Initiative 25-0024

**KAUFMAN LEGAL GROUP**
A PROFESSIONAL CORPORATION



October 21, 2025

Attorney General Rob Bonta
c/o Anabel Renteria, Initiative Coordinator
Office of the Attorney General
1300 I Street, 17th Floor
Sacramento, CA 95814-2919

**Re:** **Request for Circulating Title and Summary**
**The "2026 Billionaire Tax Act"**

Dear Attorney General Bonta:

We serve as counsel for the proponents of the enclosed proposed statewide initiative, the "2026 Billionaire Tax Act." The proponents of the proposed initiative are:

- Jim Mangia
- Suzanne Jimenez

On their behalf, I am enclosing the following documents:

- Proponents' Requests for Circulating Title and Summary
- Proponents' certifications pursuant to Elections Code sections 9001(b) and 9608
- A check in the amount of $2,000.00
- Text of the "2026 Billionaire Tax Act" Initiative

All official correspondence relative to this proposed initiative should be directed to:

George M. Yin
c/o Kaufman Legal Group
445 S. Figueroa Street, Suite 2400
Los Angeles, CA 90071
Tel: (213) 452-6565
E-mail: gyin@kaufmanlegalgroup.com

If you have any questions, please do not hesitate to contact me.

Very truly yours,

Gary S. Winuk

Emclosures

October 21, 2025

Attorney General Rob Bonta
c/o Anabel Renteria, Initiative Coordinator
Office of the Attorney General
1300 I Street, 17th Floor
Sacramento, CA 95814-2919

**Re: Request for Title and Summary for Proposed Initiative**

Dear Attorney General Bonta:

Pursuant to Article II, Section 10(d) of the California Constitution, I submit the attached proposed Initiative, entitled the "2026 Billionaire Tax Act" to your office and request that your office prepare a title and summary. Included with this submission is the required proponent certifications pursuant to sections 9001 and 9608 of the California Elections Code, along with a check for $2,000.00.

As a proponent of this initiative, I hereby designate George Yin, Gary S. Winuk, Elizabeth Harte, the attorneys of Kaufman Legal Group, and their designees, as my representatives for all purposes related to qualifying this initiative. All official correspondence relative to this initiative should be directed to George Yin, Kaufman Legal Group, 445 S. Figueroa Street, Suite 2400 Los Angeles, CA 90017, E-mail: gyin@kaufmanlegalgroup.com.

My "public contact information" relative to this initiative is:

Jim Mangia
c/o Kaufman Legal Group
445 S. Figueroa Street, Suite 2400
Los Angeles, CA 90071
Tel: (213) 452-6565
E-mail: gyin@kaufmanlegalgroup.com

Thank you for your assistance.

Very truly yours,

Jim Mangia
Proponent

October 21, 2025

Attorney General Rob Bonta
c/o Anabel Renteria, Initiative Coordinator
Office of the Attorney General
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Sacramento, CA 95814-2919

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My "public contact information" relative to this initiative is:

Suzanne Jimenez
c/o Kaufman Legal Group
445 S. Figueroa Street, Suite 2400
Los Angeles, CA 90071
Tel: (213) 452-6565
E-mail: gyin@kaufmanlegalgroup.com

Thank you for your assistance.

Very truly yours,

Suzanne Jimenez
Proponent

## THE 2026 BILLIONAIRE TAX ACT:

The People of California do enact as follows:

**Sec. 1. Title.**

This Act shall be known, and may be cited, as the 2026 Billionaire Tax Act.

**Sec. 2. Findings.**

(a) Federal health care cuts threaten billions of dollars in annual funding for California's Medicaid program (which in California is known as Medi-Cal), putting tremendous financial pressure on the health care safety net and jeopardizing the stability of the entire health care system in California.

(b) Both the Governor and the Department of Health Care Services cite potential federal cuts of more than $30 billion annually in Medi-Cal funding due to the implementation of H.R. 1, shifting costs to the state and local governments. The impact threatens to end health care coverage altogether for millions of Californians, while impeding access to care for the rest of the almost 15 million low-income Californians with Medi-Cal.

(c) Federal and state Medi-Cal cuts worsen the safety-net's already dangerous position, as small and rural hospitals struggle to stay open and communities lose emergency departments and maternity care.

(d) Medicaid funding is also essential to preserving access to primary care providers such as community health centers, which are struggling based on cuts already implemented that threaten their ability to serve their patients. Primary care helps people stay healthy and manage chronic conditions such as asthma, diabetes, and heart disease, reducing emergency room visits and hospitalizations.

(e) Losing access to care harms California families and their communities. Medicaid coverage saves lives, improves population health, and reduces the burden of medical debt.

(f) Reduced funding for Medi-Cal means that health care providers such as hospitals and clinics may offset losses from uncompensated care by cutting services or laying off staff, worsening quality and access to care for all Californians.

(g) In addition, the federal government has threatened to withhold millions of dollars in grant funds to California public schools, which are already among the nation's most underfunded. Recent state budget shortfalls for public schools

add to uncertainty and the risk of future cuts, while investment in schools contributes to overall population health.

(h) California has around 200 billionaires who together hold a staggering $2 trillion in wealth. These billionaires pay less than 1.5% of their total wealth in annual state taxes, according to economic estimates—a small fraction of what other Californians pay.

(i) The great wealth that billionaires control allows them to avoid taxes ordinary Californians cannot. Billionaires often own stocks, businesses, or properties that increase in value over their lives. Normally, when someone sells these assets, they pay taxes on the profits. But many billionaires have no need to sell because their assets are so vast. Meanwhile, other tax rules mean that those who inherit millions or billions owe nothing in income taxes on those gains. In addition, many billionaires engage in transactions that shift the location of their wealth on paper but not in reality, further enabling them to escape tax on profits earned while they in fact reside in California.

