

Speaker ([00:01](#)):

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Peter Blocker ([00:17](#)):

My message to him if I were advising him would be, you're this close, you're so close to the finish line, you really want to pass a tax increase and kind of take that off your resume.

Nikki Dobay ([01:09](#)):

Hello, and welcome to GeTtin' SALTY, a state and local tax policy podcast hosted by Greenberg Traurig. My name is Nikki Dobay, shareholder in the Sacramento, California and Portland, Oregon offices. We've got a doozy of a topic today, I'm just going to say that off the bat. California is once again kind of going off the rails. We've got this little bill, AB 1790, which could, if passed, repeal California's Water's Edge election. So I'm super pleased today to have two experts on this bill and in this area with me today. So first, joining me is Alan Pasetky. Alan is the owner and founder of Tax Policy LLC. Some of you may know him from his amazing work with the Global Business Alliance, GBA. Alan has been extremely engaged on this issue. Alan is also a regular.

([02:06](#)):

But back to the podcast for the first time this year is Peter Blocker. Peter is the vice president of policy with the California Taxpayers Association. And Peter, this bill I know has been keeping you probably extremely busy and probably up all night, although I know you have some young kids and other things that keep you up at night. But let's talk about this bill. So Peter, I think you're going to get us kicked off with what the heck is going on in California and where are we at with this? Because it's been a bit of a rollercoaster. It came out, it seemed like it died down, we thought we had some time and then there was a hearing earlier this week. So catch us up.

Peter Blocker ([02:50](#)):

You got it. Thanks for having me back on the podcast, Nikki. So California, where are we? Big picture, California spent too much money. So California's facing some budget issues. This year, I believe it's projected to be about \$2.9, \$2.8 billion shortfall. LAO, the legislative analyst here, has noted that they're looking at much bigger deficits for the next couple of years.

Nikki Dobay ([03:20](#)):

Okay.

Peter Blocker ([03:20](#)):

And it's by a significant amount, I think the legislative analyst told us at a meeting, that as an example, the legislature would need to raise taxes \$90 billion or something incredible if it doesn't make any spending reductions to fix that problem. So legislators started looking for revenue.

Nikki Dobay ([03:40](#)):

Okay.

Peter Blocker ([03:41](#)):

Last year during budget discussions, it was leaked that in a Democratic caucus meeting, this was the first time we heard of Water's Edge came up. It was on a survey given to members as a possible solution to the, "Do you want to raise taxes this year? Yes or no?" They said no, but this was on there. And senate member Connolly was quoted as saying that he was disappointed and he would be the one to introduce it.

Nikki Dobay ([04:09](#)):

Okay.

Peter Blocker ([04:10](#)):

So we knew it was coming. Fast-forward to January timeframe, and we had heard that many legislators had been talking about this, and then an informational hearing came up, which was a hearing held by both tax committees. So both chairs were there, and a lot of questions, everyone went through all the issues. It was actually very helpful in talking with staff because some actually did pay attention to it and had an idea of what was going on, but then came the proposal. And since then, we've been working on it and talking to the chair, going through the process, it has to go through policy committee first. So it needs to get out of assembly revenue taxation, which as you alluded to, happened.

Nikki Dobay ([04:55](#)):

Yeah.

Peter Blocker ([04:55](#)):

And then it goes to the appropriations committee, then the floor, and then we're off and running. So this was made the State Employee Union, so the SEIU, they have two large revenue proposals that they have made their main focus for this year, and that's this bill. So to eliminate the Water's Edge election, which has become synonymous with loophole.

Nikki Dobay ([05:18](#)):

Right.

Peter Blocker ([05:19](#)):

So anytime the press, you read, any legislator, anyone mention they're open to closing loopholes, this is what they're talking about. I mean, there are no other loopholes, they're thinking of "loopholes" they're thinking of closing. The other one is a tax on employers for each employee that they have on Medi-Cal.

Nikki Dobay ([05:38](#)):

Okay.

Peter Blocker ([05:39](#)):

So that's the other proposal. And it's not being presented as a this or that scenario. One is dedicated for healthcare. This one they are selling as a... One of the reasons they're saying they need it is they're using healthcare as a reason to push it. The governor has repeatedly, since he's been in office, say he does not

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want tax increases. And I have noted many times, maybe even on this podcast before, that the governor does increase taxes every year.

Nikki Dobay ([06:09](#)):

Yes.

Peter Blocker ([06:10](#)):

Yes. But they are not what he would consider a... He's not raising the sales tax-

Nikki Dobay ([06:15](#)):

Right.

Peter Blocker ([06:17](#)):

Or it's not, right.

