Expert Report On The California 2026 Billionaire Tax: Revenue, Economic, and Constitutional Analysis

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Introduction

California faces an acute fiscal crisis, largely caused by recent changes in federal law and policy. As a result of these federal actions, Californians will experience higher health costs and food insecurity, among other disruptions. New revenue is needed to blunt the impact of these harms. Billionaires were among the largest individual beneficiaries of these changes in federal law, many of which were used to offset the cost of large tax breaks for the very wealthy. California billionaires also currently pay a relatively small fraction of their economic income in tax to the state. The 2026 Billionaire Tax therefore asks billionaires to contribute something more like a fair share of their wealth to sustain the state in which they have built their fortunes.

Specifically, the proposed ballot initiative for the November 2026 election would impose a one-time 5% wealth tax on California billionaires, payable in annual installments of 1% over five years (with a small deferral charge). The tax is based on worldwide net worth of taxpayers valued as of December 31, 2026, excluding real estate property directly held. Real estate that is the property of a business owned by a billionaire is taxable. The tax is expected to raise about $100 billion over 5 years 2027-2031 (or $20 billion/year) from the 200 wealthiest Californian taxpayers. Tax revenue will be used to protect health care, K-14 public education, and food support for needy families—programs that were already underfunded and now are facing further cuts at the federal level, but remain essential for California's success.

This report is authored by some of the experts who drafted the initiative.

Why Does California Need These Revenues?

Republicans in Congress recently adopted a package of spending cuts to state health and other programs, known as H.R. 1 or OBBBA, which President Trump signed into law in July of 2025. According to KFF, these cuts will likely **create a $19 billion per year budget hole** for California health spending. If the state cannot find the revenue to fill that hole, as many as **1.6 million Californians could lose their Medi-Cal** health insurance coverage. OBBBA also increases out-of-pocket costs for many Medicare and Medi-Cal enrollees.

Further, this loss of coverage and other federal support will mean that a large share of health costs will have to be absorbed by health providers and other insured individuals. Hospitals and community health centers in rural areas or those that serve other vulnerable populations may be at risk of closing. Others may close their ER or other departments or lay off workers. **Californians will have to travel farther and pay more for health care that is not as good**. Each of California's 4 million business owners will likely face higher costs of coverage for their work force, potentially leading them to have to lay off workers or slow hiring.

In addition, both the July 2025 legislation and other recent actions by the Trump administration have made it much more difficult for families to get Supplemental Nutrition Assistance Program (SNAP) benefits. Besides meaning that more children and families will go hungry, SNAP limits can also have the effect of reducing funding for California schools, as school funding formulas rely in part on whether students are receiving SNAP benefits.

Why Tax Billionaires in California?

The 2026 Billionaire Tax uses funds from households that gained the most from the recent federal changes in order to protect those who were hurt the most. OBBBA cut health care and food support in part to pay for tax cuts for the very wealthiest Americans. The legislation gives more than $1 trillion in tax savings to the richest 1% of households over the next decade.

California is the ideal place to put in place a billionaire tax because it is particularly billionaire heavy and California billionaires have done extraordinarily well in recent years. California today has 12% of the US population but 25% of all US billionaire wealth. Forbes real-time billionaire list estimates that, as of April 15, 2026, the collective wealth of the 249 listed California billionaires is $2,178 billion. Relative to our earlier computations (February 16, 2026 version), we have removed Larry Ellison (net worth of $215 billion as of April 15, 2026) from the computation as recent reporting shows he has very likely been a Florida resident since March 2023. Conversely, our earlier computations had (inadvertently) omitted California resident billionaires who are not US citizens (24 billionaires today with net worth of $146 billion as of April 15, 2026).[1] California billionaire wealth has also grown 6% in 2026 (up to April 15). On net, our estimate of California billionaires' wealth is very similar to our February 16, 2026 draft that used January 1st, 2026 wealth and had a wealth total of $2,182 billion.

