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ABSTRACT

This paper examines the revenue and migration impact of the 2026 California Billionaire Tax Act, a one-time 5 percent tax on the worldwide net worth of individuals exceeding $1 billion. Using data from the Forbes Billionaire List, news reports detailing the residential real estate holdings of California billionaires, and public announcements of billionaire departures from the state, we estimate the behavioral response and associated revenue loss to this new tax using several different methodologies. Even before accounting for reductions in other tax bases such as the income tax, we estimate that the Act will collect approximately $30 billion (range $28 to 36 billion), less than a third of the $100 billion projected by Galle et al. (2025). This range accounts for the publicly confirmed taxpayer migration that has already eliminated nearly 30 percent of the Act's wealth tax base, applies a litigation-survival discount to the remaining base, and is validated by the wealth tax base elasticity literature. We estimate that California's billionaires contribute $3.3–5.8 billion annually in state income taxes. The present value of permanently lost income tax collections from departures more than offsets the one-time wealth tax revenue, yielding a net present value of negative $38.9 billion. Across 100,000 simulated revenue and discount rate combinations, 85 percent of plausible outcomes produce a negative net present value of state revenues.

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A code repository is available at
https://github.com/bjaros20/wealth_tax/tree/main/NBER_2026_litigation_weighted

1 Introduction

The 2026 California Billionaire Tax Act (officially Initiative No. 25-0024) is a statewide ballot initiative in California that would impose a 5 percent, one-time excise tax on individuals with a worldwide net worth exceeding $1 billion who were residents or part-year residents of California as of January 1, 2026. Since enough signatures were collected in June 2026 that were in favor of the ballot proposition, California will vote on the initiative in November 2026. If passed, this would be the first major tax on general wealth in modern United States history.

There has been much discussion about how much revenue the Act would actually generate for the state of California. Static tax policy revenue estimates require several steps: (1) defining the initial base, (2) incorporating deductions that taxpayers could claim against that base, (3) applying the rates, and (4) considering any after tax credits. However, taxpayers may engage in avoidance behavior (e.g. leaving the jurisdiction or shifting wealth into assets that are outside of the tax base), which further reduces the taxes collected. In addition, the avoidance behavior may spill over to other tax bases. In this case, a primary concern is how much income tax revenue could be lost due to the behavioral responses of individuals who aim to avoid the wealth tax—particularly the lost income tax revenue from billionaires who leave the state to avoid the wealth tax.

This paper estimates the Net Present Value (NPV) to the California treasury of the California Billionaire Tax Act. An NPV calculation allows us to start with the estimated revenue that will be brought in from the wealth tax itself (the inflow to the state coffers at time 0), and subtract off from that the present value of the stream of future payments the state is expected to lose due to avoidance spillovers—and specifically to lost future income taxes. Since the initial tax is a one-time levy on wealth and the lost stream of income taxes occurs over time, the NPV calculation allows for an apples-to-apples comparison. The state's cash flows will have a pattern similar to that of the sale of a financial security: the state receives an up-front payment today from one narrow group of taxpayers in exchange for a lost stream of payments in the future.

Several alternative revenue projections have been published in connection with the Act.[1]

[1] These analyses have been published in connection with the Act by an overlapping group of authors: Jasper Boll,

Galle et al. (2025) begin from the total wealth of California-based billionaires on the Forbes list, approximately $2.18 trillion in 2025, apply a 10 percent across-the-board avoidance reduction, and arrive at approximately $98 billion in revenue.[2] Boll et al. (2025) provide a separate analysis whose scoring table reports four scenarios ranging from $89 to $128 billion, with a benchmark estimate of $104 billion. Both sets of projections take 90 percent of the tax base as remaining in California in their benchmark scenarios. Publicly confirmed departures that we document have already removed 28.6 percent of the base. These projections also do not incorporate lost income tax revenues, which we estimate at $3.3–5.8 billion annually and growing (Section 5.1).[3] Our estimates differ from these projections in three respects: the treatment of taxpayers who departed California before the statutory snapshot date, the scope and plausible disallowance of the tax base, and the incorporation of lost income tax revenues.

