



State Council of the International Association of Fire Fighters - California Labor Federation - AFL-CIO

August 29, 2016

TO: Honorable Members, California State Board of Equalization

FR: Christy Bouma, Governmental Advocate

RE: Paula Trust Tax Appeal Rehearing.

The California Professional Firefighters (CPF), state council of the International Association of Fire Fighters, representing over 30,000 career firefighting and emergency medical service personnel statewide, strongly supports the position of the Franchise Tax Board (FTB) in the case of Paula Trust, set for rehearing tomorrow.

The Board of Equalization (BOE) got it right the first time: There is no basis for excluding California source income from taxation, which would contradict settled law and practice for at least the past 80 years. Should the BOE find for the appellant, the doors will be wide open for abuse of California law, and tax attorneys will have a new mechanism for tax avoidance, which will be used widely.

Our state and local governments must consistently prepare for a wide-range of devastating emergencies – natural and human-caused disasters, including, but not limited to, floods, droughts, extreme temperatures, wildfires, mudslides, hazardous materials release and earthquakes. For the better part of the last two decades, local public safety agencies up and down our state have had to do more with less.

The Great Recession, in particular, forced local governments to implement hard-dollar cuts in core public services, including fire protection, as a result of severely squeezed budgets. In many communities, fire stations were permanently closed, or rolling “brown-outs” were implemented in an effort to save money. From longer response times and firefighters and police officers being laid off to a whole host of other safety-net services being eliminated or pared back.

California source income, as provided in this case, has always been taxed, whether to a resident or non-resident. This case seeks to overturn this fundamental part of California tax law with specious arguments relative to a law change in 1937. This appeal is a nothing but an attempt to concoct a wholly new tax avoidance scheme, based on interpretations which somehow argue, in contradiction to federal law and state law, that income to a trust should be treated differently than it has been historically. To the contrary, the history of sound tax policy is that income should be treated equally, unless there are explicit exceptions made.

***Given the above, we respectfully urge you to reaffirm the FTB’s position.
Doing so will assist in protecting critically-needed tax revenue for core public
safety services.***