

CALIFORNIA PROP 03

Makes permanent existing voter-approved income tax rates for high-income Californians

Purpose

Proposition 3, a constitutional amendment proposed by the legislature, would make permanent the existing voter-approved income tax rates on high-income Californians, which are currently set to expire in 2031, and to allocate the resulting revenues to K-12 schools and community colleges.¹

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Background

The personal income tax is California's largest revenue source. It provides more than half of the state's General Fund, the state's main operating account, which funds public services including education, health care, and corrections. The tax applies to most types of income, such as wages, salaries, interest, and capital gains, which the state treats as ordinary income. California's income tax rates are progressive, starting low and gradually rising for taxpayers with higher incomes.²

Over the past two decades, voters have approved or extended tax increases on high-income earners several times.

- In 2004, voters approved Proposition 63, a 1% surcharge on income taxes of residents with taxable income of more than \$1 million.
- In 2012, amid the fiscal challenges brought on by the Great Recession, California voters approved Proposition 30, which temporarily increased income tax rates on high-income

taxpayers to fund state services and stave off cuts to public education. This measure raised the top marginal rate from 9.3% to 12.3%. Combined with the 1% surcharge, the state's income tax on the highest earners became 13.3% — the highest in the nation.

- In 2016, voters approved Proposition 55, which extended these higher income tax rates through 2030, with 63% voting yes.³

The top 2% of California taxpayers pay these higher rates (10.3% or higher), and these taxpayers now pay about half of all state income taxes. Since Proposition 30's initial passage in 2012, the measure has raised more than \$104 billion for schools and other state services and has become a foundational part of the state's budget and its Rainy Day Fund.⁴

Figure 1 shows the income tax rates for Californians under current law, which will continue if Prop. 3 passes, and how the rates for high-earners will decrease after 2030 if Prop. 3 is rejected.⁵

Figure 1

Personal Income Tax Rates Under Proposition 3

Single Filer's Income	Joint Filers' Income	Marginal Tax Rate		
		Now Through 2030	After 2030, if This Proposal Is...	
			Approved	Rejected
\$0 to \$11k	\$0 to \$22k	1.0%	1.0%	1.0%
\$11k to \$26k	\$22k to \$53k	2.0	2.0	2.0
\$26k to \$41k	\$53k to \$83k	4.0	4.0	4.0
\$41k to \$58k	\$83k to \$115k	6.0	6.0	6.0
\$58k to \$73k	\$115k to \$145k	8.0	8.0	8.0
\$73k to \$371k	\$145k to \$743k	9.3	9.3	9.3
\$371k to \$446k	\$743k to \$892k	10.3%	10.3%	9.3%
\$446k to \$743k	\$892k to \$1.5 million	11.3%	11.3%	9.3%
Above \$743k	Above \$1.5 million	12.3%	12.3%	9.3%

Proposal

Proposition 3, officially titled “The California Children’s Education and Health Care Protection Act of 2026,” would amend Section 36 of Article XIII of the California Constitution to make the higher income tax rates established by Proposition 30 of 2012 permanent instead of letting them expire in 2030.⁶ The measure does not change the existing rates or brackets, which adjust for inflation each year, and it does not increase taxes on individuals earning less than about \$371,000 or couples earning less than about \$743,000 in today’s dollars.⁷

Revenues would continue to be deposited into the Education Protection Account, with 89% of the education funds allocated to K-12 school districts, county offices of education, and charter schools, and 11% allocated to community college districts.⁸ Local school boards would retain the authority to decide how the revenues are spent, provided that spending determinations are made in open session of a public meeting, and none of the funds may be used for administrator salaries or other administrative costs. Each district must annually publish online an accounting of how much money it received and how it was spent, and the funds are subject to an annual independent audit, with elected officials facing prosecution and criminal penalties if they misuse them.⁹ The measure also increases the General Fund revenues available for health care, budget reserves, and other programs, and it directs that in certain years a portion of surplus revenues, up to a maximum of \$2 billion in a single fiscal year, be allocated to health care services for children and their families through Medi-Cal.¹⁰

Fiscal Impact

If the current income tax rates are allowed to expire as scheduled, the California Legislative Analyst’s Office (LAO) estimates that the state would lose between \$5 billion and \$15 billion in annual revenue beginning in 2031.¹¹ For context, this year the state plans to spend about \$250 billion from the General Fund, with about half of that spending going to schools, community colleges, and the state’s public universities, and about another one-third going to health and human services programs, mainly Medi-Cal, the state’s low-income health insurance program.¹²

If the current tax rates are allowed to continue, the amount generated could vary considerably from year to year because much of the revenue comes from taxing income that is tied to the stock market. Roughly 40% of the funding would go to schools and community colleges, while the rest would go to other state programs, with part of that amount set aside in budget reserves that the state could use to fund these programs when revenues decline.¹³

SUPPORT FOR PROPOSITION 3

Supporters of Proposition 3 Include:¹⁴

- California Democratic Party
- California Teachers Association
- California Nurses Association
- Community College League of California
- California Professional Firefighters
- AFSCME California
- SEIU California State Council

The proponents' official website is <https://www.yesprop3ca.com/>.

