JOHN COX FOR GOVERNOR

BIG BEASTLY SOLUTIONS for California

Slashing Taxes

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EXECUTIVE SUMMARY

Largest Tax Cut in California History

John’s beastly plan for California families is to enact the largest tax cut in the state’s history by:

1. **Slashing Income Taxes**
   
   John Cox will implement the largest tax cut in California history: $30 Billion. That’s more than double any other proposal. This will permanently put $30 Billion back into the hands of Californians. After all, it’s their money, not the government’s.

2. **Closing Corporate Loopholes**
   
   Californians should benefit, not corporations. California gives special tax breaks to certain businesses or industries that are not available to other businesses or industries. Corporate loopholes in California are sometimes big and obvious and sometimes they are smaller and barely noticed, but they all add up.

3. **Eliminate Wasteful Spending**
   
   As a Certified Public Accountant, John Cox knows how to find wasteful and ineffective spending. He’ll squeeze every penny he can out of state government, in order to return more money to the taxpayers. Hundreds of millions and even billions of dollars could be saved by rooting out waste, fraud and abuse from California government.

4. **Zero Based Budgeting**
   
   Zero Based Budgeting is the same kind of budgeting that families and small businesses do. It’s simple and just common sense. Create a budget starting at zero and figure out how much money you need to succeed. Instead, government takes the previous year’s budget and uses that as a baseline for the next budget. Then the government determines how much MORE it can spend.
California taxes are way too high. The pretty politicians expect workers, families, and small businesses to grin and bear it. But, they can't. The tax burden is just too high. It's causing thousands of families to flee California and small businesses to shut down. They simply can't afford to live or do business in California anymore.

In a state that's already expensive, California's politicians have made it even worse. California's income tax is the highest in the nation. The average Californian loses 11.5 Percent of their income to state and local taxes. Only New Jersey has higher business taxes than California.

As a Certified Public Accountant and entrepreneur, John Cox knows that taxes matter. They impact job creation, business expansion and, most importantly, affordability for families.

That's why John Cox has a plan to cut taxes in California, starting with a $30 Billion income tax cut that will benefit all Californians.

And while he's at it, he'll close corporate loopholes that unfairly benefit certain big businesses and leave families and small businesses to pick up the tab.

California should be a state where families and small businesses thrive. John Cox’s plan will make it happen.
California Taxes are through the roof. They are driving families and small businesses out of the state.

When the state and local government takes 11.5 Percent of a family's pay on average from Californians, they have no choice but to leave California or live paycheck to paycheck.

California’s top individual income tax bracket – 13.3 Percent – is the highest out of all 50 states.¹
THE PROBLEM

California has one of the highest costs of living in the country

In 2020, California’s annual average cost of living was ranked as the 4th highest in the country – behind New York, The District Of Columbia, and Hawaii. ²

In 2020, California had 3 of the top 10 urban areas with the highest cost of living according to The Non-Partisan Council For Community and Economic Research. ³

California Has One Of The Highest Rates Of Outmigration In The Country

In 2019, The U.S. Census Bureau estimated that California had experienced the highest total outmigration out of all 50 states, with an estimated 653,551 people leaving the state. ⁴

California’s estimated net migration was -173,347, the second-lowest net migration total in the country behind New York. ⁵
The Problem

California has one of the highest combined state/local tax burdens in the country.

For Calendar Year 2019, the Non-Partisan Tax Foundation found that California’s average combined state and local tax burden was 11.5 Percent of a taxpayer’s income.6

11.5% of a taxpayer’s income

Tax Foundation: Taxes In California

- Top Individual Income Tax Rate: 13.3% Rank: 1
- State Gasoline Tax Rate (Cents Per Gallon): 60.6¢ Rank: 1
- State Sales Tax Rate: 7.25% Rank: 1
- State and Local Individual Income Tax Collections Per Capita: $2,137 Rank: 5
- State and Local Tax Burden: 11.0% Rank: 6
- Combined State and Average Local Sales Tax Rate: 8.68% Rank: 8
How California’s High Income Taxes Hurt Small Businesses & Job Creation

California’s high taxes don’t just take money out of the pockets of families, they hurt small businesses as well. Small businesses are big job creators and key drivers of the economy. When the government takes more money away from them that leaves less money for the businesses to grow and hire more Californians.