[1] We also add back to the current list 3 billionaires who were California residents as of January 1st, 2026 but that Forbes has listed as moving to other states in 2026 (Lynsi Snyder, Don Hankey, and Travis Kalanick). It is possible some of these 3 billionaires left before January 1st, 2026. Their net wealth (as of April 15, 2026) is $20.4 billion, less than 1% of total California wealth so removing them would have only a minor impact on revenue estimates.

California billionaires' wealth has grown 31% in 2025, 36% in 2024, and 37% in 2023, which is a 144% increase over these last three years.[2] From January 1st 2026 to April 15, 2026, California billionaire wealth has further increased by 6%.

Therefore, a 5% tax on billionaires' extraordinary wealth can raise substantial revenue for the state. The 5% tax rate is modest relative to the rate of growth of billionaires' wealth in recent years and tax payments can be spread over 5 years.

US billionaires also pay less in taxes, relative to income, than the average American. It is estimated that, including all taxes at all levels of government, billionaires paid only 24% of their true economic income in taxes in years 2018-20 while the US-wide average was 30%.[3] The main reason for this is that the U.S. and California income tax systems only tax business and investment gains when the owner sells their assets. Ultra-wealthy households have many ways to enjoy a lavish lifestyle without selling most of their holdings, and so can largely avoid the individual income tax. For example, Mark Zuckerberg, Sergey Brin, or Larry Page, the richest Californians, can avoid the CA income tax so long as they do not sell their Meta or Google stocks. This is the main weakness of the California tax system. The billionaire tax directly remedies this injustice by taxing all wealth, whether this wealth has been realized as income or not.

Billionaires today actually pay a far lower share of their wealth than they did when Ronald Reagan was President. Relative to their total wealth, the total annual tax payments of billionaires (again, including all taxes at both the state and federal levels) amount to only 1.3% of their wealth (averaged for years 2018-2020, the most recent available). This total annual tax burden relative to wealth has fallen sharply for billionaires in recent decades. It was 3.1% during the Reagan presidency (1981-1988 average), 2.8% on average in years 2010-2013, 2.0% in 2014-2017, and only 1.3% in 2018-2020.[4] This tax rate has almost certainly continued to fall

[2] This is a longer-run phenomenon as well. US billionaire wealth has grown enormously since the 1980s. The wealth of the top .0002% richest Americans (approximately the top 400 richest today, i.e. the billionaire class) amounts to 20% of US GDP in 2025 while it was only 2.4% of US GDP in 1982, the first year Forbes created its top 400 list. This implies that top wealth has grown 5 percentage points faster per year than the economy over the last 43 years ((20/2.4)^(1/43)=1.050). Indeed, the annual growth of the top .0002% richest Americans' average wealth from 1982 to 2025 has been about 6.5% per year (controlling for price inflation) while average incomes for non-billionaire American families have grown only 1.5% per year (after controlling for price inflation) over the same period. See Figure 1 in Balkir, Akcan, Emmanuel Saez, Danny Yagan, and Gabriel Zucman. "How Much Tax do US Billionaires Pay? Evidence from Administrative Data", NBER Working Paper, No. 34170, August 2025.

[3] See Figure 2c in Balkir, Akcan, Emmanuel Saez, Danny Yagan, and Gabriel Zucman. "How Much Tax do US Billionaires Pay? Evidence from Administrative Data", NBER Working Paper, No. 34170, August 2025.

[4] Those statistics are formally for the top .0002% richest American taxpayers, approximately the top 400 today, that is, the billionaire class. For 2010-13, 2014-17, 2018-20, see Figure 2d in Balkir, Akcan, Emmanuel Saez, Danny Yagan, and Gabriel Zucman. "How Much Tax do US Billionaires Pay? Evidence from Administrative Data", NBER Working Paper, No. 34170, August 2025. For 1981-1988, we use total taxes paid for the top 400 estimated in Saez, Emmanuel and Gabriel Zucman The Triumph of Injustice: How the Rich Dodge Taxes and How to Make them Pay, New York: W.W. Norton, 2019 divided by the wealth of the top 400 from the Forbes 400 richest list.

since 2020 as billionaires' wealth has continued to surge, far outpacing the growth in their tax burdens, though the data needed to calculate this for more recent years is not yet available.