Nikki Dobay ([06:17](#)):

Creating new taxes, doing-

Peter Blocker ([06:19](#)):

Yes.

Nikki Dobay ([06:19](#)):

Yeah.

Peter Blocker ([06:21](#)):

As he would put it. I always thought that this may be one of those things that he could use, say he's just making a tax change or-

Nikki Dobay ([06:29](#)):

Right.

Peter Blocker ([06:29](#)):

He's closing a loophole.

Nikki Dobay ([06:31](#)):

Right.

Peter Blocker ([06:31](#)):

And so one recent thing that came out was that the governor gave a briefing to legislators about the budget recently, and I think it was four legislators came out of it and said to Politico that they got the impression that the governor was open to raising revenue. Because the governor had told them in this briefing, allegedly, that there would be cuts coming.

Nikki Dobay ([06:55](#)):

Okay.

Peter Blocker ([06:57](#)):

And they said that he would be open to closing tax loopholes. Now, this was how they perceived it, it wasn't like they said he said it.

Nikki Dobay ([07:06](#)):

Right, right.

Peter Blocker ([07:07](#)):

So what you have now is this environment where this has gotten a lot of press, there's a lot of focus on this. And although we've seen the Water's Edge election come up in legislation before, to eliminate it, this is the most real it's ever been. And like you said, we have this hearing and things are really ramping up.

Nikki Dobay ([07:26](#)):

And going back to the governor's statement, we heard very similar statements back in 2024, and we saw one of the most significant policy shifts with respect to apportionment, and he seemed to have no problem signing the budget then. And I feel like from his perspective, and correct me if I'm wrong, the impression I'm getting is that, again, he sees these as changes in policies, and hey, to the extent they raise some additional revenue, it's just a little bit of gravy. So I think we're going to say this is danger, we're in dangerous territory when it comes to this policy. So Alan, let's turn it over to you and I'm just going to say the thing right away. Why is the Water's Edge election, NOT, with a capital N, capital O, and capital T, a loophole?

Alan Pasetzky ([08:24](#)):

That's an easy question.

Nikki Dobay ([08:25](#)):

Okay.

Alan Pasetzky ([08:26](#)):

It's not a loophole, because it is the way to file your taxes in a majority of states in the country. I think 27 states have it, or maybe 28, and of the others that don't have it, they either have separate reporting or no income.

Nikki Dobay ([08:40](#)):

Right, right.

Alan Pasetzky ([08:41](#)):

So it is the law of the land.

Nikki Dobay ([08:42](#)):

Right.

Alan Pasetsky ([08:43](#)):

See, this is what fires me up, it didn't take long.

Nikki Dobay ([08:45](#)):

Yeah.

Alan Pasetsky ([08:46](#)):

It's kind of like when people say a mortgage interest is a loophole or everything that you deduct on your tax return is a loophole. This is not a loophole, it's just great political rhetoric to say that. I will say, at the hearing, one of the legislators asked a question leading down that path saying, "Well, isn't it unfair that you get to choose the lower of the taxes in California between Water's Edge and Worldwide?"

([09:12](#)):

Okay, if they want to say that's unfair, get rid of the Worldwide.

Nikki Dobay ([09:15](#)):

Right.

Alan Pasetsky ([09:15](#)):

I mean, they've had that for 45 years. You don't like that, go to Water's Edge, like 27 other states, it is not a loophole.

Nikki Dobay ([09:23](#)):

All right. Thank you for clarifying, I'm glad we got that one checked off. Give us a little bit of additional background, I mean, a lot of the listeners are very familiar with a Water's Edge election, but can you kind of give, and I know this is difficult because this is a very complicated area, but why do we have the Water's Edge election? What's kind of the policy goal here and why has it been around for many decades?

Alan Pasetsky ([09:53](#)):

I mean, trying to high level shorten it, is obviously you're trying to get groups of companies to file on a way that minimizes abuses that could be obtained to have a fair way to apportion the income of the group. This was around forever.

Nikki Dobay ([10:10](#)):

Yeah.

Alan Pasetsky ([10:10](#)):

But back, and I don't want to do a whole history lesson, but back in the 80s when we had this Water's Edge approach and we had a Worldwide approach. We all know that a few states like California had Worldwide and it was tested constitutionally and it was determined it is constitutional.

Nikki Dobay ([10:27](#)):

Yes.

Alan Pasetzky ([10:28](#)):

And no one that I know of is arguing right now it is not constitutional, even though we do have a different Supreme Court today that could come out with a different result. So because of pressure, and this is factual, and the proponents bring it up, and I agree, it is factual that the international community pressured the federal government to stop Worldwide reporting. They will tell you it's because of abuses, that's not why.

Nikki Dobay ([10:54](#)):

Right.

