



October 20, 2025

Hon. Rob Bonta
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Anabel Renteria
Initiative Coordinator

Dear Attorney General Bonta:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional initiative that maintains personal income tax rates for high-income taxpayers (A.G. File No. 25-0016).

BACKGROUND

Most State Money Comes From the Personal Income Tax. The income tax is the state's largest tax. It pays for the majority of spending from the state's main operating account, the General Fund. The tax applies to most types of income, such as salaries, wages, interest, and profits from the sale of stocks, property, and other investments. The income tax rate starts out low and gradually goes up for taxpayers with higher incomes. For example, a married couple pays a 1 percent tax on the first \$21,000 of income, a 2 percent tax on income between \$21,000 and \$50,000, and a 4 percent tax on income between \$50,000 and \$80,000.

Recent Voter-Approved Tax Increases. Voters approved Proposition 30 in 2012 to temporarily increase income tax rates on high-income taxpayers. In 2016, voters approved Proposition 55 to extend these higher rates until 2030. The top 2 percent of California taxpayers pay these higher rates. These taxpayers pay about half of all state income taxes.

How Does the State Spend This Money? The state collects taxes from people and businesses and uses them to pay for services to the public. This year, the state plans to spend about \$230 billion from the General Fund. About half of this spending is for K-12 schools, community colleges, and the state's public universities. (The amount spent on K-12 schools and community colleges is set by the State Constitution.) About another one-third of state spending is for health


Legislative Analyst's Office
California Legislature
Gabriel Petek, Legislative Analyst
925 L Street, Suite 1000, Sacramento, CA 95814
(916) 445-4656

and human services programs, mainly for the state's health insurance program for low-income residents, Medi-Cal. The rest goes mostly to prisons, parole programs, and courts.

PROPOSAL

This measure maintains the higher income tax rates established by Proposition 30 by making them permanent instead of letting them expire in 2031. Figure 1 shows what income tax rates would be if this measure passes and what they would be if it is rejected.

Figure 1

Personal Income Tax Rates Under This Proposal

Single Filer's Income	Joint Filers' Income	Marginal Tax Rate		
		Now Through 2030	After 2030, If This Proposal Is...	
			Approved	Rejected
\$0 to \$11k	\$0 to \$22k	1.0%	1.0%	1.0%
\$11k to \$25k	\$22k to \$51k	2.0	2.0	2.0
\$25k to \$40k	\$51k to \$80k	4.0	4.0	4.0
\$40k to \$56k	\$80k to \$112k	6.0	6.0	6.0
\$56k to \$71k	\$112k to \$141k	8.0	8.0	8.0
\$71k to \$361k	\$141k to \$721k	9.3	9.3	9.3
\$361k to \$433k	\$721k to \$866k	10.3	10.3	9.3
\$433k to \$721k	\$866k to \$1.4 million	11.3	11.3	9.3
Above \$721k	Above \$1.4 million	12.3	12.3	9.3

FISCAL EFFECTS

Measure Would Bring in Between \$5 Billion and \$15 Billion Each Year. The amount of money brought in by this measure is hard to predict and will go up and down with the economy. This is because much of the revenue comes from taxing investment income and capital gains. These types of income are closely tied to the stock market and therefore go up and down a lot from year to year. In a weak year, the measure might bring in around \$5 billion in revenue. In a strong year, the measure might bring in \$15 billion in annual revenue. In most years, revenue brought in by the measure would be in between these amounts. These amounts are in today's dollars and would tend to grow over time.

A Large Portion of the Money Would Go to Schools and Community Colleges. The State Constitution requires the state to spend a large portion of new money on schools and community colleges. Typically, about 40 percent of the revenue brought in by this measure would go to schools and community colleges.

A Smaller Portion of the Money Would Go to Reserves. The State Constitution requires the state to set aside money to save in budget reserves. Reserves help the state balance its budget when the economy is weak and revenues decline. Some of the money brought in under this measure would be saved in reserves. This means the state would have more money in savings to balance the budget when the economy is weak.

Remaining Money Could Be Spent on Other State Programs. Money brought in under this measure that does not go to schools, community colleges, or reserves could be used for other state programs.

Summary of Fiscal Effects. We estimate the measure would have the following major fiscal effects:

- Maintains \$5 billion to \$15 billion of annual state income taxes (in today's dollars) by making a tax on high income earners permanent instead of letting it expire in 2031.

Sincerely,

for Gabriel Petek
Legislative Analyst

for Joe Stephenshaw
Director of Finance