

CALIFORNIA PROP 40

Imposes a one-time five percent wealth tax on California billionaires

Purpose

Proposition 40, placed on the ballot by initiative petition, would impose a one-time five percent tax on the wealth of California's billionaires and use the proceeds of that tax primarily to fund health care.¹

Research Assistant: Sam Yao '27

Background

California is home to more than 200 billionaires, most of whom gained their wealth in the state's robust technology, investment, real estate, and entertainment industries.² The success of the tech sector, in particular, has concentrated income at the top: Just four of California's tech titans, Sergey Brin, Larry Page, Mark Zuckerberg, and Jensen Huang, collectively possess net worth of approximately \$1 trillion. Proponents of a wealth tax believe California should require its wealthiest individuals to pay a tax on their accumulated assets to narrow the state's vast inequalities and fund programs that assist the poor.

However, a tax on wealth would be a profound departure from existing tax policy. At present, California imposes taxes on income but not accumulated wealth. Through the income tax, the state takes a portion of the money that taxpayers receive each year through wages, salaries, dividends, sales of assets, and other sources. California currently relies heavily on the revenue it receives from personal income taxes on its wealthiest residents to fund state programs.

A wealth tax, by contrast, taxes assets people own (typically including stocks, bonds, mutual funds, personal property, interests in privately held businesses, retirement accounts, personal trusts, and the like), rather than the income these assets produce. No other state, nor the federal government, has imposed a wealth tax.

Proposal

Proposition 40 would authorize a one-time tax equal to five percent of the net worth of any billionaire who was a California resident as of January 1, 2026. The tax would apply to individuals and trusts with covered assets exceeding \$1 billion, including publicly traded securities, private business interests, art, collectibles, and certain trusts and retirement accounts, but it would exclude real estate and most pensions. Those who pay the new tax could spread payments over five years, with a 7.5% annual charge on unpaid balances.³

Revenue raised under the initiative would be deposited into a newly created state reserve fund, the 2026 Billionaire Tax Reserve Fund. Ninety percent of this revenue would be dedicated to health care, including Medi-Cal, while the remaining 10% would fund public education from kindergarten through community college and food assistance programs such as CalFresh. The measure would exempt this new revenue from existing constitutional rules that otherwise limit state spending and require a minimum share of the budget to go toward K-14 education.⁴

Proposition 40 has divided the state's progressive leadership. The measure is backed by one of the state's most powerful unions, Service Employees International Union-United Healthcare Workers West (SEIU-UHW), the California Democratic Party, and prominent progressives such as Rep. Ro Khanna and Senator Bernie Sanders. Yet Proposition 40 is opposed by another powerful union, the California Teachers Association (CTA), and by Democratic Governor Gavin Newsom and Democratic Gubernatorial candidate Xavier Becerra.

Some of California's wealthiest individuals, including Google Co-founder Sergey Brin, have fought this tax by heavily funding opposition to Proposition 40 and by backing countermeasures (Propositions 41 and 42) that, if approved, would effectively invalidate the tax, even if Proposition 40 wins a majority vote. If it clears these electoral hurdles, Proposition 40, like other novel policies that push traditional boundaries, would likely face post-election legal challenges.

The 2026 ballot also includes Propositions 41 and 42, which would impose new audit and reporting requirements on special-tax initiatives and bar new taxes on personal savings, respectively. As noted above, if either receives more “yes” votes than Proposition 40, courts could find them to conflict with, and effectively nullify, Proposition 40, even if Proposition 40 itself passes by a majority.⁵

Fiscal Impact

According to the Legislative Analyst's Office (LAO), Proposition 40 would likely generate tens of billions of dollars in one-time state revenue, collected over several years. The LAO cautions that the exact timing and amount collected are difficult to predict, given that billionaires' wealth is often tied to fluctuating stock prices and that some taxpayers may take steps to reduce their tax liability.⁶

Nearly all (90%) of this revenue would be allocated to support financially stressed health care programs including Medi-Cal, with the remainder set aside for public education and food assistance programs. Proposition 40 exempts itself from state constitutional budget provisions such as the guaranteed minimum percentage of state revenues dedicated to K-14 education, the requirement that a percentage of revenue be set aside for the state's rainy day fund, and the state spending limit.