Alan Pasetzky ([10:55](#)):

It was done to eliminate complexity, but more importantly, double taxation.

Nikki Dobay ([11:01](#)):

Yes.

Alan Pasetzky ([11:02](#)):

And I just was reading Barclays right when we logged on. So many countries participated in amicus brief on Barclays, and these were all high tax countries. It wasn't the tax havens of the world joining in, it was the high tax jurisdictions. So they weren't worried about shifting, they were worried about double tax and compliance, which are still the two major reasons we shouldn't have Worldwide today. Nothing's changed.

Nikki Dobay ([11:29](#)):

Yeah. And I think we also need to really get this point across. Most other countries don't have sub-national income tax regimes like the US state and local tax system that we have. And anytime we are including at the state level, income that is earned in foreign jurisdictions, and the proponents will also say it's really US income that's been shifted. And I will disagree with them, we have ways to deal with those issues. But when you're taxing income that's earned in other foreign jurisdictions, at the federal level, you get a foreign tax credit. And if the states want to start offering tax credits for taxes paid to other nations, that could solve the problem. And some of the proponents will say, "Well, apportionment can solve that." And maybe, but they're apples to oranges systems, because we have a credit system at the federal level and apportionment at the state level. And that has been the longstanding basis for this type of election or reporting requirement regime.

Alan Pasetzky ([12:35](#)):

True. And one other difference is, at the federal level, you have tax treaties.

Nikki Dobay ([12:39](#)):

Yes.

Alan Pasetky ([12:39](#)):

Tax treaties, for the most part, do not cover sub-national taxes.

Nikki Dobay ([12:43](#)):

Yeah.

Alan Pasetky ([12:44](#)):

So at the federal level, you don't even report most of this income. These foreign companies don't have to pay taxes in the US, they're paying taxes in their home country.

Nikki Dobay ([12:54](#)):

Right.

Alan Pasetky ([12:54](#)):

But now to ask them to create a whole new world where they don't have to do this for any other reason and potentially pay California taxes, is an absurdity. I will tell you, at the hearing, the thing that is really troubling is the misinformation and to me, disingenuousness of the responses to the questions. And let me elaborate-

Nikki Dobay ([13:18](#)):

Yeah.

Alan Pasetky ([13:18](#)):

Is first of all, the loophole question, we talked about that-

Nikki Dobay ([13:23](#)):

Yeah.

Alan Pasetky ([13:23](#)):

Just to use that word loophole. Secondly is, when we say double tax, and the response is, "Well, in theory, it could be, but apportionment solves it."

Nikki Dobay ([13:36](#)):

Right, right.

Alan Pasetky ([13:36](#)):

Apportionment does not solve it, it could solve it in a particular company's situation.

Nikki Dobay ([13:40](#)):

Right.

Alan Pasetky ([13:41](#)):

There will be winners, there could be losers, but you are clearly subjecting income that has nothing to do with the US, to the US tax pool or pie. Secondly, they get to avoidance. And I read their comments and it's interesting, they start off with, "We need to target tax avoidance to havens." Then do that.

Nikki Dobay ([14:03](#)):

Right.

Alan Pasetsky ([14:03](#)):

That is not what this bill does. This billable tax, a Japanese company that makes and sells sushi in Japan is bringing that in revenue into California. A company that's been doing a full IRS audit for the last three years, reported the income of any to California, they're subject to now more tax because of this. My favorite though is APAs, something called Advanced Pricing Agreements.

Nikki Dobay ([14:28](#)):

Yeah, yeah.

Alan Pasetsky ([14:29](#)):

Where you spend five years negotiating an agreement between the United States and a foreign country, you expose all of your information. Both countries agree what you're doing is fine, but California's going to say, "No, we disagree. We're going to say it's avoidance anyway." So these proponents are not addressing avoidance, as they say.

Nikki Dobay ([14:50](#)):

So Peter, let's kind of talk about the coalition that CalTax is leading in opposition to this. And really here, I just want to have a really robust conversation with all of us. Let's talk about this hearing, the coalition opposing it, the very sound tax policy reasons to oppose this. But kick us off on what the coalition's kind of doing and what else people can do to get involved on that front.

Peter Blocker ([15:18](#)):

We have a fairly large coalition for this. It was great that we had a number of those organizations show up for the hearing to testify or give a MeToo testimony in the committee as they call it, just when you just give your organization's name and your position. But that was very helpful because opponents had dozens and dozens and dozens of people who came, who have no idea what Water's Edge is, but came in to support it.

