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**[Farm tax is one reason
Angelides has failed to shake
tax label](#)**

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(AP) --



Democratic gubernatorial candidate Phil Angelides has tried for months to shake the tax-and-spend image pushed relentlessly by Gov. Arnold Schwarzenegger's campaign.

While some of the attacks may be exaggerated, Angelides' own statements on certain taxes make him vulnerable.

One in particular has alienated the state's powerful agriculture lobby and could cost Angelides votes in the Central Valley, the fast-growing region that is seen as key for both campaigns. The state treasurer has said he wants to end more than \$103 million in tax breaks for California farmers.

Schwarzenegger's campaign and the state Republican Party have pounced on Angelides' plan, portraying it as a slap to hardworking farmers and giving it an easy-to-remember label — the "tractor tax."

Existing tax breaks on the sale of farm machinery and diesel fuel and propane used for agricultural purposes save California farmers a combined \$103.6 million annually, according to state figures.

Previous statements by Angelides and a budget plan he released over the summer suggest he favors reinstating those taxes.

The tax exemptions mean a savings of about \$30,000 a year on fuel and other supplies to Richard Rodriguez, a farmer with properties throughout San Joaquin County.

Rodriguez can spend up to \$1,000 a day for diesel fuel during the peak harvesting season, he said — a hefty expense that is currently tax-free.

Rodriguez, who said he has not donated money to either major political party or gubernatorial candidate, farms about 450 acres in addition to helping other growers with their operations. He said he fears a repeal of the tax breaks would weaken California's ability to hold its own in the global market.

"Especially when our profit margins are small, the savings keep us in business," he said, gazing out over fields of bell peppers and dry beans at his farm in Lodi. "If it gets to the point where you can't compete, you'll see our food coming from other places."

Angelides has generally avoided direct mention of the agricultural tax breaks in the campaign, but his written proposals are more forthcoming.

The budget plan he laid out in mid-August calls for creating an independent commission that would look at a broad range of loopholes, including those that apply to farming equipment. The commission would determine which should or shouldn't be closed, campaign spokesman Brian Brokaw said.

A consolidated package of loopholes to be closed would then be presented to the state Legislature for a vote, Brokaw said.

Angelides also has been outspoken on the issue in the past.

In April 2004, as state treasurer, he and a group of Democratic lawmakers proposed the immediate closing of a set of eight "unjustified corporate tax loopholes." The proposal singled out the farming sales tax exemptions, which Angelides called "wasteful."

The California Farm Bureau Federation, which has endorsed Schwarzenegger, denounced the characterization of the tax break as a corporate tax loophole.

"That language shows that Angelides is out of touch with our farming community," said Kiran Black, a farm bureau spokeswoman. "There's a lack of understanding of how the repeal of tax exemptions would hit farmers and local economies."

Schwarzenegger has not been entirely fiscally conservative himself. Fees and tuition for public universities and colleges rose substantially during his first years in office before he capped them this fiscal year.

He also supports a \$37.3 billion package of public works bonds on the November ballot that would lead to record borrowing. The Legislature's Democratic leadership also

supports the infrastructure plan for roads, levees, schools and housing.

Some farmers say the dustup over the tractor tax has gotten overly political and is taking the focus away from more substantive farming issues.

"I'm fundamentally opposed to special interest tax cuts, and I feel this is what that is," said Roger Sitkin, a walnut farmer in Linden, near Stockton. "It's an attempt (by Schwarzenegger) to maintain the farmer vote."

He said the candidates should be more concerned with rising energy prices and funding cuts to agricultural research.

Greg Massa, a rice farmer in Glenn and Colusa counties, said his business is affected more by stagnant commodities prices than any existing tax exemptions.

"If somebody in government fixed that, concerns over sales taxes and all other issues would go away," he said.

Debate over the farm tax and others seems to have done little good for Angelides with California voters, who already have survived a summer gas-price shock and face other pocketbook concerns such as high housing and health care costs.

He trailed Schwarzenegger by double digits in the two most recent statewide polls. In the Central Valley, Angelides was behind by 29 percentage points among likely voters, according to a poll taken in late September by the Public Policy Institute of California.

A Field Poll in July of likely voters found that taxes were the second most important issue — behind illegal immigration — to those who said they were supporting Schwarzenegger for governor. Angelides supporters ranked taxes near the bottom of issues they considered most important, the poll found.

Examining existing tax breaks can be good policy, but it also might reinforce the image in voters' minds that Angelides is more interested in protecting state spending, said Kim Rueben, senior research associate at the Washington-based Tax Policy Center, a joint venture of the nonpartisan Urban Institute and Brookings Institution.

"Depending on what voters are putting their priorities on, that might be problematic," she said.

Angelides' campaign aides said his larger plan for small-business and middle-class tax cuts would save Californians hundreds of millions of dollars.

That plan includes up to \$5,000 a year in property tax exemptions for small businesses, including current taxes on machinery and non-licensed vehicles. Such cuts would benefit many small family farmers and ranchers, Brokaw said.

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