaving You. Here's Why." In her blog post, she describes several "examples of the crap" California's government has put her through. She writes that the Amazon tax was the "final straw" that prompted her to relocate her business from San Diego to Austin, Texas.

Julia Wessels founded the website "The Frugal Find" as a hobby, but it quickly became a full-time family business based out of her and her husband's home in Antioch. After losing 40 percent of their gross monthly income after the Amazon tax became law, they decided to move their kids and business to Oregon. In just four weeks they were gone.

These are just two of the many entrepreneurs who have decided to leave our state as a direct result of legislative malpractice. But each is a significant loss for our state.

Some might argue that the loss of these entrepreneurs is a small price to pay in order to achieve greater sales tax collection for the state of California. I disagree.

The only way to provide lasting revenue for our state's budget problems is by growing our state's economy and jobs. To achieve this end, we must provide a stable business climate that helps entrepreneurs like Erica Douglass and Julia Wessels stay, grow and thrive in California.

California now ranks a dismal 50th in net business creation; we have the second highest unemployment rate in the nation. If California's leaders spent more time talking to job creators instead of attacking them, they might find ways to legislate without inflicting pain on Californian entrepreneurs in the process. A jobs deal with Amazon and other companies could have easily been reached months ago – without an Amazon tax.

California once was a land of opportunity. Unfortunately, high taxes and excessive regulations have driven California's unemployment rate to record highs. Our state continues to chase out employers, entrepreneurs and even workers – just about anyone who can't afford to fund ballot measures to repeal the bad laws and regulations that drive them crazy.

It's a good thing Amazon is coming to California. Unfortunately, the Amazon compromise provides no model for our state's future job creation efforts. By creating an uncertain future for entrepreneurs and investors, it will only reinforce the notion that job creators enter California at their own risk.

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