Blue Sky
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Economic and Fiscal Impacts of the Billionaire Tax Act

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Prepared by

the Blue Sky Consulting Group

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Executive Summary

The Billionaire Tax Act ("BTA") would assess a one-time 5% wealth tax on California billionaires, generating an estimated $116 billion in revenue for the State of California, or $23.2 billion annually for five years.[1] Over this period, the expenditure of wealth tax revenues is estimated to support over 216,000 wage and salary jobs in California annually—including nearly 150,000 direct jobs in the health care, food assistance, and education sectors—and $45.7 billion in annual economic output. This activity would in turn generate, in addition to the direct wealth tax revenue, an estimated $1.4 billion annually in personal income, corporation and sales tax revenue for the state and local governments.

Available data suggest that the measure's filing has not affected California's business climate (contrary to claims made by the BTA's opponents): across measures of early-stage investment, total venture capital funding, and business formation, the state's share of national activity has held steady or increased since the measure's introduction in October 2025. Moreover, even under aggressive assumptions regarding the responsiveness of California's billionaires to the BTA's one-time wealth tax, revenue losses attributable to the potential departures of some of the state's billionaires are modest relative to the revenues raised by the measure.

Estimation of Wealth Tax Revenue Generated by the BTA

The BTA would assess a one-time 5% tax on the total net worth, excluding directly held real estate, of billionaires who were residents of California as of January 1, 2026 (i.e., the "tax obligation date"). For purposes of calculating tax liability, the measure specifies that each billionaire's taxable net worth will be valued on December 31, 2026 (i.e., the "valuation date").

The BTA is Expected to Generate $116.2 Billion of Wealth Tax Revenue

According to the Forbes Real-Time Billionaires List (the "Forbes List"), as of August 15, 2026, California was home to 261 billionaires who together held a collective net worth of approximately $2.34 trillion.[2] As a result, after excluding the share of this wealth comprised of directly held real estate (an estimated 0.6% of total net worth),[3] the BTA's one-time 5% wealth tax would generate an estimated $116.2 billion to fund BTA initiatives. Because the BTA allows billionaire taxpayers to spread their tax liability over five equal annual installments, it is expected that expenditures of wealth tax revenue will also be distributed over a five-year period. Therefore, this report's estimates of the BTA's annual economic and fiscal impacts reflect an estimated $23.2 billion of BTA expenditures annually (i.e., $116.2 billion divided by five years).

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[1] The BTA allows individuals subject to the wealth tax to spread their total tax liability over five annual installments.

[2] Forbes, "Real-Time Billionaires List," accessed August 17, 2026. Estimates of the combined net worth of the individuals on the Forbes List who were residents of California as of January 1, 2026, are adopted from the "California Billionaire Wealth Tracker" (accessed August 17, 2026), which serves as an exhibit to Jasper Boll, Emmanuel Saez, and Gabriel Zucman, "California Billionaires: Wealth, Taxes, and Wealth Tax Revenue Estimates," NBER Working Paper 35218 (July 2026).

[3] The BTA exempts directly held real estate, pensions, retirement accounts, and personal property held outside of California. To account for these exemptions, the actual tax basis used here is $2.325 trillion, reflecting a 0.6% discount attributable to real estate's estimated share of total billionaire net worth, following the approach outlined in Joshua Rauh, Benjamin Jaros, Gregory Kearney, John Doran, and Matheus Cosso, "The Net Present Value of the Billionaire Tax Act," Hoover Institution, March 5, 2026.

Sensitivity of Revenue Estimate to Billionaire Undercounting and Tax Avoidance

Due to uncertainty regarding the potential underestimation of billionaire net worth, the undercounting of billionaire residents of California, and billionaires' avoidance of the tax through changes in residency, the baseline estimate of the total billionaire net worth subject to the wealth tax (i.e., $2.34 trillion as of August 15, 2026) may understate or overstate the actual tax base.

Underestimates of net worth and undercounting of billionaires – The estimated number and wealth of California's billionaires used in this report are based on the Forbes List. While Forbes provides the only publicly available data source identifying all taxpayers potentially subject to the BTA, a recent comparison of Forbes' and Bloomberg's ranking of the 500 richest people notes that, due to differing methodologies for estimating net worth, Bloomberg's net worth estimates for California's billionaires are, on average, 7.5% higher than Forbes' estimates.[4]

Separately, statistical analysis of the distribution of Forbes List billionaires by Boll et al. (2026) suggests that the list excludes many billionaires with net worths of less than $5 billion. If the estimated combined net worth of these "missing" billionaires is included in the BTA's estimated tax base, wealth tax revenue would increase by $24.6 billion (or 21.2% of the baseline).[5]

Together, these two adjustments to Forbes' net worth estimates would combine to generate a 30.2% increase in the wealth tax base above the baseline estimate.[6]

Wealth tax avoidance – Because the wealth tax is imposed only on individuals who were California residents as of the measure's January 1, 2026, tax obligation date, the BTA could raise less than $116 billion if some of the state's billionaires established nonresidency, for state tax law purposes, prior to this date. Since the measure's filing in October 2025, news reports have identified five California billionaires who took steps to relocate to other states prior to January 1, 2026; these individuals account for roughly $588 billion of the $2.34 trillion of total California billionaire net worth, or approximately $29.2 billion of future wealth tax revenue.[7] Additionally, some observers have noted that the wealth tax could be deemed a "retroactive" tax prohibited by the United States Constitution. If such a challenge were successful, a court could effectively shift the tax obligation date to Election Day, resulting in a further reduction of wealth tax

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[4] Brian Galle, David Gamage, Emmanuel Saez, and Darien Shanske, "Expert Report On The California 2026 Billionaire Tax: Revenue, Economic, and Constitutional Analysis," July 20, 2026. The "Bloomberg Billionaire Index" estimates only the net worths of the world's 500 richest people but does not specifically identify California billionaires.

