

February 11, 2010

The Honorable Darrell Steinberg
State Capitol
Room 205
Sacramento, CA 94248-0001

Dear Senator Steinberg:

On behalf of the undersigned groups and associations, we are writing to express our strong opposition to a proposal reportedly being circulated as part of the 8th Special Legislative Session on the budget to mandate a 3% withholding on fees paid to independent contractors.

Frankly, this proposal is nothing more than a budget gimmick. It will do little to raise new revenue for the state but will add substantial new costs to businesses that use independent contractors and adversely affect the cash flow of those individuals and companies that are independent contractors. In other words, this proposal simply punishes those that are already complying with the law. Many independent contractors are already accelerating their estimated tax payments under existing law. This proposal accelerates these withholdings further and will severely affect the working capital needed by independent contractors to operate their business. In addition, such a proposal will have these unintended consequences of further pushing business into the underground economy, thus likely producing less revenue to the state to fund public programs.

In summary, it makes little or no sense to enact new and substantial costs of implementing an independent contractor withholding on the members and businesses represented by the undersigned associations. This is why the organizations below strongly oppose any budget proposal that would require our members to serve as the collection agents for the state of California by withholding taxes from fees paid to independent contractors.

Thank you for considering our views on this matter. If you have any question, please contact Scott Hauge, President of Small Business California at 415-680-2188.

Bay Area Innovation Alliance
California Association of Competitive Telecommunications Companies
California Chapter of the American Fence Contractors Association
California Employers Association
California Fence Contractors Association
California Hispanic Chamber of Commerce
California Metals Coalition

Engineering Contractors Association
Independent Insurance Agents & Brokers of America
Independent Maintenance Contractors Association
Marin Builders' Association
Monterey County Business Council
Napa Chamber of Commerce
Northern California Independent Booksellers
Oakland Metropolitan Chamber of Commerce
Pacific Plaza Condominium Association
Peninsula Builders Exchange of California
Plumbing-Heating-Cooling Contractors of California
San Francisco Builders Exchange
San Francisco Chamber of Commerce
San Francisco Small Business Advocates
San Francisco Small Business Network
Small Business California
Small Business Majority
South San Francisco Chamber of Commerce
Spa and Pool Industry Education Council of California