



April 12, 2017

**TO: Senator Cathleen Galgiani  
Assembleymember Jim Cooper**

**FROM:**

- California Manufacturers & Technology Association
- Air Spray USA Inc.
- California Business Properties Assoc.
- California Construction and Industrial Materials Association
- California Metals Coalition**
- California Steel Industries, Inc.
- CannaCraft
- Caterpillar, Inc.
- Chevron
- Critical Solutions
- Dart Container Corporation
- Dow Chemical Company, The
- General Mills Inc.
- Graphic Packaging International Inc.
- Grow Manufacturing Initiative

- Hogan Manufacturing, Inc.
- Industrial Association of Contra Costa County
- Industrial Environmental Association
- Intel Corporation
- 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
- Solar Turbines, Incorporated
- Sonoma Lab Works
- Transfer Flow, Inc.
- Weiss McNair, LLC

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

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

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](mailto:mshaw@cmta.net).

cc: Members, Assembly Revenue and Taxation Committee  
Members, Senate Governance and Finance Committee  
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Colin Grinnell, Staff Director, Senate Governance and Finance Committee  
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