[5] Boll, Saez, and Zucman (2026) at 20. The authors note that while the distribution of individual net worths in the Forbes List closely matches a Pareto distribution for net worths greater than $4.5 billion, the ranking departs from this expected distribution below this wealth threshold (where billionaires are relatively less visible and therefore more likely not to be identified by Forbes). Based on extrapolation of the Pareto distribution to values between $1 billion and $4.5 billion, Boll et al. estimate that, as of July 1, 2026, roughly 368 California billionaires with a combined net worth of $615 billion are missing from the Forbes List (or 26.7% of the total $2.307 trillion of net worth held by Forbes-identified billionaires as of that date). To estimate wealth tax revenues from these billionaires, Boll et al. discount this combined net worth by 20% to account for higher expected levels of tax avoidance from these less visible billionaires. As a result, these individuals' effective total tax base is an estimated $492 billion ($615 billion * (1 – 0.2)) and generates $24.6 billion of wealth tax revenue (5% of $492 billion).

[6] The individual percentage increases are compounding, such that the total percentage increase is equal to ((1+0.075)*(1+0.212)-1).

[7] The list of potential pre-January 1, 2026, billionaire departures is based on Rauh et al. (2026), and includes Larry Page, Sergey Brin, Peter Thiel, Don Hankey, and Steven Spielberg. (Rauh et al. also include David Sacks in their list of pre-obligation departures but as of August 15, 2026, Sacks is no longer listed on Forbes' billionaires list.)

revenue.[8] News reports have identified four billionaires with a combined net worth of $218 billion—equivalent to $10.8 billion of wealth tax revenue—who announced California departures after January 1, 2026.[9]

However, given the difficulty of establishing non-residency under California tax law, the impact of these reported departures on wealth tax revenue is highly uncertain. A taxpayer's California residency depends on a wide-ranging assessment of the taxpayer's connection to the state during the relevant tax period, and taxpayers bear the burden of establishing that they have "substantially severed" their connections to California. In making this determination, the Franchise Tax Board (FTB) considers the totality of a taxpayer's connections to the state, evaluating factors such as physical presence, the location of family members, professional and business relationships, and property holdings, among other factors.[10]

Based on reports published since the BTA's filing, three of the five billionaires who announced departures before January 1, 2026 (Larry Page, Sergey Brin, and Peter Thiel), as well as one of the four reported post-January 1 departers (Mark Zuckerberg), have retained relevant connections to California.[11] This group collectively accounts for 95% of the $807 billion of total net worth held by all nine individuals who have left the state.

Figure 1 shows wealth tax revenue estimates under various assumptions as to the total California billionaire tax base and billionaire tax avoidance. If none of the state's billionaires avoid the tax by establishing non-residency, the BTA would generate $116.2 billion of revenue based only on the Forbes-estimated net worth of billionaires identified by Forbes as of August 15, 2026 (i.e., the baseline revenue estimate). If the total estimated net worth of missing billionaires is added to the Forbes-estimated tax base, wealth tax revenue

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[8] The proponents of the BTA have argued that retroactivity going back to the year of the tax is constitutional under existing Supreme Court law; see for example David Gamage, Brian D. Galle, and Darien Shanske, "Correcting the Record: Responding to Some Legal Arguments About the 2026 Billionaire Tax Act," January 2, 2026. Opponents' arguments are presented in Baker Botts, "California 2026 Billionaire Tax Act," December 15, 2025. The Blue Sky Consulting Group expresses no opinion on the merits of these legal arguments but addresses them here for the sake of completeness, recognizing that a thorough assessment of potential revenue impact outcomes should account for the full range of scenarios.

[9] The list of potential post-January 1, 2026, billionaire departures is based on Rauh et al. (2026) and includes Mark Zuckerberg, Jan Koum, Reed Hastings, and Andy Fang. Since that study's publication, news reports have not identified any additional departures.

[10] State of California Franchise Tax Board (FTB), "Residency and Sourcing Technical Manual," (Rev. 11/2022).

[11] Larry Page reportedly purchased two properties in Florida just prior to January 1, 2026, but "appear[ed] to still own two homes in Palo Alto, California, worth around $33 million." Forbes Wealth Team, "What proposed billionaire tax could cost the world's richest people," January 16, 2026.

Sergey Brin reportedly purchased property in Nevada in December 2025, but Forbes reported in January 2026 that Sergey Brin has "three kids in California and owns three properties across Los Altos and Malibu, worth roughly $57 million." Forbes Wealth Team (January 16, 2026). In April, the New York Times reported that Brin was reportedly spending "every other week at Google's California headquarters, alternating with Nevada." Theodore Schleifer and Kate Conger, "Sergey Brin Moves to the Right, With a 'MAGA Girlfriend' by His Side," April 27, 2026.

A New York Times article published five days prior to the January 1 tax obligation date notes that Peter Thiel was still the owner of a home in Hollywood Hills and was "exploring" opening another office for his investment firm, Thiel Capital, in Miami. Ryan Mac, Theodore Schleifer, and Heather Knight, "A Wealth Tax Floated in California Has Billionaires Thinking of Leaving," New York Times, December 26, 2025.

As of the date of this memorandum, Mark Zuckerberg owns an 11-home compound in Palo Alto, California and continues to serve as the Chief Executive Officer at Meta. Queenie Wong, "Mark Zuckerberg Buys an Irish Castle," Los Angeles Times, August 22, 2026.

increases to an estimated $140.8 billion (i.e., $116.2 billion plus $24.6 billion from the missing billionaires). Finally, if the wealth tax base is further adjusted to reflect Bloomberg's higher average net worth estimates, the state would collect $151.4 billion (i.e., a 7.5% increase on $140.8 billion).

The state would collect less wealth tax revenue to the extent some billionaires are able to avoid the wealth tax. The low-end revenue estimates in the final row of Figure 1 reflect the assumption that a court will move the tax obligation date to Election Day and that, as a result, all nine identified departures are able to establish non-residency. In this scenario, estimated wealth tax revenue decreases to $76.2 billion if only Forbes-identified billionaires are included (i.e., $116.2 billion less the $40 billion generated by these nine departures).[12] However, if missing billionaires are included and Bloomberg's wealth adjustment is adopted, estimated revenue increases to $108.3 billion.