As of September 19, 2026, proponents had raised a total of \$43,825,115.¹⁵

Arguments for Proposition 3¹⁶

Opponents argue Proposition 3 would:

- Not raise taxes on anyone but instead prevent millionaires and billionaires from receiving a tax cut.
- Prevent billions in cuts to education and health care.
- Direct funding to local schools and classrooms, with strict accountability, annual independent audits, and criminal penalties for misuse.

OPPOSITION TO PROPOSITION 3

Opponents of Proposition 3 Include:¹⁷

- California Republican Party
- California Taxpayers Association
- Family Business Association of California
- California Hispanic Chambers of Commerce
- Howard Jarvis Taxpayers Association
- Reform California

The opponents' official website is: <https://votenoprop3.com/>.

As of September 19, 2026, opponents had raised \$5,500.00.¹⁸

Arguments Against Proposition 3¹⁹

Supporters argue Proposition 3 would:

- Permanently increase taxes that politicians had promised would be temporary.
- Worsen California's cost of living, which is already the highest in the nation.
- Ignore the fact that Sacramento has a spending problem, not a revenue problem. In the past decade, spending has doubled even though the population increased by only 2%.
- Simply continue the incentives for high-earners to leave the state, as demonstrated by IRS migration data.²⁰

A YES VOTE ON PROPOSITION 3

A YES vote on Proposition 3 would make permanent the increase in income tax rates on high-income Californians which was approved by voters in 2012 and which is due to expire in 2031.

A NO VOTE ON PROPOSITION 3

A NO vote on Proposition 3 would allow the higher income tax rates passed in 2012 on high-income Californians to expire as scheduled in 2031.

Endnotes

- 1 The text of the proposed constitutional amendment is at California Secretary of State, *Official Voter Information Guide, General Election, November 3, 2026*, pp. 109-115, <https://vig.cdn.sos.ca.gov/2026/general/pdf/complete-vig.pdf>.
- 2 California Legislative Analyst's Office (LAO), Propositions on the November 3, 2026 Ballot, "Proposition 3," <https://lao.ca.gov/BallotAnalysis/Proposition?number=3&year=2026>.
- 3 CA Secretary of State, *Official Voter Information Guide*, pp.109-110.
- 4 CA Secretary of State, *Official Voter Information Guide*, pp.109-110.
- 5 LAO, "Proposition 3." Those with incomes above \$1 million pay an additional 1% mental health services surcharge. See California Department of Health Care Services, "Behavioral Health Services Act," <https://www.dhcs.ca.gov/services/mental-health-services-division-default/behavioral-health-services-act-mh-prop63/>.
- 6 CA Secretary of State, *Official Voter Information Guide*, p.110.
- 7 LAO, "Proposition 3."
- 8 CA Secretary of State, *Official Voter Information Guide*, p.113.
- 9 CA Secretary of State, *Official Voter Information Guide*, pp.112-113.
- 10 CA Secretary of State, *Official Voter Information Guide*, p.112.
- 11 LAO, "Proposition 3."
- 12 LAO, "Proposition 3."
- 13 LAO, "Proposition 3."
- 14 CA Secretary of State, *Official Voter Information Guide*, p.28.
- 15 Ballotpedia, "California Proposition 3, Renew State Income Tax Increase for Education Funding Initiative (2026)," accessed October 2, [https://ballotpedia.org/California_Proposition_3,_Renew_State_Income_Tax_Increase_for_Education_Funding_Initiative_\(2026\)](https://ballotpedia.org/California_Proposition_3,_Renew_State_Income_Tax_Increase_for_Education_Funding_Initiative_(2026)).
- 16 CA Secretary of State, *Official Voter Information Guide*, p.28.
- 17 CA Secretary of State, *Official Voter Information Guide*, pp.28-29; Ballotpedia, "Proposition 3."
- 18 Ballotpedia, "Proposition 3."
- 19 CA Secretary of State, *Official Voter Information Guide*, pp.28-29.
- 20 Ballotpedia, "Proposition 3," Opposition Arguments, Wayne Winegarden, senior fellow at the Pacific Research Institute.