The LAO also projects a possible decrease of up to \$1 billion per year in state income tax revenue, as some billionaires may leave California to avoid the wealth tax. Additionally, the state would incur administrative costs of tens of millions of dollars per year for several years to collect the tax; these costs would be paid out of the new wealth tax revenue.⁷

Economists affiliated with the Hoover Institution at Stanford University warn that the wealth tax could more drastically reduce state revenues, estimating that the measure could cost California a total of \$25 billion in lost tax receipts as wealthy residents and businesses relocate out of state.⁸

SUPPORT FOR PROPOSITION 40

Supporters of Proposition 40⁹

- Service Employees International Union-United Healthcare Workers West (SEIU-UHW)
- California Democratic Party
- U.S. Sen. Bernie Sanders (I)
- U.S. Rep. Ro Khanna (D)
- Former gubernatorial candidate Tom Steyer (D)
- California Federation of Labor Unions
- California Nurses Association

As of September 19, 2026, proponents had raised a total of \$32,202,656, with SEIU-UHW contributing approximately \$29 million of that total.¹⁰

Arguments for Proposition 40¹¹

Supporters argue that Proposition 40 would:

- Require billionaires to pay their fair share.
- Offset recent limits on federal health care funding.
- Keep local hospitals and emergency rooms open and preserve health coverage for low- and moderate-income Californians.
- Protect jobs in the health care sector.

OPPOSITION TO PROPOSITION 40

Opponents of Proposition 40¹²

- California Republican Party
- Gov. Gavin Newsom (D)
- Gubernatorial candidate Xavier Becerra (D)
- Gubernatorial candidate Steve Hilton (R)
- California Teachers Association
- California Medical Association
- Planned Parenthood Affiliates of California
- Sergey Brin, Co-founder of Google

As of September 2026, opponents had raised \$11.27 million in contributions.¹³

Arguments Against Proposition 40¹⁴

Opponents argue that Proposition 40 would:

- Drive wealthy residents and businesses out of California, reducing the tax base that funds existing state programs.
- Provide only temporary, one-time funding rather than a stable, ongoing revenue source for health care.
- Reduce guaranteed school funding by exempting its revenue from constitutional K-14 funding protections.
- Give the state legislature the ability to later expand the tax without a separate vote of the people, according to opponents' legal analysis.

A YES VOTE ON PROPOSITION 40

A YES vote on Proposition 40 would impose a one-time five percent tax on the net worth of California billionaires with covered assets exceeding \$1 billion, dedicating 90% of the revenue to health care programs and 10% to food assistance and public education, while exempting that revenue from existing constitutional spending and school-funding limits.

A NO VOTE ON PROPOSITION 40

A NO vote on Proposition 40 would leave current law unchanged, with no wealth tax on billionaires.

Endnotes

- 1 The text of Proposition 40 is at California Secretary of State, *Official Voter Information Guide*, General Election, November 3, 2026, pp. 134-147, <https://vig.cdn.sos.ca.gov/2026/general/pdf/complete-vig.pdf>; California Legislative Analyst's Office (LAO), Propositions on the November 3, 2026 Ballot, "Proposition 40," <https://lao.ca.gov/BallotAnalysis/Proposition?number=40&year=2026>.
- 2 LAO, "Proposition 40."
- 3 Ballotpedia, "Proposition 40."
- 4 LAO, "Proposition 40."
- 5 Ballotpedia, "Proposition 40"; LAO, "Proposition 40."
- 6 LAO, "Proposition 40."
- 7 LAO, "Proposition 40."
- 8 Joshua D. Rauh et al., "California's Proposed Billionaire Tax Will Cost the State an Estimated \$25 Billion, Hoover Study Finds," Hoover Institution, 2026.
- 9 Ballotpedia, "Proposition 40"; CA Secretary of State, *Official Voter Information Guide*, pp. 56-57.
- 10 Ballotpedia, "Proposition 40."
- 11 Ballotpedia, "Proposition 40." See also CA Secretary of State, *Official Voter Information Guide*, pp. 56-57.
- 12 Ballotpedia, "Proposition 40"; CA Secretary of State, *Official Voter Information Guide*, pp. 56-57.
- 13 Ballotpedia, "Proposition 40."
- 14 Ballotpedia, "Proposition 40"; California Secretary of State, *Official Voter Information Guide*, p. 57.