([15:43](#)):

Right now, we can always have a larger coalition, we're trying to grow it every day. And we are even inviting, companies are able to join if they'd like. We've heard from members that they find that very compelling when they hear directly from businesses, or they see the representation there. And those logos may end up on our letter. If we get enough, we're not just going to put one company on there. But in our discussions with legislators, they understand our arguments. Even on the complex points, I think they at least understand we've done a good job of conveying that this is not just closing a loophole, it's not that easy, it's a bigger deal than they're making it.

([16:28](#)):

I think at the very least, that's what we want to get the point across, that this is going to have an impact on not just these large corporations they talked about in the hearing, but in the effect it'll have on prices, I think especially. That's been a big hurdle that we've had to clear, is that legislators have asked us, "How does this affect my constituents? What's the real world effect?" I was told, or I saw in the informational hearing that companies are not going to leave the state, it's based on sales, so et cetera, et cetera. That's why hearing from businesses is important. I know it's not easy, typically, but this is such a complex issue to explain, it's not an easy elevator pitch. I think that would go a long way, and I do think if you see any survey recently of California voters, proponents are using the healthcare funding as one big reason that we need to pass this.

(17:24):

Any survey you see, by far, affordability is number one. Way, way above anything healthcare, anything else. And explaining to them how this affects affordability has been very helpful, very important, and that's what legislators want to hear.

Alan Pasetky (17:40):

Can I pile on that a little bit?

Nikki Dobay (17:43):

Yeah, please Alan.

Alan Pasetky (17:45):

[inaudible 00:17:45], Nikki. Because the argument that we heard is businesses won't leave. And from a tax attorney point of view, and you guys know this, their California tax may not change because it's based on sales. And unless they reduce their sales in California, which businesses are likely not going to do, fine, they're right. Businesses will not just pick up and walk away and stop selling. But what is the impact? As Peter said, prices. If you told anyone that their business will now be increasing their taxes significantly and be double taxed, well, what are they going to do with that? They could either eat into their profits or they're going to increase their prices.

Nikki Dobay (18:22):

Right.

Alan Pasetky (18:23):

So that's the affordability angle. And we have been told, and this is not just speculation, foreign countries are going to retaliate against California. And this is not me talking, this is what happened 40 years ago. Canada still has it in the Treaty footnotes that they would retaliate. The UK does and Japan does. Eight countries signed a letter that was sent to the assembly and the committee last week. Do you know how hard it is to get eight countries to move that quickly? And we had been told at hearings in other states when this came up, "Oh, the international community won't care."

Nikki Dobay (18:59):

Yeah.

Alan Pasetky (18:59):

Well, they care.

Nikki Dobay ([19:01](#)):

Right.

Alan Pasetky ([19:01](#)):

Because how would the US feel if Canada started double taxing all the US companies doing business there? They wouldn't like it. So California exporters, whether it be wineries and others, may feel the impact now of the UK or Canada putting in a retaliatory measure, increasing the tax on Californians.

Peter Blocker ([19:23](#)):

Those countries are Canada, Germany, Iceland, Ireland, Japan, Korea, Ukraine, United Kingdom. And we've talked to more countries than that, but like you said, when we met with leadership and others, we had countries reaching out to individuals as part of the committee or leadership or what have you. There was a request made that, and it almost felt like an obstacle thrown at us because they thought we couldn't clear it, "We want to see this in writing." That took a lot of work, but there it is. I mean, we did it and they're on record and they care a lot about this, so that has gone a long way in making our point. It's one thing just to say that could happen, it's another thing to have them say it.

([20:07](#)):

And I think that that message, even if it's not resonated with some of the members we have talked to about this, I do think that would have an effect on the bigger picture, the governor viewing this or leadership, especially as, I didn't mention this earlier, but there is the potential that this could become part of the budget. So that's another aspect of this that I think a larger coalition and especially these voices from the foreign governments makes a big difference.

Nikki Dobay ([20:37](#)):

And Peter, sticking there for a minute, I mean, the governor is not running for reelection, he has greater aspirations. It would seem somewhat foolish to get into a fight with all these major US trading partners as maybe you're going to launch a national campaign to become the next president of the US. I'll just leave it there.

Peter Blocker ([21:01](#)):

Yeah. I mean, I think the chair of the Senate tax committee said as much in the informational hearing, something to the effect of, "Well, I'm not worried about the international community because I don't know how-"

Nikki Dobay ([21:14](#)):

Yeah.

Peter Blocker ([21:15](#)):

"They're already angry at us, what are we... et cetera."

Nikki Dobay ([21:16](#)):

Right.

Peter Blocker ([21:17](#)):

I think we've seen the governor recently traveling abroad, and I think that it is an opportunity for him to say, "California, we respect our trading partners, we want to do-

Nikki Dobay ([21:27](#)):

Yeah.

