

CALIFORNIA PROP 42

Prohibits Enactment of New Taxes on Asset Ownership and Retroactive Taxes

Purpose

Proposition 42 is a citizen-initiated constitutional amendment that would make it more difficult to adopt a wealth tax in California by prohibiting enactment of new taxes on ownership of financial assets or other personal property, or taxes that would apply retroactively based on a taxpayer's past activities.¹

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Background

Currently, individuals who reside or work in the State of California must pay income and capital gains taxes on income from investments. However, the state does not tax ownership of financial assets such as stocks, bonds, and retirement accounts, or most other forms of personal property.²

Proposal

Proposition 42 would prevent the state from imposing new taxes on ownership of “retirement holdings, individually-owned assets, and other forms of personal savings,” which are defined to include pensions, retirement accounts, mutual funds, and all tangible and intangible personal property, including business interests, digital assets, intellectual property, and personal belongings.³

Furthermore, the measure would prevent the state from taxing individuals retroactively based on their past activities or residency status—such as billionaires who have left the state to avoid taxes on their wealth.⁴

Proposition 42, like Proposition 41, aims to make it more difficult to impose a wealth tax on billionaires, as proposed by Proposition 40. Specifically, Proposition 40 would levy a one-time tax of five percent on the personal property assets of taxpayers and trusts with net worth exceeding one billion dollars; most of the resulting revenue would be used to fund health care programs.⁵ Proposition 42 contains language stipulating that if it and a conflicting measure both pass, the conflicting measure would be nullified if Proposition 42 receives more votes.⁶

Fiscal Impact

By limiting the types of assets that can be taxed, this measure potentially decreases future state tax revenue. According to the Legislative Analyst's Office (LAO), the extent to which future revenues would be reduced is unclear.⁷ Moreover, blocking the billionaire tax could help the state keep some of its wealthiest residents, averting the loss of income tax revenue from those residents.

SUPPORT FOR PROPOSITION 42

Supporters of Proposition 42 Include:⁸

- California Republican Party
- California Taxpayers Association
- California Small Business Association
- Sergey Brin, Google Co-Founder
- Eric Schmidt, Former CEO of Google
- Reform California
- California Chamber of Commerce

As of September 19, 2026, proponents had raised \$94,762,554.⁹

Arguments for Proposition 42¹⁰

Supporters of Proposition 42 argue that:

- The measure would protect Californians' hard-earned savings from new taxes.
- The state should not double-tax savings and investments that were already taxed as income.
- The state should not be able to enact new taxes that apply retroactively to taxpayers' past earnings.
- A wealth tax would hurt owners of small businesses.

OPPOSITION TO PROPOSITION 42

Opponents of Proposition 42 Include:

- California Democratic Party¹¹
- US Senator Bernie Sanders¹²
- Service Employees International Union-United Healthcare Workers West (SEIU-UHW)¹³

As of September 19, 2026, opponents had raised \$340,225.¹⁴

Arguments Against Proposition 42¹⁵

Opponents of Proposition 42 argue that:

- The measure is a billionaire-funded initiative placed on the ballot because billionaires don't want to pay their fair share.
- Billionaires would rather millions of working Californians lose their health insurance than pay a one-time, modest tax on their extreme wealth.

A YES VOTE ON PROPOSITION 42

A YES vote on Proposition 42 would prohibit future state taxes on asset ownership and retroactive taxes based on a taxpayer's past activities.

A NO VOTE ON PROPOSITION 42

A NO vote on Proposition 42 would not prohibit the state from levying taxes on asset ownership and retroactive taxes.

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. 150-153, <https://vig.cdn.sos.ca.gov/2026/general/pdf/complete-vig.pdf>.
- 2 California Legislative Analyst's Office (LAO), "Proposition 42," accessed September 2, 2026, <https://lao.ca.gov/ballot/2026/prop42-110326.pdf>
- 3 Ballotpedia, "California Proposition 42, Prohibit New Taxes on Retirement Holdings, Personal Assets, and Savings and Limit Retroactive Taxes Initiative (2026)," accessed September 2, 2026, [https://ballotpedia.org/California_Proposition_42_Prohibit_New_Taxes_on_Retirement_Holdings_Personal_Assets_and_Savings_and_Limit_Retroactive_Taxes_Initiative_\(2026\)](https://ballotpedia.org/California_Proposition_42_Prohibit_New_Taxes_on_Retirement_Holdings_Personal_Assets_and_Savings_and_Limit_Retroactive_Taxes_Initiative_(2026))
- 4 California Department of Justice, Office of the Attorney General, "Initiative 25-0041A1: Retirement Protection Act," accessed August 10, 2026, <https://oag.ca.gov/system/files/initiatives/pdfs/25-0041A1%20%28Retirement%20Protection%20%29.pdf>.
- 5 Ballotpedia, "California Proposition 40, One-Time Wealth Tax for State-Funded Healthcare, Education, and Food Assistance Programs Initiative (2026)," accessed August 10, 2026. [https://ballotpedia.org/California_Proposition_40_One-Time_Wealth_Tax_for_State-Funded_Healthcare_Education_and_Food_Assistance_Programs_Initiative_\(2026\)](https://ballotpedia.org/California_Proposition_40_One-Time_Wealth_Tax_for_State-Funded_Healthcare_Education_and_Food_Assistance_Programs_Initiative_(2026)).
- 6 CalMatters, "Proposition 42: Property Taxes," California Voter Guide 2026, accessed August 10, 2026, <https://calmatters.org/california-voter-guide-2026/proposition-42-property-taxes/>.
- 7 LAO, "Proposition 42."
- 8 Ballotpedia, "Proposition 42."
- 9 Ballotpedia, "Proposition 42."
- 10 CA Secretary of State, *Official Voter Information Guide*.
- 11 Ballotpedia, "Proposition 42."
- 12 CA Secretary of State, *Official Voter Information Guide*, p. 65.
- 13 CA Secretary of State, *Official Voter Information Guide*, pp. 64-65.
- 14 Ballotpedia, "Proposition 42."
- 15 CA Secretary of State, *Official Voter Information Guide*.