Revenue Analysis

The proposed tax would generate $100 billion in additional revenue for the State of California for years 2027 to 2031. This scoring is based on California billionaires' wealth as of April 15, 2026 (who were resident in California as of January 1st) from the Forbes real-time billionaire list (and excluding Larry Ellison who left earlier as mentioned above).

The Forbes billionaire list has 249 California billionaires with a collective wealth of $2.178 trillion (which is 25.4% of the US wide $8.565 trillion owned by all 982 US billionaires). A 5% tax on $2.178 trillion raises $108.9 billion. Factoring in 10% of tax avoidance and evasion leads to a scoring of $98 billion that we round to $100 billion for simplicity.

We have assumed that the Forbes billionaires list generally is accurate. While it can sometimes exaggerate wealth, it is more likely that it misses some billionaires who are not highly visible (such as heirs from older fortunes rather than business owners/managers).[5]

Billionaires may try to minimize the value of their wealth but this will be difficult for wealth that is primarily in the form of shares in large businesses. Forbes magazine estimates that 61% of the wealth of CA billionaires is in the form of large holdings of publicly traded stock (e.g. Meta for Mark Zuckerberg) where valuation is straightforward and where ownership is formally recorded with the Securities and Exchange Commission. Private businesses of billionaires often have many investors—such as private equity funds and venture capitalists—and hence a record of transactions that also make valuation relatively simple. The ballot measure includes robust enforcement measures, and there are only about 250 billionaires in CA, so each taxpayer can be carefully audited. This is why our scoring factors a relatively small avoidance rate of 10%.

The ultimate revenue collected will depend on stock values at the end of 2026. Accordingly, the rise or fall of the stock-market between now and the end of 2026 would affect the current scoring of $100 billion.[6]

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[5] Bloomberg magazine also maintains a list of the 500 richest people in the world (the current threshold as of October 17, 2025 to make it to their top 500 list is $7.33 billion). For the overlapping California billionaires in both the Forbes and Bloomberg list, the estimated Bloomberg wealth is 7.5% higher than the Forbes estimated wealth. This implies that Forbes estimates, and hence our scoring, are conservative.

[6] Boll, Saez, and Zucman (2026) track the scoring based on Forbes real-time billionaires on a daily basis on a dedicated website. Since January 1st, 2026, the scoring has hovered in the range $86 billion to $100 billion depending primarily on the fluctuations of the stockmarket.

Economic Impacts

Will it hurt the businesses that the billionaires own?

No, this is a tax on the owners of the businesses and not the businesses themselves. For example, Zuckerberg owns about 13.7% of Meta. If he sells 5% of his stake to pay the tax, he will be left with 13.7 * 95%=13% of Meta, but nothing of substance changes for the business operations of Meta. Therefore, the one-time billionaire tax will simply slightly dilute the business stakes of billionaire taxpayers and only if they choose to pay the tax in this way. Owners of private businesses can also sell some of their stakes to outside investors such as private equity funds or venture capitalists to pay the tax without affecting operations of the businesses they own.[7] Billionaires also have the option to not sell their stakes and instead borrow (as individuals) to pay the tax by pledging their business stakes as collateral. If a person is a billionaire taxpayer, they will certainly be able to borrow against their wealth.

The proposed tax also allows billionaire entrepreneurs whose wealth is mostly tied up in a private business or other illiquid assets (e.g., a very successful start-up whose stock does not trade publicly yet) to defer payment so that the wealth tax does not interfere with business decisions. The deferred payment is set up to be paid upon stock sale or issuance or upon the payment of dividends. (More precisely, if a billionaire doesn't have enough liquid, publicly traded assets to cover the tax bill, the measure offers an optional deferral mechanism. In broad terms, this lets them defer tax on certain illiquid holdings and instead pay as they take value out of those holdings, through distributions/withdrawals, with ongoing reporting obligations.)

Won't billionaires leave California to avoid the tax?