We present analysis in two parts: (1) a measure of the wealth tax base and tax revenue from that base and (2) the loss of future income taxes from the departures of the high net worth individuals. Section 2 provides the institutional background of the Act. Section 3 outlines the data to construct the base. Section 4 outlines our general empirical framework and gives the current implied elasticity of taxable wealth from the possibility of this tax being enacted. Section 5 presents several likely revenue estimates, with our preferred estimate of approximately $30 billion (range $28 to 36 billion), less than a third the amount claimed by Galle et al. (2025). Section 5 shows that the present value of lost income tax collections more than offsets this revenue, yielding a mean net present value of negative $38.9 billion across the distribution of revenue estimates, fraction of lost income tax revenue, and discount rates. Section 6 examines the credibility of the one-time framing, and Section 7 concludes.

Brian Galle, David Gamage, Emmanuel Saez, Darien Shanske, and Gabriel Zucman, in various combinations across Balkir et al. (2025), Boll et al. (2025), Galle et al. (2025), Galle et al. (2025), and Galle et al. (2026).

[2]The Forbes list on which this estimate is based includes several individuals who had publicly relocated from California before 2025, overstating the initial base by approximately $254.8 billion (Section 3.3).

[3]In subsequent reports, Boll et al. (2025) have acknowledged income taxes paid by billionaires, though their treatment differs substantially from ours (Section 5).

2 Background

This section provides background on the Billionaire Tax Act and the institutional features relevant to revenue estimation. Sections 2.1 and 2.2 describe the Act's statutory provisions, including its valuation methodology, real estate exclusion, and residency determination. Section 2.3 explains how language on control-weighted net worth impacted the behavioral response to the Act, and Section 2.4 outlines the constitutional and litigation risks that inform the collectibility framework in Section 4.

2.1 The 2026 Billionaire Tax Act

The Billionaire Tax Act (Initiative No. 25-0024) is a ballot measure filed by the Service Employees International Union (SEIU) in October 2025 to qualify for the November 2026 election. The Act would amend the state constitution to impose a "one-time," 5 percent tax on the worldwide net worth of residents of California with worldwide net worth exceeding $1 billion. The Act states there are approximately 200 billionaires in the state with aggregate net worth of approximately $2 trillion. Whether a taxpayer is determined to be a resident depends on their residency on January 1, 2026, which is eleven months before the election date of November 3, 2026. The value for net worth is determined as of December 31, 2026. The Act declares itself to be "an excise tax on the activity of sustaining excessive accumulations of wealth." [4]

The Act amends Article XIII, Section 2 of the California Constitution to remove the existing 0.4% cap on taxes on intangible personal property. The Act would be the first major tax on general wealth in recent United States history.[5] The Act enables the state legislature to appropriate up to

[4]Excise taxes are conventionally defined as taxes on specific transactions, goods, or categories of consumption, such as fuel, alcohol, or tobacco. The "excise" label is the drafters' characterization, but it does not reconcile with the conventional definition. The Act's taxable event is not a transaction but the ownership of assets exceeding $1 billion on a particular date, which is the defining characteristic of a property tax base.

[5]Some have made the claim that state level uniform property taxes levied in the late 19th and early 20th century constituted wealth taxes, which is inaccurate for the following reasons: (1) at least in practice, and there is a case to be made it is state-by-state whether it was even in intent, these laws did not tax worldwide net worth, (2) while in principle the tax base consisted of tangible and intangible property, the rise of incorporation and ownership shares led to differences in taxation between these types of assets. That difference was a contributing factor in most states

$22.5 billion and $2.5 billion on an ongoing basis to health care and education and food assistance accounts, respectively. Upon passage, the Act provides a $50 million loan from the State General Fund for enforcement. Taxpayers may satisfy their obligation through a lump-sum payment with the 2026 income tax return, five equal annual installments, or an Optional Deferral Account that defers tax on illiquid assets but creates a binding contractual obligation that follows the taxpayer after departure from California. Section 50310 permits the state legislature to amend any provision of the Act by a two-thirds vote of each chamber if the amendment "is consistent with and furthers the purposes" of the Act.

2.2 Provisions of the Act Affecting Revenue Estimation

If the Act passes, each individual will declare the fair market value of their assets along with supporting evidence, and the Franchise Tax Board will examine those returns. The Act defines fair market value as the price at which an asset would change hands between a willing buyer and a willing seller, "neither being under any compulsion to buy or sell," a standard that is in tension with the fact that billionaires may need to liquidate concentrated ownership stakes to satisfy a 5 percent levy on total net worth.[6] Residential real estate is entirely excluded from the tax base, a provision that stems from avoiding conflict with Proposition 13, which limits the rate and reassessment of property taxes on real property.[7] [8] The Act also relies on income tax case law for establishing residency as of the January 1, 2026 obligation date, applying the 183-day presence and domicile-intent standards to a single-day determination.[9] [10]

ultimately repealing the general uniform property taxes (Fisher, 1996).

