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June 20, 2017

The Honorable Sebastian Ridley-Thomas
Chair, Assembly Revenue and Taxation Committee
State Capitol, Room 2176
Sacramento, CA 95814

RE: SB 66 (Wieckowski) Income taxes: deductions: punitive damages - SUPPORT
As introduced January 5, 2017
Assembly Revenue and Taxation Committee – June 26, 2017

Dear Assemblymember Ridley-Thomas:

The Consumer Federation of California (CFC) writes in support of SB 66, authored by Senator Wieckowski, which would prohibit claiming punitive damages as a tax deduction.

Punitive damages should not be tax-deductible - the purpose of punitive damages penalties is to penalize and deter egregious violations of the law committed with malice, oppression or fraud. Allowing wrongdoers to deduct punitive damages payments on their taxes undermines the very purpose of punitive damages by making them far less punitive.

The California tax code currently allows businesses to take a tax deduction when a court holds them liable for punitive damages for committing the most egregious violations of the law. SB 66 would eliminate this counterproductive loophole.

Punitive damages are penalties for the most reprehensible violations of our laws that are proven by the highest standard of evidence in civil courts. Tax deductions are intended to reward or incentivize good behavior. A deduction for punitive damages does exactly the opposite – it rewards and subsidizes the worst behavior by the most irresponsible corporate residents.

CFC respectfully urges your “Aye” vote on SB 66.

If you or your staff has any questions, please contact Aaron Lewis, CFC Legislative Advocate, at (916) 498-9616.

Sincerely,

Richard Holober
Executive Director

cc: Members and Committee Staff, Assembly Revenue and Taxation Committee
Senator Wieckowski