(j) Academic researchers have described how to close these billionaire loopholes in a way that preserves wealth, protects the State and its economy, and does not overburden the capacity of taxpayers or state administrators. *See* Brian Galle, David Gamage, and Darien Shanske, *Money Moves: Taxing the Wealthy at the State Level*, 113 California Law Review 635 (2025).

(k) There are more than 19 million taxpayers in California who are not billionaires. They include working-class individuals such as nurses, teachers and firefighters, as well as wealthier taxpayers such as highly compensated professionals, entrepreneurs, and tech industry workers. All of these Californians pay tax on a much larger portion of their true economic income than the state's billionaires do, with billionaires paying 20% less than the average taxpayer. *See* Akcan Balkir, Emmanuel Saez, Danny Yagan, and Gabriel Zucman, *How Much Tax do US Billionaires Pay? Evidence from Administrative Data*, National Bureau of Economic Research Working Paper No. 34170 (2025). Indeed, most middle-class Californians with wealth already pay an annual wealth tax of about 1%—this is the property tax.

(l) Since the 1980s, the wealth of billionaires has grown by an average 7% each year, far outpacing the growth in wages and savings for ordinary Californians. The collective wealth of California billionaires has surged from $300 billion in 2011 to $700 billion in 2019 to over $2 trillion in 2025. The wealth tax imposed by this Act will collect less from billionaires than they typically gain from just a single year's increase in their fortunes. Even after paying the tax, California billionaires will keep growing richer year after year.

(m) According to leading economists, billionaire wealth is more concentrated in California than in the United States overall. As a result, the State is uniquely positioned to address the well-documented crisis of wealth inequality in the United States.

(n) A one-time 5% tax on California billionaires in this emergency situation, where the state budget is facing significant cuts to health care and education, is also fair because billionaires have used state resources to create their enormous wealth and were the largest beneficiaries of the federal legislation that contributed to the current California budget crisis.

**Sec. 3. Purpose and Intent.**

(a) The chief purpose of this Act is to address the anticipated annual $30 billion state budget shortfall for health care through a tax on billionaire wealth, and to protect health care access, quality, and equity, while also supporting funding for public education.

(b) Revenues from this Act are intended to be spent for the current funding emergencies.

(c) An additional purpose of this Act is to begin to address the fundamental unfairness caused by the fact that a large percentage of billionaire wealth is never taxed by the State, because of billionaires' unique ability to control the timing, location, and amount of income tax that they pay.

(d) This Act is designed to make the State tax system more equitable, while imposing a narrowly applicable new tax that is administratively feasible and efficient to enforce against all billionaires in the State.

(e) This Act is intended to treat similarly situated taxpayers and assets similarly, except to the extent that sound tax policy requires otherwise.

**Sec. 4. Section 37 is added to Article XIII of the California Constitution, to read:**

**Sec. 37.**

(a) This Section authorizes and enables a one-time tax on the accumulated wealth of California billionaires, which shall be known as the 2026 Billionaire Tax Act. Notwithstanding any other provision of the Constitution, the Act provides for taxation on all forms of personal property and wealth, whether tangible or intangible, and allows for the classification of personal property and wealth for differential taxation or for exemption, for the purpose of imposing the one-time tax on the wealth of California billionaires. Personal property and wealth that is

so taxed includes, but is not limited to, shares of capital stock, bonds or other evidences of indebtedness, and any legal or equitable interest therein.

(b) The 2026 Billionaire Tax Reserve Account Fund ("Reserve Account") is hereby created in the State Treasury.

(1) All revenues from the 2026 Billionaire Tax Act—including taxes, interest, and penalties, and less refunds—shall be deposited in the State Treasury to the credit of the Reserve Account.

(2) It is the intent of the People, through the creation of the Reserve Account, to provide for the continued funding of state-funded health care programs including Medi-Cal and other programs that promote health care access, as well as public education programs.

(3) After accounting for administrative expenses as provided in paragraph (5), moneys in the Reserve Account shall be appropriated by the Legislature exclusively as follows:

(A) Ninety percent for health care-related programs, as follows:

(i) To restore any reductions in federal funding or state appropriations to Medi-Cal and other health coverage programs for low- and moderate-income individuals; including reductions to health care access, benefits, funding, programs, services, and payments to providers; and

(ii) To provide financial support for safety net health care providers that serve vulnerable populations, in order to prevent facility closures or reductions in service levels, including by providing additional funding for health care access for Medi-Cal and low- and moderate-income individuals.

(B) Ten percent for education-related programs, including to restore any reductions in federal funding or state appropriations, or to make investments to protect the kindergarten through grade twelve public education system.

(4) Expenditures from the Reserve Account will be limited to $25 billion each fiscal year. The Legislature shall have the authority to retain amounts in reserve if it determines that such amounts are needed.

(5) The Franchise Tax Board shall be annually reimbursed up to $15 million from the Reserve Account for actual and necessary costs in administering its duties under this Act and for evaluating their efficacy. Any interagency

agreements entered into by the Board for administration of this Act shall be covered by the amount provided in this paragraph.

(6) Upon enactment of the 2026 Billionaire Tax Act and each fiscal year thereafter that the Reserve Account is in existence, the Department of Finance, in consultation with relevant state agencies, shall provide to the Legislature all the following information:

(A) The current balance in the Reserve Account as of the reporting date;

(B) The estimated revenue to be generated for the Reserve Account for the current fiscal year, and for the period for which the 2026 Billionaire Tax Act is anticipated to generate revenues for the Reserve Account;

(C) The estimated and, where reasonably determinable, actual amounts required to restore reductions in federal funding and state appropriations, as defined in paragraph (12);

(D) Proposed expenditures from the Reserve Account for the coming fiscal year intended to restore reductions in federal funding and state appropriations as defined in paragraph (12);

(E) Past expenditures, if any, from the Reserve Account, and their allocations;

(F) The amount, if any, recommended to be held in reserve for subsequent fiscal years based on anticipated future reductions in federal funding and state appropriations; and

(G) A certification that moneys from the Reserve Account are not being used to supplant or replace state funding that would otherwise be appropriated.

