

GOVERNMENT AFFAIRS WATCHDOG

FEDERAL AND STATE MINIMUM WAGE

We have had several questions regarding the recent increase in the minimum wage so we thought this would be a good time to address the issue in writing. The change in the minimum wage was at the federal level, increasing the rate to \$7.25 per hour effective July 24, 2009.

Many states, moreover, have minimum wage laws. For example, California's minimum wage is \$8.00 per hour. In cases where an employee is subject to a state and a federal minimum wage law, the employee is entitled to the higher minimum wage. Thus for California employers and employees the governing wage is \$8.00 per hour.

Twenty-five states have a minimum wage equal to the federal rate; four states have minimum rates that are less than the federal standard (so the federal standard governs), five states have no minimum (so the federal governs), and thirteen states have minimum rates higher than the federal standard.

Of those states with rates higher than the federal rate, six are under \$8.00 per hour; four at \$8.00 per hour, including California; and three have rates higher than \$8.00 (Oregon, \$8.06; Vermont, \$8.40; and Washington, \$8.55).

SPECIAL SESSION ON TAX COMMISSION STUDY

Governor Schwarzenegger has announced that he will call a special "extraordinary" session

CALIFORNIA NEGLECTING MANUFACTURING

The Milken Institute recently released *Manufacturing 2.0: A More Prosperous California*. Commissioned by the California Manufacturers & Technology Association, the study takes an in-depth look at California's manufacturing decline compared to competitive "peer" states, simulates what the state would look like if it had maintained 2000 levels of manufacturing, explains the massive economic benefits and ripple effects from high and even low wage manufacturing, assesses the challenges of manufacturing in California, and makes some recommendations to make California manufacturing more competitive.

The Milken Institute did a similar study in 2002, titled *Manufacturing Matters*. Since then, and even before the current international recession, California manufacturing has remained in decline, with little attention from policymakers.

Among many things, the 2009 study retroactively looked at how much California would have benefited if we simply maintained the same level of manufacturing from 2000 to 2007 (a 12 percent share of all California workers in 2000). According to the report, the state would have seen \$27 billion more in manufacturing wages and \$54 billion more in total manufacturing related output if we would have kept pace with 2000 levels.

The Executive Summary, Full Report, and Interactive Data can be found at <http://www.milkeninstitute.org>.

of the legislature in order to address the findings and recommendations of the Commission on the 21st Century Economy (Tax Commission). Those recommendations are expected to be presented to the Legislature by September 20th, at which time the Governor intends to immediately call for the convening of the special session.

The Tax Commission was initially expected to report its findings last April, but has been granted two extensions. While there has been considerable discussion on a wide range of topics aimed at retooling the

state's tax revenue stream to create a more stable system, proposals currently under consideration include the creation of a new "business net receipts tax", the imposition of a carbon fuel tax, and even the idea of modifying the lynchpin of state tax policy, Proposition 13, by amending the constitution to create a split roll property tax system (assess commercial and private property differently.)

Members can review the commission's current body of work at <http://www/cotce.ca.gov>.



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STATE REVISE WITHHOLDING TABLES

The state budget passed by the California Legislature, included two budget trailer bills that increase a number of taxes on individuals and corporations. Below are the most prominent of the new taxes.

Withholding. A.B. 17 increases payroll withholding by 10%, effective for wages paid after October 31, 2009. Similarly, withholding on supplemental wages increase from 6% to 6.6% effective for supplemental wages paid after October 31, 2009. For stock options and bonus payments that constitute wages paid after October 31, 2009, the withholding rate increases from 9.3% to 10.23%.

Estimated tax payments. The law also increases the second quarterly estimated tax payment from 30% to 40%, eliminates the third quarterly installment, and increases the fourth quarterly installment from 20% to 30%, applicable to installments due for each taxable year beginning after 2009. Adjustments would also be made to the installment percentages due in instances in which the estimated tax payment threshold is reached after the first quarterly installment due date.

Backup withholding. A.B. 18 requires payors to withhold 7% from specified reportable payments. This would generally conform to the federal backup withholding provisions. However, California's requirements would apply to rents, prizes and winnings, compensation for services, including bonuses, and other fixed or determinable annual or periodic gains, profits, and income, but would not apply to payments of interest and dividends or any release of loan funds made by a financial institution in the normal course of business. The California backup withholding provision would apply to payments made after 2009.

Data Requirement. Finally the Franchise Tax Board (FTB) could require a payor of income to furnish the name, address, Social Security number, or other taxpayer identification of the recipient of such income for withholding purposes. Currently, a payor is only required to supply the name and address of the payee.

CONSUMER PRODUCT SAFETY IMPROVEMENT ACT

On August 14, 2008, President Bush signed into law the Consumer Product Safety Improvement Act of 2008. The legislation, in large part a response to high-profile recalls of both imported and domestically-produced children's toys and products, greatly expands the authority of the Consumer Product Safety Commission (CPSC) to regulate potentially hazardous children's products.

Specifically, the Act establishes lead and phthalate (e.g. plasticizers that could be found in inks, coatings and adhesives) content limits and requires testing and certifying of products to ensure they do not exceed these limits.

Over the past year, Printing Industries of America has been working with allies in the publishing industry to make the case for the safety of printed materials before the CPSC and Congress.

Here is where we are today, according to Gary Jones, Director of Environmental Health and Safety Affairs, Printing Industries of America.

1. **Request for Exemption** – On August 3rd, the CPSC was expected to issue a determination on the Act's lead testing and certification requirements, and specifically how these would or would not apply to children's books and other printed material; however, CPSC has not published the determinations.

CPSC staff has implied that they felt that most of PIA's request would be granted. However, they had some concerns with coil used for coil bound books and other products.

Once released, CPSC Commissioners will vote to approve the determination and guidance. The CPSC stated that their goal is to have the rule approved and finalized by August 14—the date on which the labeling program is to go into effect.

2. **Tracking Labels** – The CPSC did not approve the Printing Industries request for an exemption from the "tracking label" requirements. In response to comments from the printing industry and other sectors, the CPSC issued guidance (July 21st) on how to meet the "tracking label" requirements of the Consumer Product Safety Improvement Act (CPSIA). This means that **all children's products will need to meet this requirement.**

The Statement of Policy and Enforcement (<http://www.cpsc.gov/about/cpsia/sect103policy.pdf>), and **FAQ on Tracking Label Requirements** (<http://www.cpsc.gov/about/cpsia/faq/103faq.html#103q1>)

provide information on what can be done to meet the requirement.

The implementation date is August 14, 2009, **and any children's product and packaging made on or after this date will be required to be marked with tracking label information.**

A separate stand-alone label is not being required, but information about the manufacturer, date of manufacturing, location of manufacturing (e.g., city and state), and cohort information (batch or run number, etc) is required.

For more information, you can go to Printing Industries of America's CPSIA webpage at <http://www.printing.org>. If you have any questions regarding the CPSIA, please contact Gary Jones at (412) 259-1794 or gjones@printing.org or Rick Hartwig at (412) 259-1792 or rhartwig@printing.org.