Peter Blocker ([21:28](#)):

"What we can." And he also feels like he's held that pledge about tax increases while he's been in office. And my message to him if I were advising him, would be, "You're this close, you're so close to the finish line, you really want to pass a tax increase and kind of take that off your resume."

Nikki Dobay ([21:47](#)):

Yeah.

Peter Blocker ([21:48](#)):

Yeah. So I do think that the upcoming presidential race is something that plays a part in how this is going to go.

Nikki Dobay ([21:56](#)):

Right. Well, let's come back to this idea that it's a foregone conclusion that this will raise revenue. Because I think this is not a foregone conclusion. I mean, Alan, we've seen this in other states that have talked about this and actually done some studies, that this is very uncertain as to how it will play out.

Alan Pasetzky ([22:21](#)):

And I think that is probably the point that a legislator should really think about, whether they care about tax policy or not. If they just want to look at [inaudible 00:22:30].

Nikki Dobay ([22:29](#)):

They should. They really should care about tax policy.

Alan Pasetzky ([22:32](#)):

They should.

Nikki Dobay ([22:33](#)):

Yes.

Alan Pasetzky ([22:34](#)):

But you have a great point. So they're basing their revenue estimate on one biased study, and then their old legislative office came in a month ago and said they couldn't even come up with a number.

Nikki Dobay ([22:50](#)):

Yeah.

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Alan Pasetky ([22:51](#)):

It was indeterminable, because of so many variables. That says something.

Nikki Dobay ([22:55](#)):

Right.

Alan Pasetky ([22:56](#)):

And like you said, we have been looking at this and looking at, like eight states have looked at this in the last three years.

Nikki Dobay ([23:03](#)):

Yeah.

Alan Pasetky ([23:03](#)):

All of them have rejected it and almost all of them have pointed out the revenue won't be there. Some even pointed to a potential revenue loss.

Nikki Dobay ([23:10](#)):

Right.

Alan Pasetky ([23:11](#)):

Because you either have some guaranteed foreign income you will now not get or you're bringing in losses.

Nikki Dobay ([23:17](#)):

Right.

Alan Pasetky ([23:18](#)):

Companies aren't always super profitable around the world, so you may bring in losses. So that number, to use to fund social programs or medical cuts is insane, because what if you lose money? And the union should realize they're banking on revenue that may never, ever materialize.

Nikki Dobay ([23:38](#)):

Right, right. And I think we talked about that this is a policy that has been upheld as constitutional by the US Supreme Court. And again, we're not here to say that that decision is wrong, but to the extent there are going to be increases in taxpayers' tax burdens, not just with respect to how much tax they're paying, but compliance burdens. Post-Wayfair, it's all about burdens and how difficult it is to comply. I do think there will also be legal challenges, and Peter, we saw this with the apportionment issue back in 2024. I mean, that's still an issue that's tied up in the court system. And from my perspective as a practitioner, it's been very unclear how the FTB is even administering that policy that was passed in 2024 based on the legislative change, and so...

([24:33](#)):

The FTB did say in that informational hearing back in January, "Oh, we know how to administer this. No big deal." But this is really complicated, it's not as if we're just going to flip a switch and everything's going to happen overnight and there's going to be this whole bucket of money. There's going to be this transitional period, people made Water's Edge elections that were supposed to be good for seven years. I don't like to say the sky is falling, but the sky could fall here.

Alan Pasetzky ([25:01](#)):

But it's the disingenuous sky. I mean, I was thinking for this podcast, we could change the name to like, "Let's add some vinegar to the salt." Because when this questions came up and it was asked again of the sponsor, his response was, "It can't be that complicated, you're all major companies." And now he said 99%, and we've heard from the DOR, it's 96% of corporations that file corporate returns file Worldwide. So that must mean it's easy.

Nikki Dobay ([25:31](#)):

Right.

Alan Pasetzky ([25:32](#)):

What he doesn't realize is they're mostly one entity or two entity groups, where they're doing it on, say TurboTax, so people can understand. And you get to that question, "Do you want to elect out of Worldwide since that's a default?" And they're going to be like, "I don't even know what this means. The answer's no," and now that goes in as a Worldwide return.

Nikki Dobay ([25:52](#)):

And they're also probably not doing any business outside of California even.

Alan Pasetzky ([25:56](#)):

It would be irrelevant-

Nikki Dobay ([25:57](#)):

Right.

Alan Pasetzky ([25:57](#)):

If they made that election.

Nikki Dobay ([25:57](#)):

Right, exactly.

Alan Pasetzky ([25:57](#)):

But why would you bother doing it?

Nikki Dobay ([26:00](#)):

Right.