(7) The appropriation of moneys from the Reserve Account shall not be used as justification for reducing, eliminating, or failing to increase other state appropriations for health care or education programs. The appropriation of funds from this measure shall not be used to supplant existing state funds for health care or education programs.

(8) Notwithstanding any other law, the Reserve Account is a special fund, permanently separate and apart from the General Fund or any other state fund or account. The taxes and the moneys resulting from the 2026 Billionaire Tax Act shall not be considered to be part of the General Fund, as that term is used in Chapter 1 (commencing with Section 16300) of Part

2 of Division 4 of Title 2 of the Government Code; and shall not be considered "General Fund revenues," "state revenues," "moneys," or " proceeds of taxes" for purposes of Sections 8 or 8.5 of Article XVI of the California Constitution and their implementing statutes. Any revenue raised through the 2026 Billionaire Tax Act shall also not be considered "personal income taxes paid on net capital gains" for purposes of Article XVI, Sec. 20. The taxes levied by this Act are not "ad valorem taxes on real property" for purposes of Article XIIIA, Sec.1. This paragraph does not change the character of the taxes and the moneys resulting therefrom as "state revenues" or "state tax revenues" for purposes of Title XIX and Title XXI of the Federal Social Security Act. Notwithstanding Section 16305.7 of the Government Code, any interest or dividends earned on moneys in the Reserve Account shall be retained in the Reserve Account and used solely for the specific purposes set forth in this subdivision.

(9) Except as provided in Sections 16310 and 16381 of the Government Code as those sections read on January 1, 2025, moneys in the Reserve Account shall not be borrowed, loaned, or otherwise transferred to the General Fund or any other state or local fund or account. Moneys deposited into the Reserve Account shall only be used for the specific purposes set forth in this subdivision. Action shall not be taken that permanently or temporarily changes the status of the Reserve Account or borrows, diverts, or appropriates the moneys in the Reserve Account in a manner inconsistent with this subdivision.

(10) In order to provide for the purposes set out in this subdivision, which includes making regular expenditures at the earliest feasible date, and notwithstanding any other provision of this Constitution, including Article XVI, Sec. 1, the State may incur a short-term obligation for up to three years in anticipation of the tax proceeds of the 2026 Billionaire Tax Act. Interest and other administrative expenses from any such borrowings may be paid out of the proceeds of the 2026 Billionaire Tax Act.

(11) The Reserve Account shall be closed when all revenues from the 2026 Billionaire Tax Act are collected and spent.

(12) For purposes of this subdivision,

(A) "Reductions in federal funding" and other references to reductions or cuts in federal funding mean any decrease in federal financial participation, grants, payments, reimbursements, or other federal funding provided to California for health care or education programs, when compared to state fiscal year 2024-25 levels, adjusted for inflation, including but not limited to: (i) Reductions in Federal Medical Assistance Percentages (FMAP) or Federal Medicaid

Assistance Percentages; (ii) Changes in federal eligibility rules that reduce covered populations; (iii) Reductions in federal discretionary appropriations; (iv) Caps or limitations on federal provider taxes or directed payments; (v) Work requirements or other administrative conditions that reduce enrollment; (vi) Reductions in retroactive coverage periods; (vii) Implementation of H.R. 1, 119th Cong. (2025), Pub. L. No. 119-21, 139 Stat. 72 (2025); or (viii) Other reductions in federal funding that threaten or cause reductions in Medi-Cal coverage, access, benefits, funding, programs, services and payments to providers, or to statewide education funding, or to the health care safety net more generally.

(B) "Reductions in state appropriations" or other references to reductions or cuts in state appropriations mean a decrease in appropriations for any and all statewide health care or education programs below state fiscal year 2024-25 levels that result in reductions to Medi-Cal coverage, access, benefits, funding, programs, services, and payments to providers, unless these reductions are caused by documented caseload, enrollment, or population declines that are independent of federal funding reductions or state appropriations reductions.

**Sec. 5. Part 27 is added to the Revenue and Taxation Code, to read:**

**Part 27. 2026 Billionaire Tax Act**

**Chapter 1. Imposition of Tax on Personal Wealth in Excess of $1 Billion in Net Worth**

**50300.**

This part shall be known, and may be cited, as the 2026 Billionaire Tax Act.

**50301.**

(a) An excise tax is imposed for tax year 2026 on the activity of sustaining excessive accumulations of wealth by applicable individuals with net worth of $1 billion dollars ($1,000,000,000) or more, and on applicable trusts. For purposes of this Section and for Section 18501 respecting the filing of returns, a married couple shall be considered as one individual.

(b) For individuals and trusts on whom tax is imposed under subdivision (a), the tax imposed is 5 percent of the net worth of such individual or trust. In the case of an individual (other than a trust) having net worth less than $1.1 billion ($1,100,000,000), the tax imposed by this Section shall be reduced by 0.1 percentage point (but not below zero) for each $2 million ($2,000,000) by

which such person's net worth falls below $1.1 billion ($1,100,000,000). In the case of an individual (other than a trust), who opts to initiate an Optional Deferral Account ("ODA") (pursuant to Section 50304), assets attached to the ODA are not subject to tax under this Section until specified by Section 50304.

(c) Except as provided in subdivision (b), any additional tax payable as a result of Section 50301 or Section 50304 for any tax year shall be reported with, and is due at the same time as, the annual income taxes of a taxpayer under Part 10 (commencing with Section 17001). A taxpayer owing any additional tax imposed under this Section shall have the option either to (1) pay any tax due under this Part along with any income tax owed for the 2026 tax year; or (2) pay annually in five equal installments with each subsequent annual installment payment also being subject to an annual nondeductible deferral charge of 7.5 percent of the remaining unpaid balance.