Figure 1 – Sensitivity of Wealth Tax Revenue (bil 2026 $) to Tax Base and Wealth Tax Avoidance

	Estimated Wealth Tax Revenue (Aug 15, 2026 Valuation)		
Wealth Tax Avoidance Scenario	Forbes-Identified Billionaires (Forbes Tax Basis)	Including Missing Billionaires (Forbes Tax Basis)	Including Missing Billionaires (Bloomberg Tax Basis)
No Billionaires Establish Nonresidency	$116.2	$140.8	$151.4
Pre-January 1 Departures Avoid Wealth Tax Entirely	$87.0	$111.6	$120.0
Election Day Obligation Date; All Identified Departures Avoid Tax	$76.2	$100.8	$108.3

Economic and Fiscal Impacts of BTA Expenditures

The state's expenditures of wealth tax revenue on health care, food assistance, and education programs would generate a net increase in economic activity and employment statewide.

BTA Economic Impact Estimates

Because billionaire wealth is predominantly held in appreciating assets rather than converted into annual consumption, the wealth tax would draw almost entirely on funds that would not otherwise have entered the California economy. As a result, the net increase in spending on goods and services under the BTA is approximately equal to the amount of wealth tax revenue raised each year.[13]

[12] The nine departures collectively account for an estimated $806.5 billion of net worth (i.e., $588.2 billion from the pre-January 1, 2026, departures and $218.3 billion from the four post-January 1 departures), or 34.5% of the $2.34 trillion held by all 261 identified California billionaires. If these individuals' net worths were excluded entirely from the BTA tax base, estimated wealth tax revenue declines by $40.1 billion (i.e., 34.5% of $116.2 billion).

[13] Based on empirical research summarized in this report's discussion of upper-bound billionaire tax revenue losses (see "Tax Revenue Generated by Billionaires' Personal Consumption," page 12), it is estimated that only 2.15% of billionaire net worth is earned as income annually, and only a fraction of this income is consumed in California (rather than saved or spent outside the state). Further, most sales of shares (if any) required to pay BTA liabilities would come from national and global investors, effectively placing this global revenue into circulation in the California economy.

Of the estimated $23.2 billion generated by the BTA annually over five years under baseline assumptions, an estimated 0.7% share, or $170 million, would cover BTA administrative costs such as tax enforcement.[14] The BTA directs 90% of the remaining revenue, or $20.77 billion annually, to support health care services and 10%, or $2.31 billion, to food assistance and education programs.[15] These expenditures comprise the "direct" economic effects of the measure. The recipients of direct spending (e.g., hospitals, schools) support new direct jobs in the health care, food assistance, and education sectors. As shown in Figure 2, the BTA is expected to support nearly 150,000 direct jobs across the health care, food assistance, education, and program administration spending categories.[16]

Figure 2 – Annual Direct Spending and Direct Jobs Supported by BTA Policy Category

BTA Policy Category	Direct Spending (2026 $bil)	Direct Jobs
Health Care	$20.77	133,199
Food Assistance & Education	$2.31	15,848
BTA Program Administration	$0.17	509
All Categories	**$23.25**	**149,556**

As the direct recipients of BTA funding pay their employees and purchase goods and services from suppliers (e.g., medical equipment, school supplies), additional "multiplier" output and employment will be generated across the state's economy. First, the suppliers of direct BTA recipients pay their workers and purchase their own inputs from other suppliers. Second, the employees and proprietors of these direct and supplier firms support additional employment in other sectors by spending their income at local businesses (e.g., at restaurants or retail establishments).[17] The BTA's net economic impact includes both direct and multiplier effects.

As shown in Figure 3, over the five-year period, BTA-funded services are estimated to support over 216,000 wage and salary jobs, including the nearly 150,000 direct jobs summarized in Figure 2 (above) and 67,000 additional multiplier jobs throughout the state.[18] Across all jobs supported, the estimated average annual compensation is roughly $85,700. The total annual economic output from this activity is an estimated $45.7

[14] The BTA does not specify the share of BTA revenues allocated to fund program administration. For Fiscal Year 2025-2026, the state Franchise Tax Board (FTB) collected roughly $162 billion of tax revenue and spent $1.18 billion on operations for an administrative cost ratio of 0.7% (i.e., 1.18 / 162). See Fiscal Year 2025-2026 State Budget, 7730 – Franchise Tax Board (PDF); State of California, "Budget Change Proposal DF-76," December 26, 2024.

[15] See Billionaire Tax Act (BTA), Section 4.

[16] Depending on how the state allocates BTA health care expenditures, these payments could also generate additional federal matching funds for particular Medi-Cal programs or enrollee groups; however, this analysis excludes any such increase in federal support.

[17] Estimates of the indirect and induced output generated by direct BTA expenditures are based on the IMPLAN model, a software tool used to estimate the increase in direct and multiplier employment and economic activity in each economic sector that results from a specified amount of direct spending in a particular industry and region. IMPLAN results are based on regional trade flows and other economic data published by the federal Bureau of Economic Analysis (BEA).

[18] Direct and multiplier wage and salary job estimates are based on IMPLAN model results. BTA health care funding was distributed across thirteen IMPLAN health care sectors (e.g., hospitals, physicians' offices) in proportion to each sector's share of total Medi-Cal expenditures, based on data reported by the Kaiser Family Foundation (KFF), "Distribution of Medicaid Funding by Service," accessed July 23, 2026. For purposes of IMPLAN modeling, the total funding available for education and food assistance was distributed equally to public education spending (i.e., IMPLAN's "Government employment and payroll (education)" institution) and food assistance spending (i.e., IMPLAN's "Community food, housing, and other relief services" sector).

billion (i.e., $23.2 billion of direct BTA expenditures annually plus $22.4 billion of multiplier output at supplier firms and establishments serving these firms and their workers).

Figure 3 – Annual Direct and Multiplier Economic Impacts (2026 $)

	Economic Output (bil $)	Wage & Salary Jobs	Average Compensation
Direct	$23.2	149,556	$77,616
Multiplier	$22.4	66,806	$103,886
Total	**$45.7**	**216,361**	**$85,728**

Figure 4 shows estimates of the total jobs (direct and multiplier) supported across three industry sector categories. BTA funding is estimated to support a total of nearly 145,000 health care sector jobs and over 16,000 food assistance or education sector jobs over the five-year period. Across all other sectors, the BTA is estimated to support over 55,000 jobs annually.

