



**PSR LA**  
Physicians for Social Responsibility Los Angeles



**CEJA ACTION**  
A PROJECT OF TIDES ADVOCACY

**GREENPEACE**

**350 BayArea ACTION**



**LEADERSHIP COUNSEL ACTION**  
A PROJECT OF TIDES ADVOCACY



**The Climate Reality Project**  
LOS ANGELES CHAPTER



**CALIFORNIA ENVIRONMENTAL VOTERS**



**Friends Committee on Legislation of California**



**California School Employees Association**



**CA NURSES**  
FOR ENVIRONMENTAL HEALTH & JUSTICE



**California Nurses Association**



**COMMUNITIES FOR A BETTER ENVIRONMENT**  
established 1978

Governor Gavin Newsom  
1021 O Street, Suite 9000  
Sacramento, CA 95814

Senate President Pro Tempore

Assembly Speaker Robert Rivas  
State Capitol, Room 219  
Sacramento, CA 95814

Assemblymember Jesse Gabriel

Mike McGuire  
1021 O Street, Suite 8518  
Sacramento, CA 95814

Chair, Assembly Budget Committee  
1021 O Street, Suite 8230  
Sacramento, CA 95814

Senator Scott Wiener  
Chair, Senate Budget Committee  
1021 I Street, Suite 8620  
Sacramento, CA 95814

May 27, 2025

RE: Restoring Revenue to the State Budget – Eliminating the Water's Edge Election

Dear Governor Newsom, Senator McGuire, Assemblymember Rivas, Senator Wiener and Assemblymember Gabriel,

We, the undersigned environmental, environmental justice, and labor groups, are writing to request that you eliminate a tax subsidy for large corporations and use the money to support climate, health and social programs in the state that are facing budget cuts.

As you are well aware, California is facing difficult times. We are faced with at least \$250 billion in economic damages from the LA fires, a \$12 billion state budget deficit with another shortfall projected next year, and energy costs surging causing real hardship particularly for low income residents. At the federal level, we must contend with an anti-science, anti-climate action administration—with a \$40 billion disaster relief request to FEMA still pending. In this context, the legislature and administration need to carefully determine where funds will come from to address budget shortfalls as well as climate change impacts and affordability issues.

One option for strong consideration is to eliminate subsidies that the state provides for large, multinational companies. The Water's Edge Election allows multinational corporations to compute the income attributable to California on the basis of a water's edge or domestic-only combined report, as opposed to a worldwide combined report. This allows a corporation to elect to compute its California tax by reference to only the income and factors of a limited number of entities. Off-shoring of assets allows these corporations to avoid paying their fair share of taxes. The value of this subsidy has been variously estimated to cost the state approximately \$4 to \$5 billion a year. These subsidies are not given to California based companies without overseas assets.

At a time when California's legislature faces difficult decisions as it works to balance

the budget and address affordability as well as the increasing costs of climate impacts, the state can not afford to subsidize large corporations by sanctioning offshore tax havens, especially when these companies have been making record profits. For example, a 2015 U.S. Senate investigation found that Chevron had hidden \$31 billion in profits within companies based in 13 different offshore tax havens.<sup>4</sup>

Redirecting this forgone revenue could avoid the need in the Governor's May Revise to divert funds from the Greenhouse Gas Reduction Fund (GGRF) to the General Fund, enabling the GGRF fund to continue to support investments in climate mitigation, clean energy and equity. This revenue could also be used to avoid cuts to critical health and education programs and other state priorities.

Given the hard financial realities that California faces right now, this is not the time to be giving multinational corporations handouts. Every opportunity for equitable revenue generation should be strongly considered. We strongly urge you to eliminate the Water's Edge Election subsidy from the state tax code and restore potentially billions of dollars to the state budget.

Thank you for your time and consideration.

Sincerely,

Ellie Cohen, CEO  
The Climate Center

Terry Brennand  
Director of Revenue, Budget &  
Pensions  
SEIU California

Amy Moas, Ph.D.  
Senior Climate Campaigner  
Greenpeace USA

Andrew C. Ellis | MS  
The Climate Reality Project

Mary Ruth Gross  
Chair, Legislative Committee  
350 Bay Area Action

Janet Cox, CEO  
Climate Action California

Asha Sharma  
State Policy Manager  
Leadership Counsel for Justice  
and Accountability

Melissa Romero  
Policy Advocacy Director  
California Environmental Voters

Cheryl Auger, President  
Ban Single Use Plastics

Jim Lindburg  
Legislative Consultant  
Friends Committee of Legislat. Affairs

Chance Cutrano  
Director of Programs  
Resource Renewal Institute

Chris Masami Myers  
Director of Gov Relations  
California School Employees Assoc.

Vanessa Forsythe  
Leadership Committee Member  
California Nurses for Environmental  
Health & Justice

Luis Martinez  
Campaign Organizer  
Fossil Free California

Suzanne Hume  
Educational Director & Founder  
[CleanEarth4Kids.org](http://CleanEarth4Kids.org)

Gabriela Facio  
Senior Policy Strategist  
Sierra Club California

Lauren Gallagher  
Attorney, Legal Fellow  
Communities for a  
Better Environment

Carmen Comsti  
Assistant Director of Gov Relations  
California Nurses Association

Martha Dina Argüello  
Executive Director  
Physicians for Social Responsibility - LA

Raquel Mason  
Senior Legislative Manager  
California Environmental Justice  
Alliance Action