

Congress of the United States
Washington, DC 20515

March 23, 2021

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

Speaker Pelosi,

Over the past few days, we have heard concerns from California small business owners who are being left in a state of confusion due to incompatibilities between Public Law 117-2, the American Rescue Plan Act (ARPA), and proposed state legislation to provide tax relief to California's small businesses, known as AB 80.

As you are aware, negotiations surrounding AB 80 between Governor Newsom and Democratic leadership in the California Legislature have been ongoing for several weeks. A consensus was reached to provide small businesses in California with \$6 billion in aid by allowing them to deduct up to \$150,000 in business expenses paid with forgiven Paycheck Protection Program (PPP) loans or Economic Injury Disaster Loans (EIDL). Despite this well-known state legislative effort, ARPA contains a contradictory provision that bans States from providing tax relief through December 31, 2024. While Democrats cheered their ability to exclude Republicans from developing ARPA and ignored their concerns, small business owners have been left empty-handed and confused by Democrats' policies.

The lack of attention to detail, foresight, and understanding surrounding the tax cut prohibition in ARPA and California tax law is unacceptable. Given the complete lack of desire to negotiate with Republicans or engage with a comprehensive and diverse group of stakeholders, it is disappointing but not surprising that Democrats have once again penalized hardworking, already struggling businesses in California with a constitutionally questionable provision to prevent state elected officials from reducing their tax burden.

Further, as a fellow Californian it is reasonable to think you should have been well aware of this high-profile issue that our State alone had failed to correct tax issues related to PPP loans. We wonder how is it possible that this partisan bill you ushered through the House contained such a provision that negatively impacts small business across our state.

Our State's struggling small business cannot afford another hit. To qualify for loan forgiveness those employers spent the loan money on salary, rent and utilities. Those funds were provided by Congress to kept them afloat during the pandemic shutdown. After a year of shutdown, how do


you expect these struggling businesses to come up with thousands of dollars for unexpected taxes your legislation has forced them to pay?


To correct this grave error in governance, we are asking that the House of Representatives immediately consider the Let States Cut Taxes Act, which was introduced by Representative Dan Bishop. This legislation repeals provisions within Sec. 9901 of ARPA that have created the present situation for California businesses.


As our local economies re-open, Operation Warp Speed continues, and small businesses begin planning to rebound, the message our public officials espouse must match up with the products they deliver. Californians need solid assurances, not manufactured adversity from a lack of attentiveness to major problems.

Sincerely,


Doug LaMalfa
Member of Congress

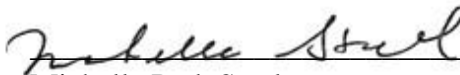

Kevin McCarthy
House Republican Leader


Jay Obernolte
Member of Congress


David G. Valadao
Member of Congress


Ken Calvert
Member of Congress

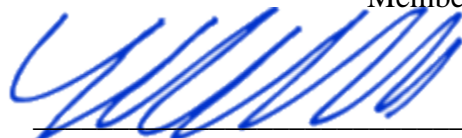

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