Alan Pasetzky ([26:01](#)):

You wouldn't. The complexity was also just glossed over at the hearing. And I can tell you this, for US headquartered companies, there is some information available, because the foreign subsidiaries do some reporting.

Nikki Dobay ([26:15](#)):

Yes.

Alan Pasetky ([26:16](#)):

It's not in a form that could be used so easily, but it's somewhat there.

Nikki Dobay ([26:21](#)):

Yeah.

Alan Pasetky ([26:22](#)):

For foreign owned companies, the information does not exist.

Nikki Dobay ([26:26](#)):

Right.

Alan Pasetky ([26:26](#)):

We have 200 of the largest companies in the world at Global Business Alliance. I have surveyed them five to 10 times. I can't find any of them who elect Worldwide in the eight or nine states that have it, even though they could save a whole lot of money. And I asked them, "Why wouldn't you do it?" They are like, "Are you crazy? I have to then contact every affiliate. Are they unitary?"

Nikki Dobay ([26:51](#)):

Yes.

Alan Pasetky ([26:51](#)):

"Do they speak my language?"

Nikki Dobay ([26:52](#)):

Right.

Alan Pasetky ([26:53](#)):

"What's their accounting income? Convert it to GAAP income, convert it to federal income, convert it to California income. Are you kidding me? I'm going to need a whole staff."

Nikki Dobay ([27:04](#)):

Yeah.

Alan Pasetky ([27:04](#)):

And so will the DOR.

Nikki Dobay ([27:05](#)):

Yeah.

Peter Blocker ([27:05](#)):

Well, the author of the bill said that they're the magical accountants and attorneys out there, the unlimited money that these corporations have and that can just do anything. They can-

Nikki Dobay ([27:13](#)):

Oh, we're magical now. Okay.

Peter Blocker ([27:15](#)):

Exactly. Well, according to Senate member Connolly, yes.

Nikki Dobay ([27:20](#)):

Oh, well, okay, Peter. So this made it out of the committee, now it's going to appropriations. I don't know if I could ask you to crystal ball it on this. Like what should we expect?

Peter Blocker ([27:35](#)):

And I will also take a step back to look at the bigger picture as well on this. First of all, for the immediate committee coming up, the way the appropriations committee works, is that sometime between now and May 14th, the bill will be heard.

Nikki Dobay ([27:49](#)):

Okay.

Peter Blocker ([27:49](#)):

These hearings though are not like those in other committees, there typically is no testimony, if there is, it has to pertain to the appropriation aspect of the bill. So it'll have a hearing that'll come and go, but what is most important is this May 14th. Likely to be in the May 14th suspense hearing.

Nikki Dobay ([28:08](#)):

Okay.

Peter Blocker ([28:08](#)):

So they'll put every bill they hear for the next couple of weeks, almost every bill, on the suspense file. And then it's really entertaining to watch, it's like watching an auctioneer go off for about an hour, they'll go through hundreds of bills, A roll call, B roll call.

Nikki Dobay ([28:25](#)):

Okay.

Peter Blocker ([28:26](#)):

And churn through them. And this is typically a place where bills can conveniently die.

Nikki Dobay ([28:31](#)):

Okay.

Peter Blocker ([28:33](#)):

Because it's just there's this huge number of bills and it could go away. So there is a chance, if you were to look at the makeup of the committee, it is so not in our favor-

Nikki Dobay ([28:42](#)):

Okay.

Peter Blocker ([28:42](#)):

I would say, for those who are trying to defend the Water's Edge election. I can't really say if it's going to get out or not, it's very unclear. We are preparing for a floor fight.

Nikki Dobay ([28:55](#)):

Okay.

Peter Blocker ([28:55](#)):

So we started with seven members on the rev and tax. I counted it yesterday, I couldn't tell you how many members are on appropriations, but it's I think more than double. And then on the floor, we're looking at 80 members.

Nikki Dobay ([29:08](#)):

Okay.

Peter Blocker ([29:08](#)):

And so we've got our work cut out for us if it got there. Because it's a tax bill, doesn't have the same deadlines as other bills. And if there is a push to try and get it into the budget, parking it on the floor or having it as an option, I think is advantageous for proponents of this policy. And just looking further down the road, we're going to have a different governor next year.

Nikki Dobay ([29:33](#)):

Yes.

Peter Blocker ([29:35](#)):

There is a strong chance that Governor Newsom doesn't like this if he understands the tax increase and maybe... He has helped on a lot of those issues, whether there's been a big... So maybe he can help us. I can tell you right now that I don't see anyone in the field currently, who's running for governor, who's among those who may get the nomination that would veto this bill. Tom Steyer has written a Substack about it and he's talked about it constantly. I mean, this will be in the budget next year if Tom Steyer's elected governor. So I just bring that up not to make everybody feel down and stuff.

