

FACT SHEET – AB 310 (Lee) & ACA 8 (Lee) CALIFORNIA TAX ON EXTREME WEALTH ACT

Purpose

The California Tax on Extreme Wealth Act will impose an annual excise tax at a rate of 1% on extreme wealth in excess of \$50 million and at a rate of 1.5% on extreme wealth in excess of \$1 billion.

Background

Increasing taxes on the wealthy in California has recently proven to be a popular idea with widespread support. Proposition 55 was overwhelmingly approved by the voters of California in 2016, which extended a personal income tax increase for earnings over \$250,000 for twelve years. Continuing this trend, a recent David Binder poll conducted in January of 2021 indicates that 67% of California residents supports a tax on extreme wealth. There is little to no doubt that a vast majority of Californians support a more equitable tax system.

Those skeptical of a tax on extreme wealth typically make the claim that these rich individuals will leave California. However, the data shows that millionaires have lower migration rates than the general population in states with higher taxes on the rich.

Lastly, a recent study from the London School of Economics shows that 50 years of trickle-down economics has done absolutely nothing to boost the economy and employment rates, as once

promised. The notion that cutting taxes for the rich would somehow lead to jobs and prosperity for all was a deceitful campaign that ultimately rigged the economy to favor wealthy elites. We must move beyond this failed doctrine of trickle-down economics and tax the rich.

Rising income and wealth inequality are among the deepest challenges facing U.S. society in the twenty-first century. According to the Federal Reserve, in 2019, the wealthiest top 1% held one-third of all wealth, with the following 9% owning another 38%. This means that the top 10% wealthiest individuals own 71% of all wealth.

While the income tax is successful at taxing most Californians, it is not very effective at taxing the ultra-wealthy who do not need to realize their incomes. For instance, the richest Californians like Mark Zuckerberg or Larry Page can largely avoid the state's income tax as long as they do not sell their Facebook or Google stocks. This is an incredible loophole in our current tax system that unfairly shifts the tax burden to middle- and low-income Californians while incentivizing wealthier individuals to continue hoarding their wealth.



Prior to the COVID-19 pandemic, California already suffered the highest poverty rate of any state in the nation and the Census Bureau estimates that 36% of Californians live at or near the poverty level. Meanwhile, 17% of all U.S. millionaires and 25% of all U.S. billionaires reside in California – making us one of the most unequal states in the entire country.

Since the beginning of the COVID-19 pandemic, many hard-working Californians have lost their jobs, struggle to pay for rent and provide food for themselves and their families, and in essence, struggle to survive. All while the collective wealth of Californian billionaires surged to \$960 billion as of January 2021. It was \$706 billion in March 2019, a year before the COVID crisis started, and only about \$300 billion in 2011. The exponential amount of growth in the billionaire class from March 2019 to January 2021 grew around \$250 billion, which is roughly \$54 billion larger than the entire state budget of the fifth wealthiest economy in the world.

What This Act Will Do

Provide the voters of California an opportunity to implement a more equitable tax system that targets extreme wealth. This tax will only apply to 0.07% of the richest families in California and is expected to generate \$22.3 billion in additional revenue annually.

In order to revive California, we need significant reinvestments in our communities. It is past time we actualize this investment with a tax on extreme wealth.

Support

California Labor Federation, AFL-CIO
(Co-Sponsor)

California Federation of Teachers (Sponsor)

California Nurses Association

Harvey Milk LGBTQ Democratic Club

SF Berniecrats

Key Contacts

Janice O'Malley
California Labor Federation, AFL-CIO
(916) 572-4002, jomalley@calaborfed.org

Aubrey Rodriguez
Office of Assemblyman Alex Lee
(916) 319-2025, aubrey.rodriquez@asm.ca.gov