



April 7, 2017

TO: Senator Cathleen Galgiani
 Assemblymember Jim Cooper

FROM: California Manufacturers & Technology Association
 Air Spray USA Inc.
 California Business Properties Association
 California Construction and Industrial Materials Association
 California Metals Coalition
 California Steel Industries, Inc.
 CannaCraft
 Chevron
 Critical Solutions
 Dow Chemical Company, The
 General Mills Inc.
 Graphic Packaging International Inc.
 Grow Manufacturing Initiative
 Industrial Association of Contra Costa County
 Industrial Environmental Association
 Kimberly-Clark Corporation
 Manufacturers Council of the Central Valley
 Northern Rural Training and Employment Consortium
 Orange County Business Council
 Plastics Industry Association
 Roplast Industries, Inc.
 Searles Valley Minerals
 Sonoma Lab Works
 Transfer Flow, Inc.
 Weiss McNair, LLC

RE: AB 600 (Cooper) / SB 600 (Galgiani) Manufacturing: Sales and Use Tax Exemption SUPPORT

**Senator Galgiani
Assemblymember Cooper
AB 600 / SB 600 Support**

The organizations listed above represent California's manufacturing and industrial community from across the state and we are in **STRONG SUPPORT of AB 600 and SB 600** that encourages manufacturing investment in California by extending the existing partial Sales and Use Tax Exemption (STE) creating a more powerful incentive for manufacturing and R&D investments in California.

AB 600 and **SB 600** build upon the 2013 Governor's Economic Development Initiative (GEDI) to encourage manufacturing investment and job creation in California. Extending the STE provides greater certainty that California is committed to manufacturing industry growth and promotes higher levels of investment.

Manufacturing Creates Good-Paying Jobs and Builds the Middle-Class

California manufacturing is critical to the overall economy because manufacturers create high-paying jobs that help mitigate the growing income inequality that exists in California and helps rebuild the middle-class. In 2016, the average manufacturing wage was \$86,000 annually, well in excess of the state overall average wage of \$62,000. As California attracts more manufacturing jobs to the state, the

middle-class grows, communities are strengthened and state tax revenue grows from all sources, so the goal of the Legislature and Governor should be to increase the number of these jobs.

Certainty

Manufacturers planning to make multi-million dollar investments look ahead as much as 10 years or more and consider several factors, including tax implications, when deciding where to put those dollars to work. **AB 600** and **SB 600** provide greater certainty for manufacturers by assuring companies that this investment incentive will be in place for the foreseeable future.

Fairness

This bill also provides increased fairness of the partial STE for manufacturing and R&D equipment by eliminating discriminatory treatment of purchases based on how a company accounts for the investment when filing their taxes. By allowing warranties, maintenance contracts and industry

standard practices to substantiate STE eligibility, **AB 600** and **SB 600** promote fair treatment of manufacturing investments regardless of the income tax filing issues that have no relation to the act of a company to put capital to work in California.

Growing the manufacturing sector will produce benefits for all California with higher wages, creation of more economic opportunity, rebuilding the middle class and the production of manufacturing jobs.

Thank you for bringing these important manufacturing bills forward. We look forward to supporting your efforts to promote manufacturing growth in California. Please contact Michael Shaw of the California Manufacturers & Technology Association (CMTA) at (916) 498-3328 or mshaw@cmta.net.

cc: Members, Assembly Revenue and Taxation Committee
Members, Senate Governance and Finance Committee