Nikki Dobay ([30:13](#)):

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Okay, good, good.

Peter Blocker (30:16):

But the fight doesn't end here.

Nikki Dobay (30:18):

Yeah.

Peter Blocker (30:18):

And I think that, yeah, it's making noise and making a good stand, I think is important here. But yeah, it doesn't feel like this fight's going to be over anytime soon.

Nikki Dobay (30:36):

Okay.

Peter Blocker (30:36):

But we're doing our best.

Nikki Dobay (30:36):

So takeaways are the May 14th or 15th?

Peter Blocker (30:36):

The 14th will be the hearing.

Nikki Dobay (30:37):

Okay. So if it doesn't make it out on the suspense file, then we'll likely be back in 2027-

Peter Blocker (30:46):

I think so.

Nikki Dobay (30:47):

In a renewed fight.

Peter Blocker (30:48):

I think so.

Nikki Dobay (30:49):

If it doesn't make it out, is it done for this year or is there still a chance it could get wrapped up in the budget, even if-

Peter Blocker (30:55):

There's definitely a chance-

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Nikki Dobay ([30:57](#)):

Okay.

Peter Blocker ([30:57](#)):

It'll come back for sure.

Nikki Dobay ([30:58](#)):

Okay.

Peter Blocker ([30:58](#)):

Yeah.

Alan Pasetky ([30:59](#)):

You didn't mention this, so I wanted to ask, you need a two-thirds vote?

Peter Blocker ([31:03](#)):

You do need a two-thirds vote.

Nikki Dobay ([31:04](#)):

Okay.

Peter Blocker ([31:04](#)):

Yeah.

Nikki Dobay ([31:04](#)):

Okay.

Peter Blocker ([31:06](#)):

Yeah. And just to touch on a few other points, a lot of the points we've covered today are very difficult to use in arguments when we're talking to legislators who don't have a background in tax.

Nikki Dobay ([31:17](#)):

Yeah.

Peter Blocker ([31:17](#)):

But everything you've mentioned is creating that noise to say, and we have to be careful about the revenue, because if we say, "It may not bring in that much revenue," then they say, "Oh, so it's not that big of a tax increase."

Nikki Dobay ([31:31](#)):

Right, right.

Peter Blocker ([31:32](#)):

But in highlighting all the problems and then saying the revenue is uncertain, what we're basically saying is you're going to do all this damage.

Nikki Dobay ([31:40](#)):

Yeah.

Peter Blocker ([31:40](#)):

You're going to hurt our relationship with foreign governments, you're going to do all these terrible things, for what?

Nikki Dobay ([31:45](#)):

Right.

Peter Blocker ([31:46](#)):

For an amount of revenue that's unreliable and may not be as much as you think.

Nikki Dobay ([31:50](#)):

Right.

Peter Blocker ([31:51](#)):

So I think, really, that and affordability are the strongest arguments we have going forward.

Nikki Dobay ([31:56](#)):

All right. Well, you guys both really brought it down. So this has been a bit of a bummer, this podcast. But any final, final thoughts before we do a real quick surprise non-tax question?

Alan Pasetzky ([32:14](#)):

Nikki, I've been dealing with this issue for a long time, it comes and it goes. I'm nervous about it, because as Peter says, even if it does die here, next year is a concern-

Nikki Dobay ([32:23](#)):

Yeah, yeah.

Alan Pasetzky ([32:23](#)):

Unless I guess Hilton wins for governor, maybe then you have some hope. It's just really bad policy. And if you really are talking about tax avoidance, which is what all the proponents focus on.

Nikki Dobay ([32:35](#)):

Right.

Alan Pasetzky ([32:36](#)):

This is like closing a highway because somebody might speed on it.

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Nikki Dobay ([32:39](#)):

Right.

Alan Pasetky ([32:39](#)):

Why don't you put some more cameras on and maybe a few more policeman on the side.

Nikki Dobay ([32:42](#)):

Catch the bad guys, yeah.

Alan Pasetky ([32:44](#)):

That would be the solution in my mind.

Nikki Dobay ([32:46](#)):

I know, I know. It hurts my heart too, Alan. So Peter, any thoughts on the political side to cheer us up? Or are you just going to-

Peter Blocker ([32:54](#)):

Cheer us up.

Nikki Dobay ([32:56](#)):

Take us further down?

Alan Pasetky ([32:58](#)):

His car insurance has gone down 15% [inaudible 00:33:01].

Peter Blocker ([33:00](#)):

Yes.

Nikki Dobay ([33:02](#)):

He's got nothing.