[6]Under the broadly understood meaning of compulsion, a sale undertaken specifically to satisfy a tax obligation on the asset being valued would qualify as under compulsion.

[7]The exclusion of residential real estate reflects a tension between the Act's excise tax characterization and California's existing property tax limitations under Proposition 13.

[8]The threshold calculation, however, includes all assets: an individual with $900 million in financial assets and $200 million in directly held real estate is subject to the Act, even though the real estate is excluded from the taxable base.

[9]These provisions were designed for full-year residency assessments under the personal income tax. The Act's application of a full-year standard to a single date is certain to face a legal challenge if passed.

[10]Section 50308(a) defines an "applicable individual" as any resident "within the meaning of Sections 17014 and 17015.5."

2.3 Control-Weighted Valuation and Scope of the Tax Base

The Act's valuation provisions include language that can be read in two different ways: as taxing the economic value of a founder's ownership stake, or as taxing the share of the company's value that is within the founder's control. Read as written, the Act's valuation provisions include language that assesses the differential value of voting and non-voting shares and presumes that ownership includes the value conferred by shareholder rights plans (Section 50303(c)(3)(C)). Section 50303(b) prohibits valuation discounts for partial interests or shareholder rights. For founders of dual-class companies, these provisions imply that the taxable base includes not merely the economic value of their ownership stake but the value of the share of the firm they control, a figure that can substantially exceed Forbes-reported net worth. This feature distinguishes the Act from European wealth taxes, which have largely excluded business assets or applied preferential valuations to closely held firms. Our revenue estimates in Sections 3 and 4 proceed under stated net worth adjusted for residential real estate, but not adjusted for control-weighted net worth. We take this approach as the control provision is generally viewed as not applying to publicly traded entities, and the §50303(c)(3)(F) rebuttal provision introduces sufficient legal uncertainty that the full control-weighted base is unlikely to be collected without prolonged litigation.

Galle, Gamage, Saez, and Shanske (2026) specifically addressed the control-weighted net worth concern in their separate report they released on January 16, 2026. While the authors state that claims that the government will use this valuation method are "false," "absurd," and are made by "bad faith actors," that guidance is neither in the Act, nor legally binding. This guidance was issued sixteen days after the January 1, 2026 residency snapshot date.[11] Under this valuation method, a significant number of founders would lose not just their economic stakes in their respective companies, but also their voting majorities. We explore this issue comprehensively in Appendix A.

The control-weighted reading is relevant to the behavioral response documented in Section 3,

[11] Y Combinator CEO Garry Tan interpreted §50303(c)(3)(C) as taxing voting control rather than economic ownership, calculating that the presumption would treat Larry Page and Sergey Brin as owning roughly 30 percent of Alphabet and would consume about half of each founder's holdings (Tan, 2026). He posted this reading on January 10, 2026, six days before Galle et al. (2026) issued their clarifying report (OfficeChai, 2026).

irrespective of which reading governs the final revenue estimate. The potential ramifications from its inclusion plausibly have influenced the behavioral response of taxpayers with substantial business assets. A founder holding a dual-class voting stake worth $5 billion in economic terms could face a taxable base two or three times that amount under a control-weighted interpretation, transforming a $250 million tax obligation into one exceeding $500 million and potentially threatening the founder's voting majority. The 77-day window between filing and clarification was the only period in which these taxpayers could act on the statutory text as written. Tax attorneys advising founders during this period had no basis to discount the control-weighted provisions other than an expectation that a future expert report might offer a favorable interpretation. Several of the largest departures documented in Section 3 involve founders of dual-class companies whose voting stakes would have been directly affected by these provisions.