Figure 4 – Wage & Salary Jobs Supported by Industry

Sector	Jobs
Health Care	144,776
Food Assistance / Education	16,233
All Other Sectors	55,353
Total	**216,361**

Fiscal Impact of BTA Expenditures

In addition to the BTA's economic impacts, the direct services and multiplier activity supported by the BTA would generate tax revenue for state and local governments. First, the wages and income earned by employees, proprietors, and corporations would generate personal income tax (PIT) and corporation tax revenue for the state. Second, the portion of business and labor income that is spent on taxable goods would generate sales tax revenue for both the state and local governments.

As shown in Figure 5, direct and multiplier economic activity supported by BTA expenditures is estimated to generate $1.04 billion annually in PIT, corporation tax, and sales tax revenue for the state General Fund, and $385 million of sales tax revenue annually for California's local governments. In total, across both state and local governments, the measure would generate $1.42 billion annually.[19]

Figure 5 - Annual Fiscal Impacts of BTA-Supported Activities Over Five-Year Period (mil 2026 $)

	State General Fund	Local Governments	All Governments
Personal Income Tax	$684		$684
Corporation Tax	$51		$51
Sales & Use Tax	$305	$385	$690
Total Tax Revenue	**$1,040**	**$385**	**$1,425**

Potential Economic and Fiscal Impacts of Billionaire Departures

The wealth tax revenue generated by the BTA could be partially offset by the loss of tax revenue associated with billionaires who depart the state because of the BTA's approval ("mobility losses"). Previous mobility loss estimates put forward by BTA critics have included tax revenues generated by billionaires who have reportedly already left California. However, while the measure's filing may have caused some billionaires to leave the state, changes in the state's tax base prior to Election Day are not properly attributable to the BTA's approval. Instead, for California voters concerned about the BTA's economic and fiscal impacts, what

[19] Details on the methodology for estimating these three revenue sources are provided in the Appendix to this report.

matters is the extent to which enacting the measure would either result in these individuals not returning to California or cause additional billionaires to leave the state.

Because the BTA imposes a one-time rather than permanent wealth tax—and because an individual's exposure to this one-time tax is determined based on residency status prior to Election Day—BTA approval would not create a financial incentive to leave the state. Nevertheless, this report estimates the maximum total mobility loss that would result from enacting the measure under an upper-bound assumption as to billionaires' responsiveness to the Election Day outcome.

The BTA's opponents have raised two potential sources of mobility loss:

- *Business investment losses:* Some BTA commentary has suggested that if billionaires leave California, the state's start-ups will receive less angel and venture capital investment, resulting in a loss of the economic activity and tax revenues generated by these businesses. Based on available start-up investment and business formation data, however, there is no evidence that the measure's filing or the billionaire departures to date have influenced capital investment or business location decisions.
- *Personal income and consumption losses:* To the extent that the BTA results in fewer billionaires residing in California, the measure's approval would deprive the state General Fund and local governments of the income and sales tax revenue associated with these individuals and their consumption of taxable goods and services in California. Even under upper-bound assumptions as to billionaires' responsiveness to the BTA's approval, however, these income and consumption losses are modest relative to the fiscal benefits generated by the BTA.

Billionaires Are Unlikely to Leave (or Return to) California Due to the BTA's Approval (or Rejection)

Previous estimates of tax revenue losses under the BTA have included revenues generated by billionaires who have already announced departures from California.[20] To the extent that billionaires may have responded to the BTA's filing by leaving the state, however, these losses have only reduced the state's pre-Election Day (or status quo) tax base; the fiscal impacts of pre-Election Day departures are not, by definition, a result of voters' approval of the measure. Instead, the magnitude of the mobility loss under the BTA depends on the *post*-Election Day behavioral responses of two California billionaire cohorts:

- *Pre-Election Departers*: To the extent that some of the billionaires who have already left California will choose to return to California only if the BTA is rejected, approval of the BTA would effectively deprive California's state and local governments of the tax revenues generated by these individuals' California residency.
- *Pre-Election Remainers*: Conversely, most of the California billionaires identified by Forbes have remained California residents. To the extent that some of these billionaires will leave the state if the measure passes, the loss of state and local tax revenues associated with these individuals would constitute a mobility loss attributable to the BTA.

Because the BTA's wealth tax is imposed on a one-time basis—and because an individual's tax exposure depends on their residency status prior to Election Day—the measure's approval is unlikely to provoke a significant migration response from either cohort. Should the measure be enacted, billionaires who have already departed from California will not incur any tax loss if they choose to return to the state after Election

[20] For example, Rauh et al. estimate a range of billionaire PIT revenue losses under the BTA. The authors' lower revenue loss estimate corresponds to the assumption that California would lose only the PIT revenue generated by the nine billionaires identified as having already departed California (who collectively accounted for 28.3% of total billionaire net worth as of the date the analysis was published).

Day.[21] Moreover, none of the billionaires identified in news reports as having left California have suggested that they would return to the state if the measure fails.

Mobility losses are also unlikely from billionaires in the Pre-Election Remainer cohort, which accounts for roughly 66% of total estimated California billionaire net worth. Because these individuals have not attempted to avoid the wealth tax by establishing California nonresidency before Election Day, they have already signaled their insensitivity to the tax. The BTA's approval would not create any new incentive for these billionaires to leave California.

Perhaps because one-time taxes do not directly incentivize outmigration, BTA critics have argued that the measure would nevertheless result in economic and fiscal losses because its approval would make future wealth taxes or other tax increases more likely. Rauh et al., for example, claim that because the BTA "permanently removes California's existing 0.4% cap on taxes on intangible personal property, [it] creates permanent constitutional infrastructure for wealth taxation while marketing itself as a bounded, 'one-time' event." The authors further assert that "if the state of California votes to enact this tax, and if it is sustained by the courts, the people can no longer credibly commit to not enacting wealth taxes in the future."[22]

These claims overstate the extent to which the BTA would affect the legal and political landscape for future tax increases, however. As Rauh et al. acknowledge, the Legislature already possesses the authority to impose an annual tax on intangible personal property at rates up to 0.4% and has declined to exercise it. More fundamentally, rejection of the BTA would not prevent Californians from proposing similar measures in future election cycles. If the BTA fails and funding for health care, food assistance, and education programs decline as a result, voters may become more likely—not less—to support wealth tax proposals in the future.