Peter Blocker ([33:03](#)):

It's nice getting know all of you better.

Nikki Dobay ([33:04](#)):

Okay.

Peter Blocker ([33:06](#)):

And this has been a great opportunity for forging relationships with allies and seeing old faces again that I haven't seen for a while.

Nikki Dobay ([33:12](#)):

Right.

Peter Blocker (33:12):

Getting to know Alan better.

Nikki Dobay (33:13):

I know.

Peter Blocker (33:13):

Has been-

Nikki Dobay (33:14):

The foreign governments-

Peter Blocker (33:16):

Oh I know.

Nikki Dobay (33:16):

You're getting these amazing contacts.

Peter Blocker (33:19):

Canada let me know, I was unaware of their change in law for citizenship, to which I would qualify if I wanted to get dual citizenships. That's been a big pro, I learned that in our meeting, so-

Alan Pasetzky (33:29):

The wealth tax goes and Peter's out.

Peter Blocker (33:32):

Yeah, exactly. Exactly.

Nikki Dobay (33:35):

All right. Well, I hate to say it, but we'll probably be back in about a month, three weeks or so, to talk about what's going on and get an update. But thank you both so much for this conversation. I think it's a really important one and we will keep our eye on this for sure. But before you go, surprise non-tax question. And I feel like I've stumped you both in the past, so I decided to go with a pretty easy one today. It's not as timely as I would like, but daylight savings time. I mean, I feel like people have opinions about daylight savings time. Are you for it, against it? Other thoughts? I like it in the fall, because I get an extra hour of sleep. I don't like it in the spring, because it messes with me for a long time. But I wish I could say it was going to go somewhere, but I'm not so sure about that. So Peter, how about you? How do you feel about this, this very polarizing issue?

Peter Blocker (34:34):

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I get very frustrated when the time changes and when we lose sunlight, like I want as much sunlight as possible, I want to utilize it for as long as possible. I like the way things are now, I want to keep it that way. Yeah, I'm not a big fan of the time changing. And-

Nikki Dobay ([34:52](#)):

Is California ever going to take steps to be one of those states to get rid of it, you think? Or they got bigger fish to fry?

Peter Blocker ([34:59](#)):

There have been some steps and discussions about it, but nothing so far.

Nikki Dobay ([35:05](#)):

All right.

Peter Blocker ([35:06](#)):

And there have been a lot of discussions around things like how it affects students when-

Nikki Dobay ([35:09](#)):

Yeah.

Peter Blocker ([35:10](#)):

Right. And that's gotten it... When do school times, when's the best time for school to start? That kind of gets into it. But yeah, I keep hearing that there's going to be a change and there has not, so that's... More sunlight, the better. I don't want to be asleep at all if the sun is up.

Nikki Dobay ([35:26](#)):

All right. Alan, do you have strong feelings about daylight savings time?

Alan Pasetzky ([35:30](#)):

Not strong, but I don't like when it's dark at four o'clock.

Nikki Dobay ([35:35](#)):

Yeah, yeah.

Alan Pasetzky ([35:36](#)):

I can't handle that either.

Nikki Dobay ([35:37](#)):

Yeah.

Alan Pasetzky ([35:38](#)):

So I don't know if I'm in your camp or not, I don't know which is daylight savings anymore, the spring or the fall, I get confused.

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Nikki Dobay ([35:43](#)):

I'd-

Peter Blocker ([35:43](#)):

Oh, I'm glad you admitted it, because I was talking around it.

Nikki Dobay ([35:45](#)):

Yeah, I actually have no... There's people that will like, when they're giving you a time for a call or something and they'll put like, "PSMT," or "P," whatever the acronym is, I'm like, I don't know where we... I just put PT, like it's just Pacific Time, whichever one we're on. And then-

Alan Pasetky ([36:03](#)):

[inaudible 00:36:04].

Nikki Dobay ([36:04](#)):

Arizona's the weird state that I'm always confused about them, so.

Peter Blocker ([36:08](#)):

If you look at my chat history with any AI, you can find that question there probably a dozen times.

Nikki Dobay ([36:13](#)):

Okay.

Peter Blocker ([36:13](#)):

"Should I use PST or PT right now?"

Nikki Dobay ([36:16](#)):

Yeah, just PT. I've just-

Peter Blocker ([36:18](#)):

Yeah.

Nikki Dobay ([36:19](#)):

Taken out that middle letter because I don't have time to look at that every time. Well, thank you both for such a great conversation. Thank you for the work you're doing on this issue. And thank you to the listeners for catching us here today to talk about this topic. Information for Peter, Alan and I will be in the show notes. If you have any questions or comments, please leave them there. And I will be back with you again soon on the next GeTtin' SALTY.