



Automotive Service Councils of California
Professionals in Automotive Service ~ Since 1940



Automotive Aftermarket
Industry Association



November 4, 2008

The Honorable Arnold Schwarzenegger
Governor, State of California
State Capitol
Sacramento, CA 95814

Re: Special Session -- Is the Choice to Implement a Car-Repair Tax Good for California?

Dear Governor:

The men and women who own and operate California's automotive repair, parts and service businesses write to express our commitment and hope that we can help our state's economy regain its strength so that our state's tax revenues may achieve healthy levels once again. We also acknowledge the urgency surrounding the need to increase revenues in the short-term to bridge the unprecedented budget deficit our state currently confronts.

Many difficult choices lie ahead as you and legislative leaders enter a special session on November 5th to review both the depth of the challenges and the promise of proposed solutions to provide a real and structural fix to the state's budgetary system.

One choice recently discussed publicly by your administration and others is to create a car-repair tax by extending the state's sales tax to automotive services in California. While we understand that "nothing is off the table," we would like to share with you our belief that a car-repair tax will have negative impacts upon other important policy goals of the State of California .

We collectively ask that you review and consider the following issues before moving forward in any consideration of implementing a car-repair tax in California. In addition to creating a regressive tax on families with lower incomes (who generally own older vehicles out of warranty), this proposed car-repair tax would directly conflict with the goals of:

- The California's Global Climate Change Solutions Act of 2006 being implemented by the California Air Resources Board to reduce green house gas (GHG) emissions;
- The Drive Healthy campaign being implemented by the Bureau of Automotive Repair to promote healthy air through healthy vehicles; and
- The Flex Your Power at the Pump campaign being implemented by the California Energy Commission to increase fuel efficiency and protect the environment.

Each of these important policy initiatives relies upon California motorists spending more money – *not less* -- on regular and preventive maintenance for their automobiles to fight global warming, improve air quality and achieve independence from foreign oil.

The state's decision to spend millions of dollars on radio and television ads promoting the Drive Healthy and Flex Your Power at the Pump campaigns acknowledges the current difficulty of getting motorists to actively engage in preventive maintenance. Most experts will agree that the largest barrier to changing motorists' habits regarding vehicle maintenance is the perceived strain it can place upon their pocketbooks.

A car-repair tax will increase costs for preventive maintenance by a minimum of 7.25% (some cities/counties charge up to 9.25%). This tax increase proposal would undoubtedly add to the economic burdens of California consumers who already avoid seeking out automotive repair and maintenance services on a regular basis. As you know, Californians are struggling with their mortgages, credit card payments, energy bills and increased costs of food and services. Our state's households have to make tough decisions on a daily basis about which goods and services they can afford. A car-repair tax simply makes it more expensive and thus less likely that families will choose automotive services or maintenance over other more immediate necessities.

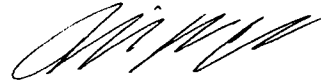
We pledge our desire to work with your administration and legislative leadership towards solutions that will help strengthen our economy in the long-term and help solve the current budgetary crisis in the short-term. It is our hope that when weighing the pros and cons of the various "tax" choices during the special session that any consideration of a car-repair tax be given a full and complete review that is context-sensitive to our state's other important policy initiatives and the current economic conditions of California families.

Together we can ensure that California motorists have the economic ability to make decisions that will serve to reduce GHG emissions, improve our air quality and reduce our state's dependence on foreign oil. Each of these goals can become a reality tomorrow if we take extraordinary care in the decisions being made today.

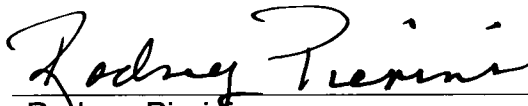
Respectfully,



Johan G. Gallo
President
California Automotive Business Coalition



David McClune
Executive Director
California Autobody Association



Rodney Pierini
President and CEO
California Automotive Wholesalers'
Association



Aaron Lowe
Vice President, Governmental Affairs
Automotive Aftermarket Industry
Association



Allen Pennebaker
President
Automotive Service Councils of California



Dennis DeCota
Executive Director
California Service Station and Automotive
Repair Association

cc: The Honorable Don Perata, President pro Tem of the State Senate
The Honorable Karen Bass, Speaker of the State Assembly
The Honorable David Cogdill, Minority Leader of the State Senate
The Honorable Mike Villines, Minority Leader of the State Assembly
The Honorable Judy Chu, Chair of the State Board of Equalization
Ms. Linda Adams, Cabinet Secretary of CalEPA
Ms. Rosario Marin, Cabinet Secretary of State and Consumer Services Agency
Mr. Mike Chrisman, Cabinet Secretary of Resources Agency
Mr. Bill Magavern, Sierra Club
Mr. Roland Hwang, Natural Resources Defense Council
Ms. Tina Andolina, Planning and Conservation League
Mr. Tim Carmichael, Coalition for Clean Air