The fact is most small businesses don’t pay the corporate tax rate. Small businesses are usually partnerships, S corporations, or sole proprietorships. This means they pay taxes at the individual rate. In California, some of the highest in the nation.
BIG BEASTLY CHANGE TO SAVE CALIFORNIA

Slash Taxes

BEASTLY IDEA
Slashing Income Taxes

Benefitting All Californians.

With more money in their pockets, California families will be able to pursue their dreams.
MORE SAVINGS. 
LESS TAXES

25% Reduction in Income Taxes

With a 25% reduction in income taxes, Californians will save $30 Billion of their money every year.

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>INCOME TAX COLLECTIONS</th>
<th>25% REDUCTION</th>
<th>COLLECTIONS AFTER CUT</th>
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<td>FY 19-20</td>
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John Cox will implement the largest tax cut in California history: $30 Billion.

That’s more than double any other proposal.

This will permanently put $30 Billion back into the hands of Californians. After all, it’s their money, not the government’s.
BIG BEASTLY CHANGE TO SAVE CALIFORNIA

Slash Taxes

BEASTLY IDEA
Closing Corporate Loopholes

Californians should benefit, not corporations.
California gives special tax breaks to certain businesses or industries that are not available to other businesses or industries. In short, the politicians pick winners and losers, favoring the plugged in and well-connected. Corporate loopholes in California are sometimes big and obvious and sometimes they are smaller and barely noticed, but they all add up. Here are some highlights:

**Film Tax Credit**

Every year California subsidizes Hollywood with hundreds of millions of dollars. The tax credits are supposed to go to production that would not have occurred in California without the credit. But, studies of shown that almost $\frac{1}{3}$ of production that applied for the credits, still filmed in California. In other words, it’s a giveaway to Hollywood, which isn’t moving anywhere.

One Netflix film alone received a $20 Million credit. No wonder the CEO of Netflix donated $3 Million to Gavin Newsom.
"California Competes"

This tax credit was implemented in 2013. Seven hundred businesses have received almost half a billion dollars in subsidies. General Motors, for instance, received $8 Million. There are 4.1 million small businesses in California who have received no handout, but in essence have to foot the bill for General Motors.⁹

An analysis of the program by the Legislative Analyst’s Office found that a third of the awards went to businesses that didn’t add any additional value to the state. Defeating the purpose of the program.¹⁰

“The LAO concludes that California Competes should be dropped in favor of “broad-based tax relief...for all businesses,” rather than have the state try to pick winners.”¹¹
"Research and Development Credits"

These credits cost the state nearly $2 Billion per year.

“As one indicator that California’s R&D credit is overly generous, the amount of credits generated each year far exceeds the credits used. If a business does not have enough tax liability to fully utilize its credit in a given tax year, it can carry forward the unused balance indefinitely to reduce its taxes in future years. The unused carryforward balance of R&D credits grew by an estimated $4.3 Billion in 2017 to a new total of $28.4 Billion, as recipients only used $1.4 Billion of the nearly $5.8 Billion in credits generated, according to the latest figures.”

In 2016, the state auditor’s office said, “unable to determine the R&D credit’s effectiveness because no state entity oversees or regularly evaluates it.”
Software

There’s a provision in the state tax code that allows corporations to be exempt from paying sales tax on custom software. Meanwhile regular Californians and small businesses pay sales tax on the software they purchase. This special gift to certain corporations is estimated to cost the state tens of millions of dollars per year.\(^{14}\)

New Advanced Strategic Aircraft Hiring Credit

This tax credit allows certain aerospace companies to take a credit for 17.5 Percent of wages paid to qualified employees during a taxable year. The state doesn’t even reveal what the cost of the program is due to “taxpayer confidentiality”.
California government spending is rife with waste, fraud and abuse. As a Certified Public Accountant, John Cox knows how to find wasteful and ineffective spending. He’ll squeeze every penny he can out of state government, in order to return more money to the taxpayers. Hundreds of millions and even billions of dollars could be saved by rooting out waste, fraud and abuse from California government.
WASTEFUL SPENDING

In 2020, California approved paying more than $140 Million in unemployment benefits to incarcerated prisoners, including notorious murderer, Scott Peterson.