(d) At the time a return is filed pursuant to Section 18501 (relating to the filing of an income tax return) for the 2026 tax year, every California resident individual required to file shall:

(1) Declare that the individual's net assets were worth less than or equal to $1 billion ($1,000,000,000) at the end of the day on December 31, 2026 (the date of valuation); or

(2) Submit a declaration of the amount of any additional tax that is owed under this Part, together with any forms created by the Franchise Tax Board for calculating any additional tax owed under this Part, along with any required appraisals or other evidence of fair market value. In the case of an applicable individual who is not required to make a return under Section 18501, such individual shall submit, at the time and in the manner for filing otherwise required for the making of an income tax return, the declaration, forms, appraisals, or evidence described in this paragraph.

**Chapter 2. Computation of Net Worth**

**50302.**

Debts and other liabilities owed by the taxpayer shall be taken into account for purposes of determining the taxpayer's net worth. Only genuine debts and liabilities shall be taken into account. In addition, debts and liabilities shall be taken into account subject to the following limitations:

(a) Recourse debts for which the taxpayer is fully personally liable, without any limitations other than those arising from bankruptcy law, shall be fully taken into account.

(b) In the case of debts other than recourse debts described in subdivision (a), for each such debt or liability, the amount that may be taken into account shall not exceed the amounts included in the taxpayer's net worth on account of the assets serving as collateral for the debt or liability.

(c) Debts and other liabilities of a taxpayer's sole proprietorship shall reduce net worth as if they were debts or other liabilities of the taxpayer. The taxpayer's net worth shall not be reduced by the amount of debts or other liabilities of a partnership, limited liability company, or other business entity (other than a sole proprietorship) which are allocated to the taxpayer for purposes of computing tax, except to the extent that the taxpayer is personally liable for such debt or other liability.

(d) A taxpayer's net worth shall not be reduced by the taxpayer's guarantee of another's debts or other liabilities.

(e) No debt or liability, including recourse debts described in subdivision (a), shall reduce net worth if the debt or liability is owed to a related person or persons; or if the existence or amount of the liability is contingent on future events that are substantially uncertain to occur or that are substantially uncertain to occur within the subsequent five years; or if the debt or liability was not negotiated for at arm's length. Additionally, no amounts shall be taken into account for any such debt or liability unless market rates of interest are being charged to the taxpayer.

(f) A pledge to make a subsequent contribution to a charitable or philanthropic organization shall not reduce net worth unless such pledge is legally enforceable by the organization to which such contribution is pledged, and in any event no such pledge may reduce net worth if such pledge is entered into after October 15, 2025.

(g) Any debts or liabilities of a taxpayer in exchange for which the taxpayer is entitled to receive future benefits or future ownership rights, such as a contractual obligation to contribute to an entity at a future date, shall only reduce net worth to the extent that:

(1) The value of those future benefits or ownerships rights is included in the taxpayer's net assets; or

(2) The taxpayer can demonstrate that the amount owed under the debt or liability is in excess of any future benefits or ownership rights that are not included in the taxpayer's net assets.

(3) In the case of a legally enforceable pledge to make a subsequent contribution to a charitable or philanthropic organization, the value of any

future benefits received in exchange shall be zero, except to the extent that such benefits would constitute a substantial benefit for purposes of determining the contributor's charitable contribution deduction.

**50303.**

(a) Unless otherwise specified by the Board, and except as otherwise specified in this Section, the fair market value of each asset owned by a taxpayer is the price at which the asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, and both having reasonable knowledge of relevant facts. The location of an asset shall be taken into account wherever appropriate. For an asset that is generally obtained by the public in the retail market, the fair market value of the asset is the price at which the item or a comparable item would be sold at retail. The fair market value of an asset shall not be:

(1) The price that a forced sale of the property would produce; or

(2) The sales price in a market other than that in which the property is most commonly sold to the public, if the price in such market would result in a lower fair market value, except in the case of property subject to Section 423, relating to the valuation of restricted open-space land.

(b) Any feature of an asset, such as a shareholder rights plan, shall not be taken into account in determining the asset's value where a significant purpose and effect of adding the feature is to reduce the appraised value of the asset. No valuation or other discount shall be taken into account if such discount would have the effect of reducing the value of a partial interest in an asset below the taxpayer's pro rata portion of the value of the entire asset.

(c) The following valuation methods, exclusions, and reporting requirements shall apply to the following specific asset types:

(1) For all publicly traded assets, the fair market value of the asset shall be presumed to be the asset's market trading value at the end of the individual's tax year.

(2) For all sole proprietorships, all assets owned by or held through a sole proprietorship shall be reported and valued as though they were directly owned and held by the taxpayer and not through a sole proprietorship.

(3) Except assets and entities governed by paragraphs (1) and (2), for all interests in any business entities, including all equity and ownership interests, all debt interests, and all other contractual or noncontractual interests, valuation shall be conducted as follows:

(A) The taxpayer shall report the following at the time when forms are filed pursuant to this Chapter:

(i) The percentage of the business entity owned by the taxpayer,

(ii) The book value of the business entity as of the end of the tax year, determined according to generally accepted accounting principles; and

(iii) The book profits of the business entity in the tax year according to generally accepted accounting principles. For purposes of this paragraph, "the tax year" of the business entity means the latest tax year of the business entity ending within or with the tax year of the taxpayer.

(B) If the reporting required under subparagraph (A) is impossible because the taxpayer lacks information on the book value or the book profits of the business entity and also lacks the right to obtain that information, the taxpayer must submit a certified appraisal of all of the taxpayer's interests in the business entity.

(C) For any interests that confer voting or other direct control rights, the percentage of the business entity owned by the taxpayer shall be presumed to be not less than the taxpayer's percentage of the overall voting or other direct control rights.

(D) For any profits interests in a business entity, the percentage of the entity owned by the taxpayer shall be presumed to be not less than the maximum such percentage interest of the entity's profits the taxpayer may earn, without respect to whether such profits interest is subject to a condition precedent that has not yet been met.

