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California's 'largest-ever tax hike' eviscerated by critics: 'Final straw'

By Titus Wu
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Two new California taxes next year described as "the largest tax increase in state history" have sparked outrage among businesses and other critics furious with elected officials for jacking up the state's already-high cost of living.

Gov. Gavin Newsom and Democratic lawmakers recently enacted a state budget that would raise health insurance premiums and slap a new charge on software downloads in an effort to make up federal revenue loss from an antagonistic Trump administration, Democrats said.

"What happened to addressing the affordability crisis that was supposed to be such a priority?" said state Sen. Tony Strickland.

"These tax increases could be the final straw that drives businesses out of California and harms our economy," he said.

Gov. Gavin NewsomZUMAPRESS.com

One measure would extend a tax on health care providers to potentially generate roughly $2 billion a year to help fund Medi-Cal. The other categorizes software products as personal property subject to the state's highest-in-the-nation sales tax to bring in $900 million annually — meaning Californians will pay extra for software like Slack, Adobe or TurboTax.

Tax opponents have been sounding the alarm on the charges and the costly impacts they could have on families. The health care tax has been estimated to increase premiums by $400 a month for a family of four because insurers will pass on the cost, warned the California Association of Health Plans.

"At a time when Californians are already stretched thin by the rising costs of housing, groceries, childcare and transportation, adding hundreds of dollars in new health insurance costs is the wrong choice," the association said in reaction to the enacted tax.

"This is especially troubling because state leaders continue to say affordability is a top priority," the lobbying group said.

The tax increases are tone-deaf, said state Sen. Suzette Valladares, pointing to a report that California was one of the worst states to move to this year.

Senator Tony StricklandCalifornia State Senator

“Families aren’t leaving because they don’t love California. They’re leaving because they can’t afford it anymore,” she said.

Congressional Republicans also piled on, particularly around the potential higher health premiums — and pinned the blame on Newsom.

“Californians already pay the highest gas prices in the nation and face one of the highest costs of living anywhere in America,” said Congressman Vince Fong. “The last thing we need is higher health care costs and premiums.”

The software tax is particularly “pervasive” and hard to avoid, tax experts told The Post. Even if an individual travels to Nevada to download the software, he or she will still have to pay up if the software is primarily used in California, said David Kline with the California Taxpayers Association.

US Representative Vince Fong (R-CA)AFP via Getty Images

Tax auditors could use GPS locations or other electronic trails to prove that it was used primarily in California, he added.

There is an exemption in the software tax for custom-made software, which is when it’s specifically designed or altered for a specific customer.

That could be a way to avoid the tax, said Robert Wood, a San Francisco tax attorney, but “questions about how much tweaking to software is enough to make it custom are likely to arise.”

Wood told the Post that route won’t likely help most customers and businesses, as the state continues to face even more tax burdens, such as the state’s billionaire tax pending on the November ballot.

“California is often a real leader—even a visionary—when it comes to dreaming up new taxes,” Wood said.