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California 5% Wealth Tax On Billionaires Could Pass This Time



California has long been the land of high taxes. Its top 13.3% income tax does not distinguish between ordinary income and capital gain. The top 13.3% tax can [grow to 14.4% in some cases](#). There are audit and administration concerns too. California's Franchise Tax Board is notoriously tough, many say tougher than the IRS. So far, California has not had a wealth tax, although it has been proposed a few times. The latest proposal is targeted, and it may stand a better chance of passing than the wealth tax proposals of the past.

Wealth Tax on Top of Income Tax

A [proposed ballot measure](#) known for the 2026 Billionaire Tax Act would impose a one-time 5% tax on billionaires living in the Golden State, said to be about 200 people. Supporters say that this measure could raise about \$100 billion to help fill funding gaps in health care and education. Proponents say that the tax is needed to offset massive cuts in federal spending on Medicaid and food aid recently signed into law by President Trump. As proposed, the tax would apply to the net worth of California billionaires in the 2026 tax year.

Administering a Wealth Tax

Notably, real estate holdings would be exempt. However, most other assets — from private company shares to investment portfolios — would be subject to the 5% levy. The tax could be paid over five years. A small group of billionaires who might have to pay a mere 5% seem unlikely to generate much sympathy from most California taxpayers, or sympathy nationally for that matter. But as with the prior wealth tax proposals, some of the objections are likely to focus on floodgates concerns.

There are administrative worries too. Wealth isn't about income, but about assets. How do you determine the value of everything you own? For example,

what about stock options in private companies? You can bet that you might say one figure, and the notoriously aggressive California Franchise Tax Board might say something quite different.

California is often a leader, and will a wealth tax set a precedent for other states? There is also the exit factor. Already, California has had a wave of taxpayers voting with their feet, [leaving California over taxes](#) in favor of no tax or lower tax states. The loss in numbers and dollars is palpable, and some say that the risk of pushing out some of California's richest residents is a mistake. Taxes aren't the only reason people move, of course. When Elon Musk left California he cited high taxes and regulation. Now SpaceX too has relocated.

A healthy 870,000 signatures are needed before Californians the wealth tax can hit the California ballot enabling every California voter to give the new tax a thumbs up or thumbs down. This is not the first time a wealth tax has been proposed in the golden state. For example, in 2020, [California legislators proposed a 0.4% wealth tax, and a 16.8% income tax rate](#). Neither was passed, but way the 0.4% wealth tax would have worked is interesting in light of the new ballot proposition. The proposed 0.4% tax rate would have applied to a person's net worth above \$30 million. At the time, proponents said that was about 30,400 Californians. The latest [California Billionaire Tax](#) targets only a fraction of this number, with a putatively one-time 5% rate.