



# CALIFORNIA TAX ON EXTREME WEALTH ACT

## ACA 8 & AB 310 | ASSEMBLYMEMBER ALEX LEE

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### THIS PLAN

ACA 8 and AB 310, the California Tax on Extreme Wealth Act, would 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.

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### PROBLEM

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 a 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 pandemic, California was already suffering from the highest poverty rate of any state in the nation. 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 pandemic, many hard-working Californians have lost their jobs and struggle to pay for rent and food for themselves and their families. In essence, many Californians are struggling just to survive. This is 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.

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### 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 polled support a tax on extreme wealth. It is clear that the 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, [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* who have long benefitted from inequitable economic policies.

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### SOLUTION

Pass ACA 8 and AB 310 in order to 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 – half of which will come directly from the 170 billionaires in the state.

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

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California Federation of Teachers (Sponsor)  
AFSCME, California  
California Labor Federation  
California Nurses Association  
Harvey Milk LGBTQ Democratic Club  
United Food and Commercial Workers (UFCW)  
Service Employees International Union (SEIU)  
SF Berniecrats

## CONTACT

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