



**LEGISLATION & PUBLIC  
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June 19, 2017

Honorable Sebastian Ridley-Scott  
Chair, Revenue and Taxation Committee  
California State Assembly  
Capitol Building, Room 2176  
Sacramento, CA 95814

**RE: SB 66 (WIECKOWSKI) – SUPPORT**

Dear Assembly Member Ridley-Scott:

Disability Rights California (DRC), a non-profit advocacy organization that advances and protects the rights of Californians with disabilities, supports SB 66. This bill is scheduled for hearing in the Assembly Revenue and Taxation Committee on June 26, 2017.

The Personal Income Tax Law and the Corporation Tax Law allow various deductions in computing the income that is subject to taxes imposed by those laws. Both laws allow a deduction for ordinary and necessary business expenses, including a deduction for amounts paid for punitive damages. This bill, for taxable years beginning on or after January 1, 2018, would disallow, under both laws, a deduction for amounts paid for punitive damages.

DRC agrees that punitive damages should not be tax-deductible. The purpose of punitive damages is to penalize and deter egregious violations of the law, including certain discriminatory practices, proven by the highest standard of evidence in civil court. Tax deductions are intended to reward or incentivize good behavior. A deduction for punitive damages does the opposite – it rewards and subsidizes the worst behavior by corporations and individuals. Allowing corporations and individuals to deduct punitive

damages payments on their taxes undermines the very purpose of punitive damages by making them less punitive and a less effective deterrent.

California has never affirmatively opted to make punitive damage payments tax-deductible. California simply follows the general federal rule allowing deductions for "ordinary and necessary" business expenses. The federal law has been interpreted by the Internal Revenue Service to include money paid as punitive damages, but punitive damages should not be considered ordinary or necessary. They are financial penalties that are intended to serve the same purpose as criminal fines and statutory penalties, which are not deductible.

For these reasons, we support this bill. Please contact me if you have any questions about our position on this bill.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Margaret Johnson', with a stylized flourish at the end.

Margaret Johnson, Esq.  
Advocacy Director  
Disability Rights California

cc: Honorable Bob Wieckowski, California State Senate  
Heather Resetarits, Legislative Director, Office of Senator  
Wieckowski  
Honorable Members, Assembly Revenue and Taxation Committee  
Carlos Anguiano, Principal Consultant, Assembly Revenue and  
Taxation Committee