

Treasurer Defends Tax Break for Energy Firms

JUDY LIN - Associated Press - Associated Press

The state treasurer on Wednesday called California's tax break program for clean energy companies a "wise and needed one" despite the failure of its most high-profile recipient — the solar startup Solyndra.

Treasurer Bill Lockyer told a panel of state lawmakers that the program is intended to promote the growth of alternative energy manufacturing plants in California and complements the state's push for renewable energy.

He said nearly 70 percent of all businesses do not make it past eight years, and that risk extends to clean energy companies such as Solyndra.

"We take some risks by having this policy in place, and we probably take a bigger risk by never having the tax exclusion because the jobs and investments don't come to California," Lockyer said Wednesday. "That's a bigger risk and, one we need to be very concerned about."

Sen. Alex Padilla, D-Los Angeles, and Sen. Lois Wolk, D-Davis, called a joint Senate committee hearing to find out if regulations need to be changed after the state awarded \$25 million in sales tax breaks to the failed Fremont solar startup.

Then-Gov. Arnold Schwarzenegger signed Padilla's bill, SB71, in March 2010, when the Republican governor was in the midst of an ambitious push to move California to the forefront in developing alternative energy. The bill passed with overwhelming bipartisan support.

The California Alternative Energy and Advanced Transportation Financing Authority has approved 33 applicants for \$104 million in sales tax exemptions under the roughly year-old program, according to the state treasurer's office. The law allows qualified companies to waive the state sales tax when purchasing manufacturing equipment in California.

Last month, the treasurer suspended the program to new applicants while the authority reviewed its application process.

Solyndra was among 11 companies that have claimed some of those tax breaks. The company closed its doors Aug. 31 and has filed for bankruptcy protection. It also is the subject of congressional inquiries because it received a \$528 million federal loan that has become an embarrassment to the Obama administration.

Padilla opened the hearing Wednesday by saying California's tax-break program should be assessed now that it has been in effect for a year. He wants to know whether the program is helping create jobs in the state and promoting the clean-energy industry, or is just giving away tax money that otherwise would come to the

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state.

"How's it going? What's working? What's maybe not working?" Padilla said.
"Naturally we will have a lot of question about Solyndra. Should we have handled it differently?"

California is one of a few states that require businesses to pay sales tax on manufacturing equipment, which business and manufacturing groups say puts the state at a competitive disadvantage.

Lockyer said the tax-break program is unusual because it is one of the only ones that tries to assess whether the benefits to California outweigh the cost of the tax subsidy. California offers 86 other tax breaks that result in \$43 billion a year less coming to the state.

"My conclusion is SB71 was a wise and needed one," Lockyer said.

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