(E) Except for assets and entities governed by paragraphs (1) and (2), for all other interests in any business entities including all equity and other ownership interests, all debt interests, and all other contractual or noncontractual interests, the fair market value of those interests at the end of any tax year shall be presumed to be the sum of the book value of the business entity according to generally accepted accounting principles as of the end of the tax year plus a present-value multiplier of 7.5 times the annual book profits of the business entity—as averaged over the current tax year and the preceding two tax years—according to generally accepted accounting principles, with this entire sum then multiplied by the percentage of the business entity owned by the taxpayer as of the end of the tax year. In the case of a private equity entity, this value shall not be less than the sum of

the value (as determined under this subdivision) of each entity owned by the private equity entity, over the liabilities (other than profits interests) of the private equity entity. The Board may permit a taxpayer to compute book value and book profits using an accounting method other than generally accepted accounting principles if the business to be valued consistently maintains its books and records and reports income and expenses using such other method.

(F) If the taxpayer or the Board can demonstrate with clear and convincing evidence that the presumed value under subparagraphs (C), (D), or (E) would substantially overstate or understate the actual value of the business entity owned by the taxpayer or the percentage owned by the taxpayer, the taxpayer or the Board may instead submit a certified appraisal of the percentage of the business entity owned by the taxpayer and then use the certified appraisal value in place of the presumed percentage method.

(4) All interests in any real property held directly by a taxpayer or held via a revocable trust shall not be included in net worth. To the extent valuation of real property is required, the value used for calculating the property factor of the Corporate Income Tax, under Section 25129, is to be used.

(5) Tangible personal property located outside California is excluded if located outside California for at least 270 days during 2026, except that an asset shall not be so excluded if relocated temporarily with a substantial purpose of avoiding tax.

(6) For all interests in trusts, net worth shall be determined as follows:

(A) An individual's net worth includes the net worth of any grantor trust of that individual;

(B) For purposes of determining whether an individual's net worth is in excess of $1 billion ($1,000,000,000) or $1.1 billion ($1,100,000,000) under subdivision (a) of Section 50301, net worth shall include the value of property held by any trust (other than a grantor trust or tax-exempt trust) to which the individual transfers or has transferred property. To the extent consistent with the U.S. and California Constitutions, net worth shall for all purposes include the value of property held by any trust (other than a grantor trust or tax-exempt trust) to which the individual transfers property in 2026, and seventy-five percent of the value of such property transferred in 2025. If more than one individual has transferred property to any such trust, the contributing individual's net worth, for whatever purpose considered, shall be increased by a proportion of the value of the trust

property, where that proportion is equal to the share of the value of all property transferred to the trust that was transferred by that individual.

(C) In the case of the beneficiary of a trust, whether or not the trust is resident in California, the beneficiary shall be deemed the owner of the trust's assets to the extent that the assets are distributable to the beneficiary, whether distributed or not. However, a trust beneficiary shall not be deemed the owner of any trust asset if the trust is an applicable trust.

(7) The following categories of assets shall be exempt from all taxation under this part and also from the reporting requirements of this Section:

(A) Except as described in subparagraph (B), qualified pensions and individual retirement arrangements, including those described by Section 219(g)(5) of the Internal Revenue Code, or foreign pension arrangements similar in nature to those described in that Section and exempted from U.S. taxation by a treaty obligation of the United States.

(B) Amounts held in Roth IRA or other Roth-type retirement arrangements or any substantially similar accounts, except to the extent that the aggregate value in all such accounts in which the taxpayer holds a beneficial interest, either directly or indirectly, exceeds $10 million ($10,000,000) in present value.

(C) Nonqualified deferred compensation, and any other promises of future payments specified by the Board, except that any pension, deferred compensation amount, or other payment for goods or services, not described in subparagraphs (A) and (B), shall be treated as a taxable asset of the taxpayer if:

(i) Under the terms of a compensation arrangement, plan, contract, or other arrangement providing for payment (other than a contingent profits interest), the taxpayer has a legally binding right as of the end of the tax year to such payment;

(ii) The compensation has not been actually or constructively received on or before the end of the year; and

(iii) Pursuant to the compensation arrangement, the payment is payable to, or on behalf of, the taxpayer on or after the end of the year.

(D) Except assets exempted or excluded, a taxpayer must treat assets described in this paragraph as though they were held directly, and not in a tax-favored account.

(E) In the case of a defined benefit plan, an amount equal to the present value of the taxpayer's accrued benefit on the last day of the tax year is treated as included by the taxpayer in the taxpayer's net worth.

(8) The Board shall adopt regulations regarding the taxability of receivables and similar assets under this Chapter and all receivables shall be included in net worth under this Chapter until the Board has adopted those regulations. Pursuant to the requirements of this subdivision, the Board may exempt those assets from all taxation under this Chapter and from the reporting requirements of this Section. In adopting rules on the taxability of receivables under this Chapter, the Board shall consider whether a taxpayer is reasonably likely to receive payment from a particular type of receivable.

(9) For all other assets, including art and collectibles, financial instruments other than those that are publicly traded, intellectual property rights, debts and other liabilities owed to the taxpayer (other than those that are publicly traded), and vehicles and other personal property, the taxpayer may exclude up to $5 million ($5,000,000) of total asset value of those assets from net worth and from the reporting requirements of this Section. With the exception of assets so excluded, a taxpayer must report the fair market value of those assets, and for each asset or group of substantially interchangeable assets (such as derivative contracts relating to the same underlying security) worth in excess of $1 million ($1,000,000), the taxpayer shall submit a certified appraisal.

(10) In no case shall the value of an asset be determined to be less than the amount for which such asset is insured. In the case of a business entity, in no case shall the value of such entity be less than the valuation reflected in any funding round or other sale of equity occurring within two years of the valuation date, unless the taxpayer can show by clear and convincing evidence that such valuation would significantly overstate the value of the entity.

(11) Net worth shall include the value of any property the individual transferred (other than property transferred to a trust described above) for less than fair market value after October 15, 2025, if such property either considered alone or together with other substantially interchangeable transferred items has a fair market value in excess of $1 million ($1,000,000). An asset included in the net worth of the transferor as a

result of this subparagraph shall not be included in the net worth of the transferee.