Billionaires who are California residents, as defined by law, as of January 1, 2026 will have to pay the one-time tax in full; leaving after January 1, 2026 will not allow billionaires to avoid the tax. Note that the law for determining residence is not a simple binary under California law; it is a standard that looks to both subjective and objective factors.[8] Therefore, the taxpayer's residency is already largely set and moving does not allow billionaires to avoid the tax. We believe that the weight of the evidence suggests that the super wealthy do not generally move because of taxes. However, to be extra cautious, the proposed tax is structured as a one-time tax precisely to eliminate incentives to avoid the tax by leaving the state.

Have some billionaires already left?

No – that is very unlikely in most cases. There have been some press reports of a handful of billionaires loudly declaring that they have moved. We believe these claims are greatly exaggerated, and likely reflect efforts to mislead voters into believing the CBTA will have

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[7] Note that this example – and our revenue estimates – treat founders' shares in a public company as public shares. For further discussion, see the question we answer below and a longer explainer [here.]

[8] For an example of a taxpayer failing to change their residence by July, when they start making paper changes in February, see https://ota.ca.gov/wp-content/uploads/sites/54/2021/06/18010932_Bracamonte_Opinion_P.pdf.

negative effects that it will not in fact have. As we explained above, any efforts to move after January 1 of 2026 would not change the individual's tax bill. Efforts that began before January 1 would have to include uprooting most of the individual's personal and business ties to California, not just the reincorporation or relocation of a few business assets or the purchase of real estate out of state. Successfully changing residence would have been quite difficult in the few weeks between when the CBTA began garnering public attention and the end of the year. Indeed, attorneys who usually represent wealthy taxpayers and actually practice in this area of law are **skeptical** that any billionaires have successfully changed their California residency.

Will billionaires or future billionaires be deterred from coming?

No, billionaires establishing residency in California after January 1, 2026 will not be required to pay the tax.

More fundamentally, there is strong economic evidence that California's unique support for start-up businesses cannot be matched elsewhere. The remote possibility of a small future tax—imposed only after great success—is very unlikely to dissuade entrepreneurs who will understand that California provides a greater opportunity than other places to earn a billion-dollar fortune.

Won't the wealthy be able to hide their wealth and evade the tax?

The proposal includes a number of strong provisions to make evasion quite difficult. The wealth tax base is comprehensive with few exclusions.[9] Taxable wealth includes worldwide assets. Therefore, CA billionaires cannot avoid the wealth tax by moving their assets outside of California. Owning wealth indirectly through trusts or corporate shells will not generally reduce valuations for wealth tax purposes. Offshore financial wealth is already reported to the IRS by both owners and foreign institutions. Subsequent sales of assets at prices higher than previously reported will generate ex-post adjustments. There are penalties for under-reporting wealth.

Will new entrepreneurs be discouraged from creating new businesses?

No, this is a one-time billionaire tax for taxpayers who are billionaires as of December 31st, 2026, the date assets are valued under the measure. Any entrepreneur who is not yet a billionaire will not have to pay anything.

The proposed wealth tax aims at making those who have already succeeded as billionaires contribute 5% of their wealth so that the exceptional California environment that has nurtured the growth of so many billionaires can be preserved in the face of the

[9] Real estate property directly held is excluded because billionaires already pay a property tax. Certain personal property held outside California is also exempt. Taxpayers can exclude up to $5 million worth of miscellaneous assets such as personal effects and vehicles. And retirement savings in "qualified" plans is excluded unless it is of unusually large value.

unprecedented attacks by the Trump administration on health care, education and food assistance.

How will private businesses be valued?

The tax applies by default a simple formula for private business valuations, which is: book value (the sum of all assets in the business) plus 7.5 times annual book profits (averaged over the most recent 3 years). This method has been used successfully for wealth taxation in Switzerland for decades. In some cases, for example a new successful tech start-up that is not yet profitable, this formula will not work well. Therefore, any recent equity sale or equity issuance (for example to venture capitalists) will be used as a floor for valuation as well. Finally, if either the California tax administration or the taxpayer can demonstrate convincingly that the formula does not provide a good estimate of the fair market value, they can instead use an alternative value that they can demonstrate is more accurate.