Nevertheless, to address these criticisms, this report provides estimates of the BTA mobility loss under the assumption that California's billionaires would respond to the measure as if it were imposed on a permanent (rather than one-time) basis. This assumption provides an upper bound on the potential BTA impact, since it assumes billionaires would have a continuing incentive to leave the state even though none exists. Even under this assumption, however, the total mobility loss is modest relative to the wealth tax revenue generated by the BTA.

Quantitative Analysis of Prospective Mobility Losses Under the BTA

No Evidence of Business Investment Losses Following BTA's Filing

Some BTA opponents have argued that the measure's approval would lead new businesses to locate outside California—either because departing billionaires would redirect their investments toward their new states of residence or because startup founders would relocate themselves to avoid exposure to future wealth taxes—thereby depriving state and local governments of the tax revenues generated by these businesses, their founders, and their employees.

Available data on recent venture capital investment and business formation, however, do not support claims that the BTA will result in business investment losses. Across measures of early-stage investment, total venture capital investment, and overall business formation, California's share of national business and investing activity has held steady or increased since the measure's filing in October 2025.

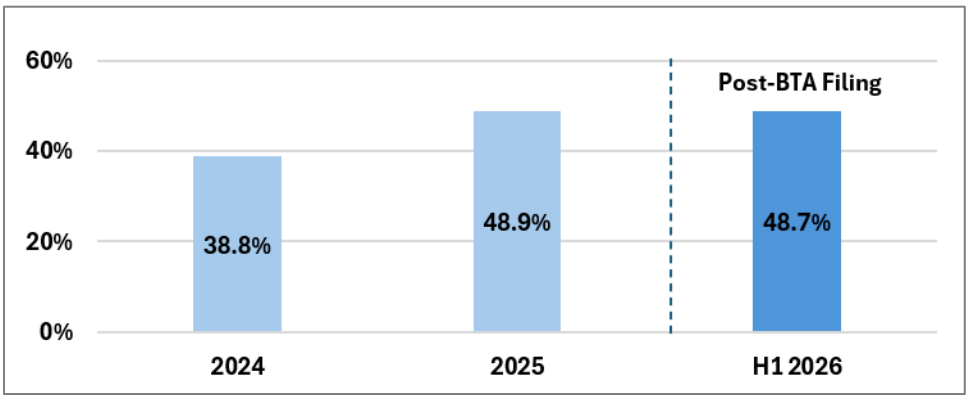
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[21] Even if a court were to rule that the BTA's January 1, 2026, tax obligation date were unconstitutional and require that California determine individuals' tax status as of their residency on Election Day, a decision to return to California in 2027 would not affect their Election Day residency status.

[22] Rauh et al. (2026) at 21.

First, investment in the earliest-stage businesses has not shifted to other states. As shown in Figure 6, California-based start-ups received 48.9% of total pre-seed funding nationwide in 2025.[23] In 2026 (following the introduction of the BTA), California's share of nationwide pre-seed investment effectively held steady, at 48.7%.[24]

Figure 6 – California Share of U.S. Pre-Seed Venture Capital Funding (2024 – Q2 2026)[25]



Extending this investment location analysis to include all venture-funded businesses, including those at later growth stages, shows that California's relative performance improved over this period. As shown in Figure 7, California's venture-backed firms have received 81.6% of venture capital investment over the first two quarters of 2026, an 18.6 percentage point increase from the state's 2025 share.[26] Though this increase is largely attributable to significant investment in Bay Area-based AI companies OpenAI and Anthropic,[27] the data shows that venture capital investment in California's smaller start-ups appears to have remained constant over this period. California start-ups accounted for 30.5% of individual venture capital deals during the first half of 2026, a share that is effectively unchanged from prior years.

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[23] Hamza Shad, "2025 Year-In-Review," Carta, February 19, 2026. Carta defines "pre-seed" investments "as any fundraising activity that occurs … prior to a company's first priced equity round." Because pre-seed rounds represent the earliest investment stage, the geographic distribution of pre-seed funding is a better indicator of where new businesses are forming than funding in later rounds.

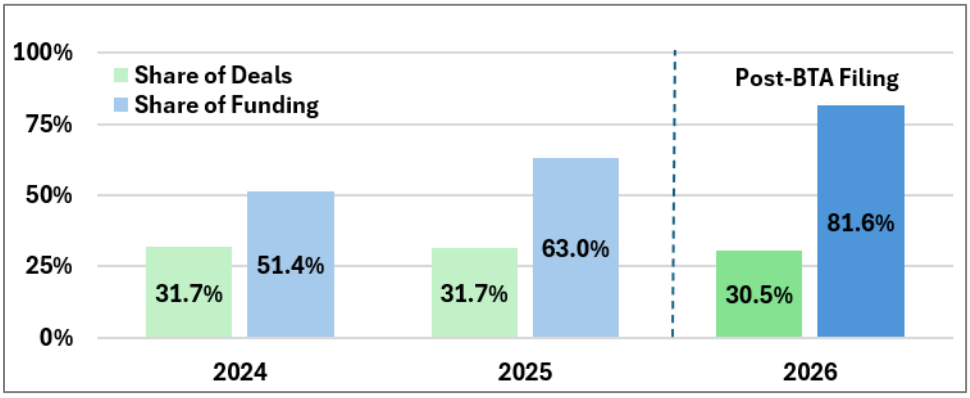
[24] Hamza Shad, "State of Pre-Seed: Q2 2026," Carta, August 13, 2026. Given the large concentration of technology companies in California, the state's share of nationwide pre-seed investment increased over the 2021 – 2025 period as investment in artificial intelligence companies surged. By 2025, however, this surge had leveled off; AI firms' share of total pre-seed investment declined by roughly one percentage point between calendar year 2025 and the first half of 2026.

[25] Shad, "State of Pre-Seed: Q1 2026" (May 14, 2026); "State of Pre-Seed: Q2 2026" (August 13, 2026); and "2025 Year-In-Review" (February 19, 2026). For the first half of 2026, California's share of total pre-seed investment was calculated by dividing the sum of California-based investments in Q1 and Q2 2026 by the sum of total nationwide investments over the same period.

[26] PitchBook-NVCA Venture Monitor, Q1 2024 - Q2 2026. Over the first two quarters of 2026, California startups received $336.8 billion of investment, or 81.6% of the $412.6 billion invested nationwide.

