



December 11, 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 initiative that would create a new tax on the wealth of billionaires (A.G. File No. 25-0024, Amendment #1).

BACKGROUND

California Is Home to Many Billionaires. Several of the wealthiest people in the world live in California. Wealth is the value of all the things a person has come to own over their lifetime. Wealth is different from income, which is how much a person earns in a set period of time, like one year. A person's wealth typically is measured by their net worth. A person's net worth is the value of all the things they own, like stocks, businesses, or other investments, minus their debts. By this measure, California is home to a few hundred people with wealth over \$1 billion, often called billionaires. Many of these billionaires gained their wealth as executives or investors in California technology companies.

PROPOSAL

One-Time Wealth Tax on Billionaires. Billionaires living in California on January 1, 2026 would have to pay a one-time state tax equal to 5 percent of their net worth. The tax would be due in 2027. Taxpayers would have the option to spread the payments over five years, but would have to pay more to do so. Real estate, pensions, and retirement accounts would be excluded from the tax.

Most of the Money Set Aside for Health Care. Revenues from the wealth tax would be set aside in a special account. The state would decide how and when to spend the money but it would have to be spent on certain types of services. In particular, 90 percent of the money would have to be spent on health care services for the public. The rest would have to be spent on administration of the wealth tax, education, and food assistance. Other state laws that require some tax revenue to be used in


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certain ways, like spending on schools and building the state's rainy day savings, would not apply to this money.

FISCAL EFFECTS

Temporary State Revenue Increase From Wealth Tax. The state probably would collect tens of billions of dollars from the wealth tax. This temporary increase in state tax collections would be spread across several years beginning in 2027. The exact amount the state would collect is very hard to predict for many reasons. For example, it is hard to know what actions billionaires would take to reduce the amount of tax they pay. Also, much of the wealth is based on stock prices, which are always changing.

Likely Ongoing Decrease in State Income Tax Revenues. California billionaires, like all those earning money in the state, currently pay state taxes on their annual income. How billionaires respond to a new wealth tax could indirectly reduce their income tax payments. For example, it is likely that some billionaires decide to leave California. The income taxes they currently pay to the state would go away with their departure. The reduction in state revenues from these kinds of responses could be hundreds of millions of dollars or more per year. This would mean less money for the state's general budget that supports education, health care, prisons, and other services. While there would be money from the wealth tax to pay for some of these things, like health care, that money would be temporary.

State Costs to Administer the Wealth Tax. The state would have costs to determine how much wealth tax is owed and to collect tax payments. These costs could be tens of millions of dollars per year. These costs would be paid from the new wealth tax revenues.

Summary of Major Fiscal Effects. This measure would have the following major fiscal effects:

- Temporary increase in state revenues from a new tax on the wealth of billionaires. These wealth tax revenues probably would add up to tens of billions of dollars spread over several years.
- Likely ongoing decrease in state income tax revenues of hundreds of millions of dollars or more per year.

Sincerely,

for Gabriel Petek
Legislative Analyst

for Joe Stephenshaw
Director of Finance