If a founder has special control shares, will they be taxed on the share of their voting control of a company, possibly in excess of the market value of their holdings?

No. Although some bad-faith actors have raised this claim on the internet, and their claims have been reported elsewhere, this is a distorted misreading, as we discuss in more detail here. Taxpayers who believe that voting rights overvalue their ownership interests can always submit an appraisal in place of using the formulaic valuation option that takes account of voting rights. That is, the CBTA provides taxpayers with two main options for valuing interests in businesses that are privately held, i.e., the company's stock is not traded on an exchange such as the New York Stock Exchange (and most of the discussion in the media is about publicly-traded companies). These private businesses can be more difficult to value in some cases. The taxpayer's first option is to submit an appraisal of their asset, much as home buyers typically get an appraisal when they are seeking a mortgage. In the case of businesses where some shares have recently been sold or used as collateral for a loan, there will be an independent third-party determination of the asset's value which will determine the outcome of the appraisal.

Alternately, taxpayers can use the optional valuation method to determine the amount of tax they will owe. Under this optional method, the taxpayer uses a formula to estimate the value of their business, and then they multiply this formulaic value by the percentage of the business that they own. For owners of interests in businesses that are not publicly traded, and whose shares give them disproportionate voting rights, the optional method presumes that this ownership percentage is at least the share of the owner's share of the voting rights in the company. This presumption was drafted to address certain planning techniques, usually involving trusts, that are engaged in by family-owned businesses. This rule does not apply in the case of stock in publicly-traded companies. And again, if the resulting value is higher than the taxpayer believes their ownership stake is worth, they can simply use the appraisal method instead.

For example, the tech founder Garry Tan wrongly claims that the CBTA would impose an effective 50% tax on the Google founders Larry Page and Sergey Brin. Tan writes that because Page and Brin each hold special voting stock that grants them control of 30% of the voting power of Alphabet (the parent company of Google), they would be taxed on 30% of the value of that company. Since Alphabet is worth around $4 trillion, Tan claims they would be taxed as if they owned $1.2 trillion worth of Alphabet stock. This claim is absurd. The voting rights provision does not apply to stock of a publicly traded company such as Alphabet. Further, the optional valuation rules are just that: optional. Both Page and Brin could and certainly would submit an appraisal of their Alphabet shares rather than using an optional valuation rule that produced the result Tan claims. Each of them reportedly owns about 6% of the outstanding shares of Alphabet. Even if their special voting shares were to trade at a small premium, any appraisal would surely value those shares at about $240 billion (6% of $4 trillion), not $1.2 trillion. Thus, Page and Brin will pay a tax rate of 5%, just like other California billionaires.

Are single and married taxpayers treated in the same way?

Yes, the tax applies to all taxpayers equally as long as their total net worth (excluding directly held real estate and summing wealth of spouses for married joint taxpayers) exceeds $1 billion.

How does the tax exactly work when you cross the billion net worth threshold?

The tax is 5% of total net worth for taxpayers with net worth of $1.1 billion or above. The tax rate ramps up smoothly and linearly from 0% for taxpayers with exactly $1 billion in net worth to 5% for taxpayers with exactly $1.1 billion in net worth. For example, a taxpayer with $1 billion (or less) pays no tax, a taxpayer with $1.02 billion pays a tax rate of 1%, a taxpayer with $1.04 billion pays 2%, a taxpayer with $1.06 billion pays 3%, a taxpayer with $1.08 billion pays 4%, a taxpayer with $1.1 billion (or more) pays 5%. The Forbes real-time billionaire list has only 1 single California billionaire with wealth between $1 billion and $1.1 billion so this ramp-up is not substantively important.

If some California billionaires get upset at having to pay 5% of their wealth for this one-time tax and leave the state, won't this be detrimental to future tax revenue in California?