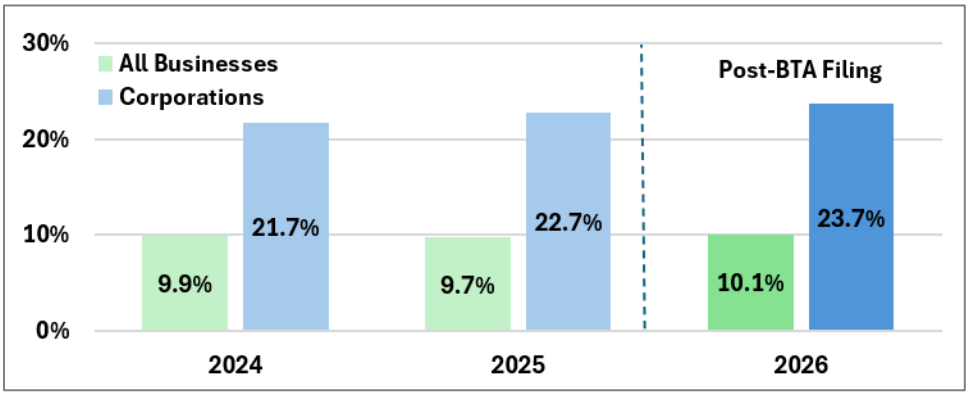
[27] Investments in OpenAI and Anthropic account for $217 billion of venture capital investment in California in 2026 (Paul Kiernan, "California Draws More Startup Investment Than All Other 49 States Combined," Wall Street Journal, August 20, 2026). This $217 billion represents about 53% of all VC investments nationwide. Based on news reports published as of the date of this memorandum, neither these companies nor their founders or CEOs have announced plans to leave California if the BTA is approved.

Figure 7 – California Share of U.S. Venture Capital Deals and Dollars Invested (2024 – Q2 2026)[28]



Finally, outside the venture capital investment context, broader business formation trends similarly do not suggest any impact from BTA's filing. As shown in Figure 8, according to U.S. Census analysis of new business tax filings, over the first 30 weeks of 2026, California accounted for 23.7% of nationwide corporate business formations, an increase of one percentage point from its share in 2025. Across all business types, the state's share has increased 0.4 percentage points (9.7% to 10.1%) between 2025 and the first half of 2026.

Figure 8 – California Share of U.S. Business Formations (2024 – Q2 2026)



Estimation of Upper-Bound Mobility Loss Under the BTA

To the extent that the BTA would cause billionaires to leave (or not return to) California, state and local governments would no longer collect the tax revenue associated with these individuals' residence in the state. The magnitude of this fiscal loss depends on both (i) the percentage share of billionaire net worth that would leave the state if the BTA is approved, and (ii) the total state and local tax revenue associated with this departed net worth.

Billionaires generate tax revenue for California in two ways. First, billionaires' personal income—largely derived from dividends and capital gains—generates PIT revenue for the state General Fund. Second, billionaires' consumption of taxable goods generates sales tax revenue for state and local governments and supports both direct employment (e.g., household staff, wealth management advisors) as well as multiplier businesses and jobs that serve these direct workers. The income earned by these workers and any corporate employers generates additional PIT, corporation, and sales tax revenue.

[28] PitchBook-NVCA Venture Monitor, Q1 2024 - Q2 2026.

Upper-Bound Wealth Tax Mobility Elasticity

The magnitude of billionaire mobility loss under the BTA depends on the responsiveness of wealth taxpayers to changes in wealth tax rates. No empirical research exists with respect to the mobility effects of one-time wealth taxes. Two recent studies of sub-national permanent wealth tax implementations in Spain and Switzerland can nevertheless help establish the upper bound of potential migration responses to wealth taxes. Based on their analysis of Swiss taxpayer data, Brülhart et al. (2022) estimate a wealth tax "mobility elasticity" of 10.3—i.e., on average, a one percentage point increase in a Swiss canton's wealth tax rate results in a 10.3% reduction in that canton's wealth tax base due to the out-migration of its taxpayers.[29] Similarly, Agrawal et al. (2025) analyze wealth tax impacts in Spain—where tax rates vary across the country's autonomous communities—and estimate a mid-point mobility elasticity of roughly 9.4.[30]

Because Spain's and Switzerland's wealth taxes are imposed annually, while the BTA's wealth tax is imposed only once, the mobility elasticities estimated in these studies likely exceed the mobility elasticity of California's billionaires in the BTA context. While California's billionaires will face no direct financial incentive to leave (or return to) the state after Election Day, increases in a Swiss or Spanish regional wealth tax rate would incentivize its taxpayers to reduce their tax liability in future years by moving to lower-tax regions.

This report's estimate of the upper-bound billionaire mobility elasticity in the BTA context treats the BTA as if it were imposing an annual ongoing one-percent wealth tax (rather than a one-time assessment resulting in five annual one-percent payments), and adopts a mobility elasticity of 9.85, reflecting the average of the elasticities reported by Brülhart et al. (10.3) and Agrawal et al. (9.4). Under these assumptions, the BTA's approval would reduce billionaire-derived tax revenues by at most 9.85% (i.e., 9.85 x 1%).

Estimates of Upper-Bound Mobility Loss

To estimate the maximum mobility loss under the BTA, the 9.85% reduction in billionaire net worth due to post-Election Day departures is multiplied by the total estimated tax revenue generated by California billionaires. Estimation of billionaire tax revenues is based on empirical estimates of billionaires' annual state PIT liabilities and economic modeling of the fiscal effects attributable to billionaire expenditures on in-state taxable goods and other services.

Billionaire PIT Revenue

Total billionaire PIT revenue is estimated by multiplying this cohort's total net worth (as of August 15, 2026) by the estimated percentage of total billionaire net worth that is paid annually as income tax to California. Recent analyses of the BTA provide broadly consistent estimates of billionaires' PIT liability as a share of total net worth. Based on analysis of income tax return data, Boll et al. (2026) estimate that over the 2019 – 2025 period, on average, California billionaires' collective PIT liability was equal to 0.26% of the group's total net worth.[31] Similarly, though Rauh et al. do not directly estimate billionaire PIT as a share of net worth,

[29] Marius Brülhart, Jonathan Gruber, Matthias Krapf, and Kurt Schmidheiny, "Behavioral Responses to Wealth Taxes: Evidence from Switzerland," American Economic Journal: Economic Policy, November 2022, 14 (4): 111–50.