2.4 Constitutional and Litigation Risk

The Billionaire Tax Act faces several categories of constitutional challenge, each of which creates independent risk to projected revenue.[12] The retroactive obligation date of January 1, 2026 precedes the enactment date by approximately eleven months, exposing the Act to litigation under the Due Process Clause; the Act's own severability clause (Section 50311(b)) instructs courts to "reform dates or periods specified," a provision that would be unnecessary if the drafters were confident the retroactive date would survive judicial review. The Act's assertion of taxing authority over the worldwide net worth of California residents raises Commerce Clause apportionment concerns; Section 50306(b)(8) acknowledges this risk by conceding that the residency-based apportionment formula may be "held invalid." For non-U.S. citizens, the worldwide reach conflicts with bilateral tax treaties and the Supremacy Clause; Section 50306(b)(6) addresses this by establishing a safety valve that reduces the taxable share to a minimum of 25 percent, with the Office of Tax Appeals empowered to reduce further if worldwide taxation produces "grossly disproportionate" results. The billionaire-only threshold invites an equal protection challenge on the grounds that the tax targets

[12] More information on constitutional issues that inform this litigation risk framework are discussed in Friedman et al. (2026).

a narrow class of taxpayers for a uniquely burdensome levy. The Act itself amends California's existing constitutional cap on taxes on intangible personal property, a step the Galle et al. (2025) concede is necessary precisely because the levy operates on a property base that would otherwise be constitutionally capped at 0.4 percent. This state constitutional amendment eliminates the state-law barrier to this tax but does not resolve federal constitutional constraints; the Commerce Clause, Due Process Clause, and Supremacy Clause each impose independent limitations on state taxing authority that a state constitutional amendment cannot override. These risks are outlined in Table 1.

Table 1: Constitutional Risk Categories

Risk Category	**Constitutional Basis**	**Revenue Consequence**
Retroactive obligation date	Due Process	Releases pre-reform-date departures
Single-day residency determination	Due Process; §§17014/17015.5	Challenges individual assessments
Worldwide apportionment	Commerce Clause; Due Process	Reduces each taxpayer's base
Extraterritorial reach (foreign nationals)	Supremacy Clause; tax treaties	Removes foreign nationals
Billionaire-only threshold	Equal Protection	Challenges entire tax structure
Valuation provisions	Due Process	Lowers individual assessments
Internal consistency (*Wynne*)	Commerce Clause	Limits apportionment
"Excise" label vs. property-tax substance	Cal. Const. Art. XIII / XIIIA	Invokes property tax rate caps

The Act's severability architecture is designed to ensure that no single constitutional challenge eliminates the tax, and its inclusion reinforces the likelihood that the drafters are cognizant of the constitutional and legal challenges to revenue collection.

Section 50311(a) provides standard severability, which means that any provision of the Act held invalid by the Courts does not affect the enforceability of the remaining provisions. But section 50311(b) is unusual: rather than simply severing the invalid provisions, it instructs the courts to reform dates, substitute terms, and preserve the imposition of the tax "to the maximum extent consistent with the Constitutions.'" No California tax measure in the last quarter century contains a severability clause with comparable outcome-specific instructions.[13]

[13] Appendix E surveys 21 California tax measures (16 ballot, 5 legislative) enacted or proposed since 2010. Twelve contain standard boilerplate severability. None of the other 20 contain the type of outcome-directed severability comparable to §50311(b). The four features that distinguish this provision are: mandatory outcome-directed language, judicial reformation authority, specification of substitute terms, and ranked fallback tax years. These provisions do not appear in any other surveyed measure. The only other surveyed measure that specifies what happens upon judicial invalidation, AB 119 (2023), instructs the opposite outcome: the tax "shall cease to be operative" and amounts paid "shall be refunded."

The Act may not survive in any revenue-generating form; but even if some provisions are upheld, each successful challenge reduces the collectible base: a reformed obligation date releases taxpayers who departed before the new date, a reduced apportionment percentage shrinks every remaining taxpayer's liability, and valuation reforms lower individual assessments. Complex constitutional questions are unlikely to be fully resolved in the timeline the Act envisions, and revenue subject to ongoing litigation is unavailable for the fiscal purposes the Act was designed to serve.

Table 1 summarizes the categories of constitutional challenge. Each operates on a different dimension of the tax base and carries a distinct revenue consequence: (1) a reformed obligation date releases taxpayers who departed before the new date; (2) the application of full-year residency standards to a single-day determination challenges individual assessments; (3) reduced worldwide apportionment shrinks each remaining taxpayer's taxable base to the California-connected share; (4) treaty or Supremacy Clause relief removes non-U.S. citizens partially or entirely; (5) an equal protection challenge to the billionaire-only threshold could invalidate the entire tax structure; (6) successful valuation challenges lower individual assessments; (7) federal Commerce Clause constraints limit apportionment independent of state law; and (8) reclassification of the levy as a property tax rather than an excise invokes the constitutional rate caps the Act's own amendment was designed to override. Because successful challenges compound rather than overlap, our revenue estimates incorporate litigation risk as a parameter rather than treating contested revenue as certain.