There is no economic incentive to move as any resident as of January 1st, 2026 has to pay the tax in full. Furthermore, as noted above, studies of how the super wealthy respond to tax changes find that very few super wealthy residents actually uproot their lives and move due to tax, especially when tax rates are small.

Billionaires do not generally earn much ordinary income nor do they generally sell their assets and thus their income is a relatively small portion of total California income tax receipts.

We estimate that California billionaires pay about 2.5% of total California income tax, around $3 billion per year.[10] This is about 1% of the total revenue of around $300 billion for the State of California in 2025-26. Using SEC filings on stock sales, stock donations, dividends, and compensation from Alphabet, Meta, and Nvidia, we can estimate the income and taxes for the top 4 (Sergei Brin, Larry Page, Mark Zuckerberg, and Jensen Huang) on their company wealth (which is 97% of their total wealth at the end of 2025). The top 4 account for 43% of all California billionaire wealth yet they pay only $.27 billion in California income tax per year on average in 2019-2025, i.e. only 9% of the California individual income taxes paid by all California billionaires.

Therefore, even if some billionaires were to actually leave the state, and even if leavers include some of the top 4 wealthiest, the loss in income tax revenue would be very small relative to the expected revenue of $100 billion from the billionaire tax, a point noted by the LAO.[11] Note that the California corporate income tax that businesses pay is not affected by the location of billionaire-owners because it is based on sales to customers in California. For example, if Tesla sells 20% of its US sold cars in California, Tesla pays California corporate income tax on 20% of its US profits, regardless of whether Elon Musk lives in California or Texas.

Just as the California consumers for these businesses are relatively immobile, we would similarly expect that agglomerations of expertise, capital and amenities that make California a great place to work also to remain relatively immobile.

Should we be worried that this one-time tax will become permanent and be applied not only to billionaires but also millionaires and middle-class families down the road?

No, this ballot measure is only about a one-time 5% tax on billionaires, the 200 or so richest Californians. Any tax beyond this would have to be enacted again either through a new ballot measure where Californians directly decide or through the California state legislature (with 2/3 super-majorities required in both the Assembly and Senate) and the Governor's signature.

[10] There are two ways to make this estimation. First, using California income tax statistics by brackets (Table B4a) and a simple Pareto interpolation, we can estimate the income of the top 200 California taxpayers (ranked by income). We then estimate the income of the top 200 wealthiest (ranked by wealth) as half of the income of the top 200 (ranked by income) based on US wide data from the IRS and the Survey of Consumer Finance. This method shows that the top 200 wealthiest pay 2.6% of all CA income tax on average in years 2018-2022 (the most recent available). Second, Balkir, Akcan, Emmanuel Saez, Danny Yagan, and Gabriel Zucman. "How Much Tax do US Billionaires Pay? Evidence from Administrative Data", NBER Working Paper, No. 34170, August 2025, provides statistics on income reported by the Forbes top 400 billionaires in 2018-2020 which includes about the top 100 California wealthiest, a quarter of the US total. We estimate that these top 100 wealthiest Californians pay about 2% of all CA income taxes. Extrapolating to the top 200 (instead of top 100) produces a number close to 2.5% as well (slightly lower).

[11] See Fiscal Impact Estimate Report, Legislative Analyst Office, Dec. 11, 2025.

The goal of this initiative is to help the state in this defunding emergency. For those who consider such taxes likely to be repeated in the future, consider the campaign that will be necessary to pass this tax and the enormous crisis that has gotten consideration even this far.

Also, note that permanent California partial-wealth taxes on the working class and the middle-class already exist and are not small: they are the annual vehicle registration tax on cars (.65%/year on the value of the car), and the annual property tax on housing (about 1.25%/year on the assessed value of the house). Millionaires often already pay tax on all or most of their income. In contrast to billionaires, they are not systematically undertaxed in California. That's why this initiative focuses on billionaires only who pay relatively little of their true economic income in tax.

Wealth taxes, where they have existed, sometimes have not raised much revenue, and many have been repealed. Will this initiative be different?

