Subject: Tax Changes

With a stroke of the pen on September 3 of this year, the Governor enacted the Tax Equity Act. This controversial revenue raising and government spending act is intended to reduce government spending by some $5 billion and to raise revenue by some $15 billion over the next three years. To say that this is an unusual tax act is an understatement. The administration sold this act essentially as an act that closed loopholes. Supposedly, 49% of the revenue the act generates will come from reductions in unintended benefits. In many ways the act reduces or repeals tax benefits that would have accrued to individuals and businesses over the next five years. Once we take a closer look at the revenue increase generated by the act, it becomes apparent that business bears the brunt of the new revenue increases. Of the $15 billion to be raised over three years, business will generate almost $6.5 billion over that amount by foregoing tax benefits. Many of our clients have already begun calling for advice in dealing with this act. It is obvious, therefore, that this act offers our firm significant business opportunity.