(12) Any assets of a person who can be claimed as a dependent that are in excess of fifty thousand dollars ($50,000), shall be deemed to be assets of the taxpayer who can claim them as a dependent.

## Chapter 3. Optional Deferral Accounts for Qualifying Liquidity Constrained Taxpayers

### 50304.

(a) The Board shall develop an optional deferral account contract and related forms for an optional deferral account ("ODA") in order to create a binding contractual agreement between a taxpayer and the State. A qualifying taxpayer may opt to sign the contract to initiate an ODA under this Chapter. To be a qualifying taxpayer, an individual must file a declaration that the amount of additional tax that would be owed as a result of this Chapter (without the use of an ODA) would exceed the sum of the combined value of all of the taxpayers' assets which are subject to the valuation rules of paragraph (1) of subdivision (c) of Section 50303; that is, only individuals who would owe additional tax as a result of this Chapter in excess of the combined total value of all of the individual's publicly traded assets shall be qualifying taxpayers. As part of this contract, the qualifying taxpayer opting to initiate an ODA shall agree to:

(1) File all annual informational returns and forms as described and specified in this Section;

(2) Reconcile and pay all tax liabilities that may arise as a result of the ODA; and

(3) Be subject to personal jurisdiction in this State for purposes of the collection of any tax imposed by this Part and of satisfying any reporting requirements imposed by this Part, together with any related interest or penalties imposed on the taxpayer by this State, with respect to the ODA.

(b) The contract shall be legally binding on the taxpayer, and also on the taxpayer's estate and assigns, until such time as either the taxpayer or the taxpayer's estate or assigns reconciles and appropriately closes the ODA by fully liquidating the accumulated tax claims and then paying all tax due on the liquidated tax claims.

(c) A taxpayer may maintain only one ODA. A taxpayer may only attach assets or groups of assets to an ODA to the extent that the amount of additional tax that would be owed as a result of Section 50301 (without the use of an ODA) would exceed the sum of the combined value of all of the taxpayers' assets subject to

the valuation rules of paragraph (1) of subdivision (c) of Section 50303. In order to attach any assets or groups of assets to an ODA, a taxpayer shall report:

(1) The year in which the ODA was initiated; and

(2) A list of all assets or groups of assets to which the ODA is to be attached for the current year.

(d) If a taxpayer has initiated an ODA, until that ODA has been reconciled and closed, the taxpayer shall annually report any material distribution transactions made with regard to the ODA, and shall complete and file any forms provided by the Board for that purpose. The taxpayer shall continue to annually make such reports until the taxpayer has reconciled the ODA so as to fully liquidate the accumulated tax claims and to then pay all tax owed on such liquidated tax claims. As a component of the legal contract signed by the taxpayer upon initiating an ODA, such reporting requirements shall continue even if and after the taxpayer is no longer a resident of California and shall then be enforced as a legally binding contract with the State. Failure to make annual reports and file any required forms shall be treated as a breach of contract and shall also be subject to the same penalties as a failure to file income tax forms for California residents who are required to file income tax forms. Upon the death of any taxpayer who has initiated an ODA that has not been fully reconciled and closed, that taxpayer's estate and assigns shall be required to reconcile the ODA so as to fully liquidate the accumulated tax claims and to then pay all tax owed on such liquidated tax claims, treating these claims as an unpaid tax liability of the taxpayer owed to the State.

(e) The taxpayer's accumulated unliquidated tax withholding percentage shall be equal to five percent.

(f) The following withdrawals and transactions shall be deemed to be material distribution transactions that the taxpayer must report annually:

(1) A withdrawal of money, property, or other value from any assets to which the ODA is attached; and

(2) A transaction with the taxpayer, or a related person to the taxpayer, that has the effect of transferring any assets or value of assets to which an ODA is attached without also transferring the ODA obligations.

(g) Notwithstanding subdivision (f), a material distribution transaction shall not include ordinary and necessary transactions for maintaining or increasing the value of assets to which an ODA is attached and that would not have the effect

of distributing any profits, dividends, or other payments to owners for the use of capital, or similar transfers.

(h) The Board shall provide guidance for specifying what sorts of transactions are to be treated as material distribution transactions and for specifying that transfers made in the ordinary course of a trade or business and exchanges of non-readily tradable assets shall not be treated as material distribution transactions. For any such material distribution transactions, the taxpayer shall report the fair market value withdrawn from the assets to which the ODA is attached or otherwise transferred or used for the benefit of the taxpayer or of a related person.

(i) The taxpayer shall multiply the taxpayer's accumulated unliquidated tax withholding percentage by the fair market value, as determined under Section 50303, of all material distribution transactions for the tax year. There shall be a tax imposed on the taxpayer in the amount of the resulting product. Any additional tax payable as a result of this Section for any tax year shall be payable along with any income tax owed for that tax year.

(j) Any taxpayer maintaining an ODA who has had any material distribution transactions either in the current year or in any prior year shall annually report all of:

(1) The year in which the ODA was initiated;

(2) A list of all assets or groups of assets to which the ODA is currently attached or to which the ODA has ever been attached; and

(3) The taxpayer's running total of the aggregate fair market value of all material distribution transactions made with respect to the ODA.

(k) If, in any year, a taxpayer who has previously initiated an ODA sells, disposes of, or otherwise terminates all of the taxpayer's interests in the ODA and in all assets to which the ODA is attached, then after paying any tax owed as a result of any such transactions that are material distribution transactions, as specified in subdivision (f), the ODA is fully liquidated. At the end of any tax year, a taxpayer who has previously initiated an ODA may elect to close that ODA by filing a form provided by the Board. The taxpayer shall then reconcile the ODA pursuant to subdivision (l).

(l) Prior to closing an ODA, a taxpayer shall withdraw any assets to which the ODA is attached and treat those withdrawals as material distribution transactions pursuant to this Section. Section 50303 shall govern the determination of the fair market value of any assets withdrawn from an ODA. As used in this Section, the term "taxpayer" shall also include any estate or

assigns of a taxpayer made liable under this provision for satisfaction of the taxpayer's ODA.