[30] David R. Agrawal, Dirk Foremny, and Clara Martínez-Toledano, "Wealth Tax Mobility and Tax Coordination," American Economic Journal: Applied Economics, January 2025, 17 (1): 402–30. The authors provide a low-end and high-end mobility elasticity estimate of 7.96 and 10.85, respectively. The mid-point elasticity of 9.4 is based on the average of these two estimates.

[31] Boll et al. (2026) at 30.

the study's modeling of income tax losses under the BTA implies a PIT share of approximately 0.24%.[32] Under Boll et al.'s higher PIT share estimate, given the total net worth of California's billionaires as of August 15, 2026, a decline of 9.85% in California's billionaire tax base would reduce state PIT revenues by $599 million annually (i.e., $2.34 trillion x 0.26% x 9.85%).

Tax Revenue Generated by Billionaires' Personal Consumption

Billionaires' spending on goods and services supports both direct as well as multiplier employment in California, generating additional PIT, corporation, and sales tax revenue for the state and local governments. Because there are no publicly available estimates of billionaires' annual local consumption as a share of net worth, estimation of billionaire consumption in California is derived from estimates of (i) the percentage of billionaire wealth earned annually as personal income; and (ii) the share of annual income that the wealthiest households allocate to consumption (rather than saving).

Balkir et al.'s (2025) recent analysis of the wealthiest Americans' income tax liabilities shows that for the wealthiest 0.0002% of Americans—i.e., those with an average net worth of roughly $8.01 billion, as of 2020—approximately 2.15% of total net worth was earned as income each year.[33] Therefore, as of 2026, California's billionaires earn an estimated $50.5 billion of income annually (i.e., 2.15% of $2.34 trillion). Additionally, empirical research on the relationship between household wealth and savings rates shows that, for households ranking in the top 0.1% of the wealth distribution, approximately 30% of annual income is consumed rather than saved.[34] Across all California billionaires, therefore, total estimated annual consumption is $15.1 billion (i.e., 30% of $50.5 billion). As a result, a 9.85% reduction in total billionaire net worth due to the BTA's approval would reduce billionaire spending in California by an estimated $1.49 billion annually (i.e., 9.85% of $15.1 billion).

Given this estimated decline in billionaire spending, the loss of direct and multiplier economic activity associated with this consumption is estimated to reduce state General Fund revenues by $32 million annually and local sales tax revenue by $9 million. In total, across both state and local governments, billionaire departures would reduce revenue by $41 million annually.[35]

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[32] Rauh et al. (2026) at 16 - 17. The authors estimate that as of Tax Year 2024, California's billionaires generated between $3.31 billion and $5.76 billion of PIT revenue, equivalent to between 0.17% and 0.30% of the cohort's total estimated net worth as of September 2025. As of this date, California was home to 212 billionaires, collectively worth an estimated $1.894 trillion. However, the assumptions underlying Rauh et al.'s upper-bound PIT share estimate contradict research showing that the wealthiest taxpayers typically are not the largest contributors of income tax revenue. The authors' upper-bound estimate assumes that California's 212 billionaires were also the 212 largest contributors of state PIT revenue. Rauh et al. acknowledge that their upper-bound PIT estimate is inconsistent with this research, noting that "effective [PIT] rates decline at the very top when taxpayers are ranked by wealth rather than income. This divergence reflects the realization gap: billionaires whose fortunes are concentrated in unrealized equity gains may report substantially less AGI in any given year than other top filers who realize large capital gains or receive carried interest."

[33] Akcan Balkir, Emmanuel Saez, Danny Yagan, and Gabriel Zucman, "Estimating Tax Burdens by Wealth Groups," (February 28, 2025). The top 0.0002% wealth cohort was chosen as the basis for this report's estimate of California billionaire income because the average wealth of this cohort (i.e., $8.01 billion) approximates the average net worth of California's billionaires as of August 15, 2026 (i.e., $8.96 billion, or $2.34 trillion divided by 261 billionaires).

[34] Joachim Hubmer, Elin Halvorsen, Sergio Salgado, and Serdar Ozkan, "Why Are the Wealthiest So Wealthy? New Longitudinal Empirical Evidence and Implications for Theories of Wealth Inequality," (March 9, 2023). Because this wealth cohort includes households with less than $1 billion of wealth, the estimated 30% annual consumption share for this cohort likely exceeds billionaires' consumption shares.

[35] Details on the methodology for estimating this reduction in statewide tax revenue are provided in the Appendix to this report.

Total Upper-Bound Mobility Loss Estimate

Given the estimated upper-bound billionaire PIT revenue loss of $599 million and upper-bound consumption-based tax revenue loss of $41 million, the total maximum mobility loss under the BTA is an estimated $640 million annually. This upper-bound mobility loss is equivalent to roughly 2.8% of the wealth tax revenue generated annually by the BTA over the five-year period following its approval.

Conclusion

Under baseline assumptions, the BTA would generate an estimated $116.2 billion in one-time wealth tax revenue, or $23.2 billion annually across the five-year installment period. Directing this revenue toward health care, food assistance, and education services would support over 216,000 jobs and $45.7 billion in annual economic output statewide, while generating an additional $1.4 billion in combined annual state and local tax revenue.

The fiscal costs associated with billionaire departures are modest by comparison. Venture capital and business formation data show no evidence that the measure's filing has shifted early-stage investment or business formation away from California. And even under assumptions that treat the BTA's one-time levy as a permanent annual wealth tax—an approach that likely substantially overstates California billionaires' migration response—the resulting loss of billionaire-derived tax revenue is an estimated $640 million annually, equivalent to roughly 2.8% of the annual revenue generated by the BTA.

Appendix – Fiscal Impact Estimate Methodology

Estimates of annual state and local tax revenues generated by BTA expenditures and billionaire consumption were developed based on publicly available economic data, state and local tax rates in effect as of FY 2025 – 2026, and IMPLAN modeling results. Direct and multiplier economic impacts generated by each type of expenditure (i.e., jobs, labor income, and total economic output) were first modeled in IMPLAN based on the estimates of total annual BTA expenditures (i.e., $23.2 billion) and billionaire consumption (i.e., $1.49 billion). Direct BTA expenditures were modeled as increases in economic output across public administration, health care, food assistance, and education industry sectors. The impacts of billionaire spending were modeled as an IMPLAN "household income event."[36] Estimates of PIT, corporation tax, and sales tax revenue were developed based on IMPLAN estimates of the economic impacts of this spending.

