OPPOSITION TO SB 122 AND SB 176

REJECT THE MULTIBILLION-DOLLAR TAX INCREASES ON SOFTWARE, INNOVATION, AND JOBS

The tax increases in SB 122 and SB 176 ask California's taxpayers to pay billions more each year in higher taxes. These proposals represent the most significant expansion of California's tax base in recent memory — increasing taxes on digital software and services, limiting incentives for research and job creation, and making California more expensive at a time when affordability and economic competitiveness remain the most critical issues according to Californians.

SALES TAX ON DIGITAL SOFTWARE AND SAAS

- California taxpayers will pay billions of dollars more each year on the digital tools they rely on every day.
- These bills will create a layering effect – taxes upon taxes (tax pyramiding) – by taxing business inputs at multiple stages of production that get added into the final price of goods and services paid by consumers.
- States often enact policies to mitigate this harm by exempting or reducing rates on certain business-to-business (B2B) transactions, or limiting who is taxed through multiple-points-of-use rules to ensure software is taxed only where it is used. These bills contain no such relief.
- It will raise prices on architecture and engineering design; AI; Customer Relationship Management (CRM); cyber security; e-commerce payments; email; finance, tax, and bookkeeping; payroll and HR compliance; and other essential software.

PERMANENT CAP ON INNOVATION INCENTIVES

- Weakens California's Research and Development Tax Credit, a key incentive for long-term investment, innovation, and job creation. To remain competitive, California's R&D tax credit needs to match or beat incentives provided by other states.
- Restricts credits that support hiring, motion picture production, and other activities that California has historically worked to retain.
- Sends the wrong signal to employers as they make long-term decisions about where to invest and hire.

THESE TAXES MAKE CALIFORNIA LESS AFFORDABLE

- Makes the state less affordable by driving up prices for goods purchased by Californians.
- Erodes the foundation of California's innovation economy.
- Engineers, scientists, researchers, software developers, and advanced manufacturing workers will lose their jobs, or be asked to relocate to another state.

The Legislature should reject these tax increases and pursue policies that promote affordability, investment, innovation, and long-term competitiveness.