“California’s system for paying unemployment benefits is so dysfunctional that the state approved more than $140 million for at least 20,000 prisoners, local and federal prosecutors said Tuesday, detailing a scheme that resulted in claims filed in the names of well-known convicted murderers like Scott Peterson and Cary Stayner. From March to August, more than 35,000 inmates were named in claims filed with the California Employment Development Department, with more than 20,000 being paid, according to Sacramento County District Attorney Anne Marie Schubert. At least 158 claims were filed for 133 death-row inmates, resulting in more than $420,000 in benefits paid.”

- Associated Press
WASTEFUL SPENDING

In 2008, Californians were told that the high-speed rail project would cost $40 Billion. 12 years later the project isn’t near being finished and costs have doubled to over $80 Billion.

“The California High-Speed Rail Authority on Wednesday bumped its overall cost estimate for completing the rail line between San Francisco and Los Angeles to $80.3 billion, blaming inflationary.... years of embarrassing cost overruns and delays.” ¹⁶

“It has been 10 years since Californians voted to approve the $9.95 billion bond, a down payment on a project that was estimated at that time to cost $40 billion. Public enthusiasm is dwindling. While 48 percent of respondents said they supported the project in a U.S.C./Dornslife/Los Angeles Times poll done in May, just 31 percent said they wanted the state to continue building the rail line after they were told of the cost overruns.” ¹⁷
WASTEFUL SPENDING

Now Gavin Newsom wants to waste even more of Californian’s money. His proposals are enough to make any taxpayer roar in beastly anger.

Nicer Furniture for Prisoners
Newsom’s budget proposes spending $34.8 Million To buy “More Comfortable Furniture” for state prison dayrooms to “Create A More Welcoming And Community-Like Atmosphere For Incarcerated Persons.”

$500 for Each Illegal Immigrant
Newsom’s budget proposes spending $260 Million to send $500 stimulus checks to illegal immigrants.

$1 Billion spent on healthcare services for illegal immigrants
Newsom’s budget proposes spending over $1 Billion to provide in-home supportive services through Medi-Cal to illegal immigrants.

Auditing Agencies
As a CPA, John Cox knows the power of carefully reviewing the spending of every agency. That’s why as Governor, he’ll order an audit of every government agency in California state government. Nothing will make state government bureaucrats tremble more than a thorough review of their spending.

Streamlining Boards & Commissions
The Governor makes around 3,000 appointments to boards and commissions in state government. That’s 3,000 additional people whose bills are being picked up by the taxpayers. As part of his review of state government, John will streamline the boards and commissions in California, saving millions of dollars.

When we cut out waste, fraud and abuse we save billions. With John Cox as Governor, that money will go to the regular taxpayers, not to prisoners, illegal immigrants or rich corporations.
Big Beastly Change to Save California

Slash Taxes

Zero Based Budgeting

Zero Based Budgeting sounds confusing, but it’s not. It’s the same kind of budgeting that families and small businesses do. It’s simple and just common sense. Create a budget starting at zero and figure out how much money you need to succeed.
Zero Based Budgeting forces state government to focus on what its core missions are, fund those appropriately, and reduce excessive spending and frivolous programs. When New Hampshire utilized the concept of Zero Based Budgeting, it reduced agency spending by 5%.21
Sunlight is the Best Disinfectant

Another way to save taxpayer money in order to slash taxes is to be more transparent with state spending. As the old saying goes, sunlight is the best disinfectant.

California is among the worst states when it comes to being transparent about spending. In fact, the state comptroller has been sued over the state’s lack of transparency.

“Controller Yee claims that 99.7 percent of all state payments were properly paid even though she told us she can’t find her receipts. Betty Yee is probably the only one of 40 million Californians who believes state government is that efficient, effective, and honest. Yee estimates the state only loses a mere 0.3 percent (less than one-third of one percent) of state dollars every year through waste, abuse, and fiscal mismanagement.”

Can You Believe?

If even .3 percent of spending is improper, that would amount to $58,800,000 saved thanks to increased transparency.

When we bring more state spending online into the view of the taxpayer, we will see better stewardship of our tax dollars.
REFERENCES

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