Personal Income Tax (PIT)

Increases in economic activity generate PIT revenues from three payer types: wages paid to employees; income earned by the proprietors of involved firms; and the partners of impacted S-Corps, who pay PIT on their corporation's pass-through income.

PIT from Employees

Estimated PIT revenue from wage and salary employees was derived from IMPLAN's reported estimates of the number of wage and salary jobs supported by direct and multiplier economic activity. IMPLAN's aggregation of data collected by the federal Bureau of Economic Analysis (BEA) shows the distribution of occupation types (e.g., in-home support personnel, physicians, state program administrators) for each industry in California along with the average annual compensation paid to that occupation in each industry. PIT revenues for workers in each occupation were based on FTB data showing the average effective PIT rate imposed on PIT payers across various Adjusted Gross Income (AGI) buckets over the 2014 – 2020 period (e.g., Californians earning $60,000 - $80,000 faced a 2.7% average rate).[37]

PIT from Proprietor Employment

IMPLAN also estimates the share of total direct and multiplier economic output that is earned as income by proprietors. The estimated effective PIT rate paid on this income was based on annual business income data from the FTB.[38] Specifically, the weighted average effective tax rate for business income was calculated across all AGI buckets from 2014 through 2020, with weights applied to the rate for each AGI

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[36] IMPLAN estimates the economic impacts of increases in household income by allocating a share of this income to spending on goods and services in the local economy. For this analysis, the impacts of billionaire expenditures were modeled based on the spending patterns of households making $200,000 per year or more (i.e., the wealthiest household type available in IMPLAN). To the extent billionaires allocate more of their spending to out-of-state goods and services than the typical household in this IMPLAN cohort, this modeling assumption would overstate the in-state economic impacts of billionaire consumption.

[37] FTB, Table B-4A, California Open Data Portal. The period analyzed ended in 2020 to account for the changes made by AB 150, "California's Passthrough Entity Elective Tax" which went into effect in 2021. This elective credit is used as a workaround to the $10,000 federal cap on state and local tax (SALT) deductions, allowing passthrough entities to pay a flat 9.3% rate as corporation taxes (deductible against federal tax liability) and receive an offsetting credit against personal income tax liability for the partner or shareholder. This results in more tax payments reported as corporation tax payments rather than business income payments, even though there is no change in overall state taxes collected. Because this change is set to expire after 2025, this analysis assumes effective tax rates in the forecast period will reflect rates more similar to the period prior to 2021. For more detail, see https://www.ftb.ca.gov/about-ftb/newsroom/tax-news/february-2022/whats-new-for-filing-2021-tax-returns.html.

[38] FTB, Table B-4A, California Open Data Portal.

bucket based on the total amount of net business income for that AGI bucket. This methodology resulted in an overall effective tax rate of 4.26% on net business income.

Pass-Through Income from S-Corps

Estimation of the PIT revenue associated with S-Corps' pass-through income was based on the same detailed annual FTB data described above. The weighted average effective PIT rate paid on pass-through income and partnership profits was 9.32% for the period from 2014 through 2020. This rate was applied to 98.5% of the estimated S-Corp share of corporate profits reported by IMPLAN (i.e., total S-Corp profits less the 1.5% paid as corporate income tax).

Corporate Income Tax

Estimates of corporation tax revenues were based on IMPLAN estimates of the corporate profits generated by direct and multiplier firms. Total corporate profits were allocated to S-Corps and C-Corps in proportion to the share of total business receipts collected by each corporation type as of 2015, based on data published by the IRS's Statistics of Income (SOI) program.

The state corporate income tax revenues generated by these profits are based on data published by the State of California Franchise Tax Board (FTB). S-Corps pay a 1.5% rate on in-state profits (with the remaining 98.5% treated as pass-through income subject to the personal income tax), while an analysis of FTB data shows that C-Corps paid an average effective corporate income tax rate of 2.4% on their in-state profits over the 2013 – 2022 period (lower than the 8.84% statutory rate due to various deductions and tax credits and the ability to carry over net losses from prior years).[39]

Sales and Use Tax

Estimates of the sales tax revenue generated for the state General Fund are based on the ratio of (a) General Fund sales tax revenue collections in FY 2024-25 (i.e., $35.01 billion)[40] to (b) total employee compensation and proprietor income (i.e., "labor income") earned by California workers and business owners in Calendar Year 2024 ($2.325 trillion).[41] General Fund revenue estimates were calculated by applying this ratio to the IMPLAN-based estimate of the total labor income generated annually by BTA expenditures and billionaire consumption.

Local sales tax revenues were calculated based on the ratio of the average combined local sales tax rate to the combined General Fund rate (3.9375%). On average, across all local governments, the combined local rate is 4.97%. This combined rate includes the Bradley-Burns rate (1.25%), the Public Safety Fund rate (0.50%), and the 1991 and 2011 Realignment shares (1.5625% combined), and the weighted average district tax rate across all local governments in California (1.66%).[42]

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[39] FTB, Table C2-A and C2-B, California Open Data Portal (https://data.ca.gov/organization/california-franchise-tax-board). Average effective tax rates were calculated for each year over the 2013 – 2022 period by dividing the taxes paid to the state by C-Corps by the California share of their reported gross profits. The estimated effective rate of 2.4% reflects the average effective rate over this period.

[40] California Dept. of Tax and Fee Administration (CDTFA), FY 2024-25 Annual Report.

[41] IMPLAN aggregation of California economic data. The resulting ratio is approximately 0.0151, i.e., for every $1 billion earned as labor income in California, the state General Fund collects roughly $15.1 million of sales tax revenue.

[42] CDTFA, "Effective Sales and Use Tax Rates," and CDTFA, "Taxable Sales, by City." The weighted average district tax rate was calculated by weighting the district tax rate of each city and unincorporated area in California by that community's share of total taxable sales statewide as of FY 2024-2025.