**Chapter 4. Certified Appraisals**

**50305.**

(a) Any appraiser making a certified appraisal for the purposes of this Part shall send a copy of that certified appraisal to the Board, along with information sufficient for identifying the taxpayer for whom the certified appraisal was prepared, and shall follow any applicable rules or other relevant instructions adopted by the Board.

(b) The Board shall adopt regulations, or publish guidance, further detailing the requirements for certified appraisals and for appraisers qualified to make certified appraisals for purposes of this Chapter. Rules and guidance shall be based on the qualified appraisal and qualified appraiser rules of Section 1.170A-17 of Title 26 of the Code of Federal Regulations.

(c) In the case of any underpayment of tax attributable to a substantial or gross overstatement or understatement of valuation in a certified appraisal, the Board may at its discretion impose a penalty on the appraiser, as if such appraiser were "the taxpayer" for purposes of Section 50312, but no such penalty shall exceed 2 percent of the understatement of tax (in the case of substantial overstatement or understatement of valuation) or 4 percent of the understatement of tax (in the case of gross overstatement or understatement of valuation).

**Chapter 5. Apportionment and Credits**

**50306.**

As for apportionment of the tax imposed by this part between multiple jurisdictions, the rules of this Section shall apply. The rules in this Chapter supersede other rules, including the rules concerning the division of income for purposes of part-year residence. In the case of a resident individual who was not a California resident (as determined by Section 17014) in any tax year prior to January 1, 2025 (or in the case of a married couple, both of whom were not such residents), or in the case of an applicable individual who is not a resident individual (or in the case of a married couple, both of whom are applicable individuals and are not resident individuals) any resulting tax under Sections 50301 and 50304 of this Act shall be multiplied by seventy-five percent.

**50307.**

(a) There shall be allowed as a credit against the tax imposed by this Part an amount equal to the taxpayer's pro rata share of any taxes paid on a tax on net wealth that is also taxed under this Part, where the pro rata share shall be the ratio in which the numerator shall be the total number of days the taxpayer resided within the other taxing state or jurisdiction and the denominator shall be 365. For removal of doubt, because directly-held real property is not taxed under this Part, no credits are allowed under this subdivision for taxes on directly-held real property.

(b) A credit shall additionally be allowed against taxes paid in other jurisdictions to the extent required by the U.S. Constitution.

**Chapter 6. General Provisions and Definitions**

**50308.**

For purposes of this Part, the following definitions shall apply.

(a) "Applicable individual" means any resident individual and all California residents as determined by Section 17014 and any California part-year residents as determined by Section 17015.5, as assessed on January 1, 2025.

(b) "Applicable trust" means any trust (other than a grantor trust or tax-exempt trust), whether or not such trust is a California resident, if an applicable individual still living with net worth of $1 billion ($1,000,000,000) or more (or any entity that would constitute a related person with respect to such individual) has transferred property to such trust. If more than one individual has transferred property to such trust, a portion of the trust shall be treated as an applicable trust, where the portion so treated shall be the same as the proportion of the value of assets transferred to the trust by such applicable individual (or any entity that would constitute a related person with respect to such individual) holds to the total value of assets transferred to the trust. In addition, any trust may elect to be an applicable trust by notifying the Board of such election by any method the Board may designate. An individual with net worth of $1 billion ($1,000,000,000) or more who has transferred property to an applicable trust may elect to treat such trust as part of the net worth of such individual by notifying the Board of such election by any method the Board may designate. In the case of such an election, the trust shall not be separately subject to tax under Section 50301.

(c) "Board" means the Franchise Tax Board.

(d) "Dependent" shall have the same meaning as that term is defined in Section 152 of the Internal Revenue Code.

(e) "Grantor trust" means any trust which would be a grantor trust for purposes of the income tax, and also any trust the assets of which would be included in the estate of the grantor for purposes of federal transfer tax.

(f) "Net worth" means the total value of all assets owned by the taxpayer and their spouse, wherever such spouse is resident, at the end of the day on December 31, 2026, as determined under Section 50303, except to the extent such assets are exempt from taxation under that Section, reduced by the total value of all debts and other liabilities, to the extent such reductions are permitted under Section 50302.

(g) "Optional deferral account" or "ODA" means an unliquidated tax reserve account governed by Section 50304 of this title.

(h) "Person" shall have the same meaning as that term is defined in Section 17007.

(i) "Private equity entity" means a business entity, other than a publicly traded entity, mutual fund, or exchange-traded fund, that engages primarily in the business of investing in other businesses.

(j) "Publicly traded asset" means an asset that is traded on an exchange; traded on a secondary market in which sales prices for such asset are frequently updated; available on an online or electronic platform that regularly matches buyers and sellers; or any other asset that the Board determines has a value that is readily ascertainable through similar means.

(k) "Related person" means any person that is related to the taxpayer under Sections 267 or 318 of the Internal Revenue Code as of January 1, 2025, as well as any other person so specified by regulations adopted by the Board.

(l) "Resident individual" means all California residents as determined by Section 17014 and any California part-year residents as determined by Section 17015.5, as assessed on January 1, 2026.

(m) "Substantial benefit" has the meaning given to that term by the United States Supreme Court in the case of *United States v. American Bar Endowment*, 477 U.S. 105 (1986).

(n) "Tax-exempt trust" means a trust that is exempt from federal income tax under Section 501 of the Internal Revenue Code.

**50309.**

(a) The collection and administration of the tax described in this Part shall be governed by Part 10.2 (commencing with Section 18401) unless expressly superseded by this Part.

(b) The Board shall have the authority to adopt regulations to implement, interpret, make specific, or otherwise carry out any provision of this part.

(1) Such regulations may include, but are not limited to:

(A) Identifying abusive transactions whose aim is to change the nature of an asset from public to nonpublic or vice versa.

