



**LEGISLATION & PUBLIC
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March 14, 2017

Honorable Bob Wieckowski
California State Senate
Capitol Building, Room 4085
Sacramento, CA 95814

RE: SB 66 (WIECKOWSKI) – SUPPORT

Dear Senator Wieckowski:

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 Senate Governance and Finance Committee on March 22, 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.

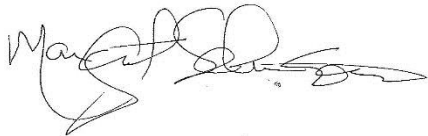
DRC agrees that punitive damage should not be tax-deductible. The purpose of punitive damages is to penalize and deter egregious violations of the law, including certain discriminatory practices, proven by the highest standard of evidence in civil court. Tax deductions are intended to reward or incentivize 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: Heather Resetarits, Legislative Director, Office of Senator
Wieckowski
Honorable Chair and Members, Senate Governance and Finance
Committee
Myriam Bouaziz, Consultant, Senate Governance and Finance
Committee