Jurisdictions that in the past have repealed their wealth taxes have typically done so because those taxes included large loopholes, such as exemptions for private businesses and trust-held wealth. Billionaires and other aggressive tax planners heavily exploited these loopholes, limiting revenue and contributing to economic waste. This initiative is exactly the reverse. It taxes only billionaires and makes them pay on their full net worth without loopholes. It can raise a lot of revenue—$100 billion—because billionaire wealth has grown enormously in recent years and decades. It is the tax on the ultra-wealthy that the moment requires.

Countries that have similarly implemented well-designed and mostly loophole-free wealth taxes have demonstrated that such taxes can be both durable and productive. Switzerland, for example, has levied annual wealth taxes at the cantonal and municipal levels for generations. Those taxes now raise on the order of 4% of total tax revenues and nearly 10% of cantonal and municipal tax revenues, while Switzerland remains one of the world's most competitive and high-income- economies.[12] Recent research emphasizes that the Swiss system works because the base is broad (covering most financial and business assets, including those held abroad), rates are moderate, and tax administration is supported by strong information reporting and routine valuation practices, including for real estate.[13] In other words, Switzerland shows that wealth taxes can raise significant revenue without undermining economic performance when they are designed with few loopholes and robust enforcement. Further

[12] For recent evidence on the magnitude and stability of Swiss wealth taxes, see e.g. Samira Marti, Isabel Z. Martínez & Florian Scheuer, Does a Progressive Wealth Tax Reduce Top Wealth Inequality? Evidence from Switzerland, 39 *Oxford Rev. Econ. Pol'y* 513 (2023) (reporting that Switzerland raises about 3.9% of total tax revenue and 9.6% of cantonal and municipal revenue from its net wealth taxes in 2018); University of Zurich, Department of Economics, *Wealth Inequality in Switzerland: Is Tax Policy to Blame?* (research summary, 2025) (describing the long-standing Swiss net wealth tax and its role as a key cantonal revenue source).

[13] For more on how Switzerland handles valuation issues (especially for real estate and other non-financial assets) under its wealth tax, see Brian Galle, David Gamage & Darien Shanske, *Solving the Valuation Challenge*, 72 Duke L.J. 1257 (2023).

examples of nations that have successfully implemented wealth taxes include Norway and Spain.[14] The California Billionaire Tax has been drafted to follow the successful features of the Swiss-style- approach, including a broad base with strong anti-abuse and valuation rules.

Billionaires are powerful, so won't they just tank this initiative or water down its impact?

Some billionaires will no doubt fund the campaign against this proposal but, in the end, the people of California decide directly, and 1 person=1 vote. Once passed, California law makes it virtually impossible for legislators to water down a law passed by the people, without a future ballot initiative that the voters would need to approve. A direct ballot measure is thus the best shot for enacting a tax on the ultrawealthy because billionaires cannot tank it or water it down through lobbying elected officials after it passes.

Constitutionality Issues

The billionaire tax was carefully designed to stay clear of constitutional issues. We have addressed some of these issues at greater length here. Below are short answers to the most often asked questions on this:

Is this tax retroactive? Will the U.S. Supreme Court strike it down as retroactive?

No. The measure taxes very large fortunes that exist during 2026 and is measured based on what billionaires own at the end of 2026. It does not reopen past tax years or change past tax bills.

The CBTA is consistent with other state taxes. Proposition 30 that increased personal income taxes on high-income taxpayers in California for seven years passed in November 2012 and applied to incomes earned starting January 1, 2012, almost a year before the vote date, similar to the proposed billionaire tax.

This is also similar to a regular property tax: your 2026 property tax bill is based on what your property is worth in that year, even if you bought it or it appreciated long before. The same is true here, because the tax is based on the size of a billionaire's fortune during 2026, not when or how that fortune was originally earned.

