

## Board of Equalization Informational Hearing 7/23/2020

John Kabateck

- Good morning, my name is John Kabateck and I am the State Director for NFIB California.
- Thank you for the opportunity to speak from the perspective of small businesses across California.
- California is facing an unprecedented economic crisis.
- Small businesses were struggling before the COVID-19 pandemic. The ensuing shut down – now into its fourth month, has made life difficult for small business owners, their employees and families.
- Prop 15 will make that crisis worse.
- The future of California’s economy is highly dependent on small businesses making a recovery.
- There’s been a lot of talk that “big business” will be the only ones to pay Prop 15’s higher property taxes – I would add, the largest property tax increase in California history.
- Let me be clear; Prop 15 will be incredibly damaging to small businesses and it will hit them precisely at the time when they are most vulnerable
- There is a reason why small business associations across the state are opposing Prop 15
- Some of these organizations are NFIB, California Small Business Association, CalChamber, CalAsian Chamber, the California Hispanic Chamber, the Family Business Association of California and numerous local chambers of commerce.
- The small businesses I hear from every day tell me they are worried about their ability to keep their employees on payroll and their doors open.
- An [April survey of NFIB’s](#) members found that 92% of small employers have been negatively impacted by the outbreak of COVID-19.
- And yet here we are talking about raising property taxes on businesses by as much as \$11.5 billion per year.
- Contrary to claims by the measure’s proponents, small businesses are not excluded from the property tax hike.
- The proposition hikes taxes on most business properties in the state.
- The size of the business – large or small – owning or occupying the property is irrelevant.
- When we talk about small business, you should know that 48 percent of California’s workforce is employed by a small business– that’s 7.1 million workers in all.

- These are the same Main Street businesses that make up the fabric of our communities.
- Here's where the myth that Prop 15 only targets big business gets shattered.
- According to research from my organization NFIB, 78 percent of small businesses do not own the property they operate on—they rent.
- Unless voters defeat this proposition, small businesses will likely pay higher rents or property taxes if this passes.
- Most small businesses have what is called a "triple net" lease that makes them responsible for property taxes – including increases.
- Prop 15 does nothing to protect its higher property taxes from being passed along to small businesses.
- The measure's other so-called "small business tax cuts" are also an illusion.
- They are so narrow and contain so many requirements that it will be virtually impossible for most small businesses to meet these requirements.
- So the question must be asked: How will these businesses survive?
  - They'll either be forced to lay off staff OR they will be forced to raise the cost of goods and services on their customers – which means that everyone will end up paying more if Prop 15 passes.
- What little cash reserves these businesses had going into the crisis is now gone or was spent on new and changing requirements to enable stores to re-open.
- It's an understatement to say that it will take years for them to recover.
- How can small businesses across California afford to pay higher rents due to a massive property tax increase under these conditions?
- If you're all serious about returning California to economic health, start with California's 4 million small businesses—the businesses that are the bedrock of your communities.
- Prop 15, the largest property tax increase in California history, is the last thing that our state's 7.1 million small business workers need.
- Thank you