

MEMO# 2874

June 24, 1991

CALIFORNIA BUDGET PASSES WITHOUT SERVICE TAX

June 24, 1991 TO: BOARD OF GOVERNORS NO. 45-91 CALIFORNIA MEMBERS ONE PER
COMPLEX CALIFORNIA INVESTMENT ADVISER MEMBERS CALIFORNIA ASSOCIATE MEMBERS
RE: CALIFORNIA BUDGET PASSES WITHOUT SERVICE TAX

The Institute is pleased to inform you that the California Legislature approved a budget bill on June 20, 1991 that does not include a service tax on financial services. Earlier this year, both Governor Wilson and the California Legislature considered a variety of measures to raise revenue to alleviate an approximate \$14.3 billion budget shortfall. Included in the Democratic Senate/Assembly budget proposal was a service tax on financial services which may have covered brokerage transactions and investment advisory fees paid by mutual funds and other clients. The Institute attended the Assembly Revenue and Taxation Committee meetings and met with members of the California Assembly during the latter stages of the budget process to ensure that the financial services tax was not included in the final budget. The budget plan ultimately approved by the Legislature includes an increase in the general sales tax of 1-1/4% and an increase in utility taxes and motor vehicle fees. Also included in the budget plan are new taxes on newspapers, snack foods, bottled water and other items. * * * We will keep you advised of further developments. Patricia Louie Assistant General Counsel

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