(B) Identifying abusive transactions whose aim is to artificially reduce the assessed value of a taxpayer's assets.

(2) Until January 1, 2028, the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) shall not apply to any regulation, standard, criterion, procedure, determination, rule, notice, guideline, or any other guidance established or issued by the Board pursuant to this Part.

(3) Notwithstanding Section 19057 or any other law, every notice of a proposed deficiency assessment under this part in regards to taxable years beginning on or after January 1, 2026, and before January 1, 2027, shall be mailed to the taxpayer within ten years after the return was filed.

(c) Within six months after passage, the Board shall promulgate the forms required for taxpayers to pay the tax imposed by this Part. Those forms may provide for taxpayer attachments demonstrating compliance. The Board shall amend the Personal Income Tax Forms, and amend or create other forms as necessary, for the reporting of assets or other information useful for the implementation of this part.

(d) To the extent not inconsistent with this Chapter, the provisions for the administration, assessment, collection, enforcement, and appeals of the income tax shall apply to the taxation of net worth imposed by this Part.

**50310. Legislative Authority.**

The Legislature may amend the 2026 Billionaire Tax Act, by statute passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, if the statute is consistent with, and furthers the purposes of the 2026 Billionaire Tax Act.

**50311. Severability.**

The provisions of this Act are severable. If any provision of this part or its application is held invalid, unconstitutional, or otherwise unenforceable, that finding shall not affect the enforceability of other provisions or applications.

**50312. Enforcement and Penalties.**

(a) A taxpayer subject to the tax imposed under this Part with a substantial or gross understatement of tax for any taxable year shall be subject to the penalty imposed under this Section. An understatement is substantial if that understatement exceeds the greater of the following:

(1) One million dollars ($1,000,000).

(2) Twenty percent of the tax shown on an original return or shown on an amended return filed on or before the original or extended due date of the return for the taxable year.

(b) An understatement is a gross understatement if that understatement exceeds the greater of the following:

(1) Ten million dollars ($10,000,000).

(2) Forty percent of the tax shown on an original return or shown on an amended return filed on or before the original or extended due date of the return for the taxable year.

(c) The penalties are as follows:

(1) The penalty for a substantial understatement under this Section shall be an amount equal to 20 percent of any understatement of tax. For purposes of this Section, "understatement of tax" means the amount by which the tax imposed by this part exceeds the amount of tax shown on an original return or shown on an amended return filed on or before the original or extended due date of the return for the taxable year.

(2) The penalty under this Section for a gross understatement of tax shall be an amount equal to 40 percent of any understatement of tax.

(d) The penalty imposed by this Section shall be in addition to any other penalty imposed under Part 10.2 (commencing with Section 18401), or any other law.

(e) A refund or credit for any amounts paid to satisfy a penalty imposed under this Section may be allowed only on the grounds that the amount of the penalty is not properly computed by the Franchise Tax Board.

(f) No penalty shall be imposed under this Section on any understatement to the extent that the understatement is attributable to any of the following:

(1) A change in law that is enacted, adopted, issued, or becomes final after the earlier of either of the following dates:

(A) The date the taxpayer files the return for the taxable year for which the change is operative.

(B) The extended due date for the return of the taxpayer for the taxable year for which the change is operative.

(2) For purposes of this subdivision, a "change of law" means a statutory change or an interpretation of law or rule of law by regulation or legal ruling of counsel, within the meaning of subdivision (b) of Section 11340.9 of the Government Code, or a published federal or California court decision.

(3) The Franchise Tax Board shall implement this subdivision in a reasonable manner.

(g) No penalty shall be imposed under this Section to the extent that a taxpayer's understatement is attributable to the taxpayer's reasonable reliance on written advice of the Board, but only if the written advice was a legal ruling by the chief counsel, within the meaning of paragraph (1) of subdivision (a) of Section 21012.

(h) The amount of the understatement under subdivision (a) shall be reduced by that portion of the understatement which is attributable to—

(1) The tax treatment of any item by the taxpayer if there is or was substantial authority for such treatment, or

(2) Any item if—

(A) The relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return, and

(B) There is a reasonable basis for the tax treatment of such item by the taxpayer.

(i) Notwithstanding any other provisions of law, the Board is authorized to hire and pay reasonable fees to any outside experts or outside counsel as appropriate and to help fully administer and collect the tax authorized by this part. While such fees may be covered by the amount provided for in Article XIII, Section

37, the Franchise Tax Board is authorized to seek additional funding for reimbursement if necessary.

**50313. Construction.**

The provisions of this Part shall be liberally construed to effectuate its purposes.

**Sec. 6. Subdivision (d) is added to Section 17220 of the Revenue and Tax Code.**

(d) No deduction shall be allowed for any tax imposed by the State on net worth, including the 2026 Billionaire Tax Act (Part 27 of this Code) notwithstanding any other provision of law, including Section 164(a)(2) of the Internal Revenue Code, relating to the deductibility of taxes on personal property.

**Sec. 7. Conflicts**

This Act provides for a tax on net worth, not income, of billionaires. In the event that this measure and another measure that levies a tax or affects the tax rates on net worth (not income) of billionaires, or that provides for use of funds from a tax on billionaire net worth, shall appear on the same statewide ballot, the provisions of the other measure or measures shall be deemed to be in conflict with this measure. In the event that this measure receives a greater number of affirmative votes than a measure deemed to be in conflict with it, the provisions of this measure shall prevail in their entirety, and any conflicting provisions of the other measure or measures shall be null and void.

**Sec. 8. Proponent Standing**

Notwithstanding any other provision of law, the State, government agency, any of its officials, any other government employer, the proponent, or in the absence of a proponent, any citizen of this State shall have the authority to intervene in any court action challenging the constitutionality of this act for the purpose of defending its constitutionality, whether such action is in trial court, on appeal, or on discretionary review by the Supreme Court of California or the Supreme Court of the United States. The fees and costs of defending the action shall be a charge on funds appropriated to the Attorney General, which shall be satisfied promptly.