[14] On Norway's long-running national wealth tax, its revenue scale, and current political debates, see Statistics Norway, Tax for Personal Taxpayers (May 12, 2025); and Jon Henley, 'People Are So Angry': How Wealth Tax Became a Battleground in Norway's Election, The Guardian (Sept. 7, 2025) (reporting that Norway's wealth tax raises roughly NOK 32 billion per year, over 1% of total tax revenue, and remains central to debates about equality and investment). On Spain's recent experience, see Ministerio de Hacienda y Función Pública [Ministry of Finance and Public Administration], El Impuesto de Solidaridad de las Grandes Fortunas recauda 623 millones de euros (Press Release, Sept. 20, 2023). For further discussion of these and other successful wealth taxes, and especially on how such taxes have not generated substantial mobility responses, see Brian Galle, David Gamage & Darien Shanske, *Money Moves: Taxing the Wealthy at the State Level*, 113 Cal. L. Rev. 635 (2025).

Courts have repeatedly upheld tax laws that apply to events earlier in the same year or even earlier years, so long as there is a legitimate public purpose and the time period covered is modest. The emergency need to stabilize funding for health care, education, and food assistance is exactly the kind of purpose courts have treated as legitimate.

Are wealth taxes prohibited by the U.S. Constitution?

The debate you may have heard about in the media is about a *federal* wealth tax, or what Congress can do under the *federal* Constitution. That is a different question from what a state like California can do. Indeed, in a recent Supreme Court case, Justice Clarence Thomas argued that the reason why he thinks the Constitution places some limits on federal wealth taxes is to protect traditional state taxes on wealth and property.

States have broad, long-standing power to tax their residents' wealth and property, so long as basic due-process rules and other constitutional protections are respected. California already taxes residents on all their worldwide income, and local governments levy property taxes that operate as annual wealth taxes on homes, land, and some business property. This measure stays within that well-established framework. It taxes only those who are California residents (or part-year residents) as of January 1, 2026, and it offers credits for similar taxes paid to other jurisdictions to reduce the risk of multiple taxation.

Can California tax the worldwide wealth of California residents?

In general, yes. California is permitted to do so by both the federal and state constitutions, and California already taxes its residents on their worldwide income, for example, dividends from stock or profits from a business located in another state or country, so long as the person is a California resident.

This measure does the same thing with extreme wealth. It applies to the net worth of California billionaires, wherever those assets are located (with exceptions for real and certain personal property), with credits for any similar wealth taxes they pay to other jurisdictions. That is standard practice for state taxation of residents and has been repeatedly upheld by the courts.

Does this tax on extreme wealth affect Proposition 13's limits on property taxes?

No. Proposition 13 limits local "ad valorem taxes on real property." This measure does three things to stay clear of Prop 13:

1. It expressly excludes directly-held real estate (like your home) from the wealth tax base.
2. It is structured as a one-time state excise tax on the activity of holding extreme wealth, not as an annual property tax on homes.
3. It adds a new section to the state Constitution that explicitly states the Billionaire Tax is not an "ad valorem tax on real property" for Prop 13 purposes.

For ordinary homeowners and renters, nothing in this measure changes their property tax bills under Prop 13 or the application of Prop 13 to their property taxes.

Does the federal Constitution allow California to tax wealth?

Yes. The federal Constitution gives states broad authority to design their own tax systems, including taxes on property and wealth, so long as they respect basic protections such as due process and the prohibition on discrimination against interstate commerce.

To address concerns about double taxation, the measure allows credits for similar wealth taxes imposed by other jurisdictions on the same net worth, to the extent required by the U.S. Constitution.

Why is this a constitutional amendment instead of just an ordinary law?

The California Constitution currently caps taxes on certain intangible property at 0.4%. That means we cannot impose a one-time 5% tax on billionaire wealth without amending the Constitution.

This measure therefore: (1) Amends the Constitution to authorize the 2026 Billionaire Tax Act and allow a higher rate on extreme wealth; and (2) Protects the revenues by placing them in dedicated health and education and food assistance accounts that are permanently separate from the state’s General Fund.

Conclusion

Decisions at the federal level have put – and will put – California's health care system, education system and broader economy under severe stress, and this will negatively impact all Californians. Asking the handful of wealthiest Californians to contribute less than the annual appreciation on their fortunes to mitigate these crises is a small, reasonable and administrable request. And that is all that this ballot measure does.