

Keidanren

Japan Business Federation

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June 9, 2026

The Honorable Robert Rivas
Speaker, California State Assembly
1021 O Street, Suite 8330
Sacramento, CA 95814

The Honorable Cecilia Aguiar-Curry
Majority Leader, California State Assembly
1021 O Street, Suite 8230
Sacramento, CA 95814

The Honorable Mike Gipson
Chair, Assembly Committee on Revenue and Taxation
1021 O Street, Suite 6210
Sacramento, CA 95814

Dear Speaker Rivas, Majority Leader Aguiar-Curry, and Chair Gipson:

On behalf of Keidanren (Japan Business Federation), Japan's leading business association representing approximately 1,500 companies and over 100 national industrial associations, I write to express opposition to California Assembly Bill (AB) 1790.

Japan and California have developed a strong and mutually beneficial economic partnership over many decades. Japanese companies have made substantial investments throughout California in sectors including manufacturing, technology, transportation, logistics, financial services, energy, life sciences, and advanced research. According to California's 2025 Foreign Direct Investment Report, Japanese-owned enterprises support more than 127,000 California jobs and operate more than 3,300 establishments throughout the state, making Japan one of California's most significant sources of foreign direct investment.

Japanese companies have consistently invested in California because of the state's openness to international business, highly skilled workforce, innovative economy, and historically stable regulatory environment. However, AB 1790 would significantly undermine that stability.

By eliminating California's water's-edge election and effectively imposing mandatory worldwide combined reporting (WWCR), AB 1790 would expose multinational businesses to significant compliance burdens and increased uncertainty. Companies would be required to reconcile and consolidate financial information from operations across numerous jurisdictions with differing accounting standards, currencies, tax systems, and reporting requirements. These obligations would create substantial administrative complexity and cost for businesses operating in California.

The proposal also raises serious concerns regarding the potential for double taxation. Many Japanese companies already pay taxes on income earned abroad in their home jurisdiction. Requiring WWCR at the state level creates the possibility that income already taxed outside

the United States could also become subject to California taxation without meaningful treaty protections or relief mechanisms.

Keidanren is further concerned that AB 1790 would negatively affect investment planning and long-term business confidence. International companies make decisions regarding hiring, facility expansion, research investment, and supply chain development based on predictable and stable tax frameworks. Abrupt changes to long-standing tax policy create uncertainty that may cause companies to reconsider or delay future investment in California.

The water's-edge framework was originally adopted in response to significant international concerns surrounding WWCR. For nearly four decades, that framework has allowed California to maintain a balanced and internationally competitive approach to taxation while preserving strong economic relationships with global trading partners.

AB 1790 would place California outside the mainstream of state and international tax policy. No other U.S. state currently mandates WWCR for all taxpayers in this manner. Adopting such a regime would risk discouraging future foreign direct investment and could undermine California's reputation as a premier destination for global business.

At a time of heightened global economic uncertainty, preserving stable and internationally competitive tax policies is particularly important. Japanese companies remain committed to California and continue to view the state as a vital economic partner. Keidanren respectfully urges the Assembly to reject AB 1790 and preserve California's well-established commitment to an open and investment-friendly business environment.

I appreciate your consideration and welcome continued dialogue regarding the concerns of the Japanese business community.

Sincerely,

A handwritten signature in black ink, consisting of four characters in Japanese: 藤原清朗 (Fujiwara Kiyooki).

Kiyooki Fujiwara
President and Director General
Keidanren

cc: The Honorable Heath Flora, Minority Leader, California State Assembly
The Honorable Tri Ta, Vice Chair, Assembly Committee on Revenue and Taxation