3 Data

This section constructs the person-by-person tax base underlying our revenue estimates, starting from the 2025 Forbes Billionaire List and applying three corrections: removing misclassified residents, documenting pre-snapshot departures, and excluding residential real estate.

We construct a novel dataset for estimating the Act's net present value from several sources: namely, the 2025 Forbes Billionaire List (i.e., the same dataset used by Galle et al. (2025)), news

reports detailing the residential real estate holdings of the specified billionaires, and real estate valuation websites such as homes.com. In deriving our Net Present Value calculation of the tax, we compile three key variables: "Net Worth," "Moving," and "Total Residential Real Estate." Section 3.1 discusses how the "Net Worth" variable is used as a proxy for assets in our NPV analysis and Section 3.2 projects the tax base forward to the December 31, 2026 valuation date. Section 3.3 details the residency corrections to the Forbes list. Section 3.4 details which billionaires left California in response to the tax and Section 3.5 explains our methodology for excluding the worldwide residential real estate holdings from our calculation (given Proposition 13) and how we managed incomplete data for our analysis. Section 3.6 describes the treatment of international billionaires that could be in the tax base.

3.1 Assets

We construct the taxable base from the net worth of each California-based billionaire as reported in the 2025 Forbes Billionaires listing, adjusted to correct for residency misclassifications, yielding 212 billionaires with an aggregate net worth of $1.89 trillion.

Our proxy for taxable assets in this dataset is the "Net Worth" of each California-based billionaire listed in the 2025 Forbes Billionaires listing. The Forbes methodology for compiling its list is thorough. When unable to speak with a specific billionaire in person or by phone to confirm their net worth, Forbes consults other sources, including their staff, asset managers, and attorneys, as well as Securities and Exchange Commission documents, court filings, and news articles (Durot, 2025). Forbes considers a broad range of assets in its net worth assessments, including ownership in public and private companies, real estate, art, vehicles, luxury goods, and jewelry. Forbes excludes debt and donations to charitable foundations.

Our data begins as a subset of the Forbes data filtered to just the billionaires with California designated as their residence state: 214 individuals valued at $2.15 trillion in aggregate net worth. We removed Larry Ellison, Drew Houston, and Lynsi Snyder from our estimates. Larry Ellison

and Drew Houston left California in 2020, while Lynsi Snyder left in the summer of 2025.[14] These individuals accounted for $249.7 billion in net worth. We then added David Sacks, who is a billionaire whose residency was California on the date the ballot initiative was announced but was omitted from the Forbes billionaire list. Sacks' net worth is valued at $2 billion. This leaves 212 billionaires with an aggregate net worth of more than $1.89 trillion, accounting for 13% of the world's billionaires aggregate net worth (Forbes, 2025). California's 212 billionaires account for nearly one quarter of billionaires in the United States and 7% of billionaires in the world. California's billionaires are heavily concentrated in San Francisco, Los Angeles, and the surrounding areas. The nine counties comprising the Bay Area alone account for 61.3% of California billionaires.[15]

Table 2: Distribution of California Billionaires by City

City	Count
San Francisco	59
Los Angeles	38
Palo Alto	20
Beverly Hills	12
Atherton	9
Other	74
Total	**212**

Wealth in terms of net worth among California billionaires is also highly concentrated towards the top. The top 20 billionaires account for 64.02% of total California billionaire wealth, the top 10 account for 55.26%, and the top 5 account for 48.34%.

[14]California billionaire departures are drawn from an original data compilation. See `https://github.com/bjaros20/wealth_tax/blob/main/NPV_data/CA_Billionaires_Revenues_and_Migration_final.xlsx`.

[15]These counties are Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma.

Table 3: Wealth Distribution Among California Billionaires

Concentration	Aggregate Wealth	Share of Total
Top 20	$1,213.0 billion	64.02%
Top 10	$1,047.0 billion	55.26%
Top 5	$915.9 billion	48.34%

Descriptive Statistics (Billionaire Wealth)	
Mean	$8.94 billion
Median	$3.10 billion
Mode	$1.30 billion
Standard Deviation	$30.16 billion
Maximum	$256.20 billion
Minimum	$1.00 billion
Sum	$1,894.8 billion
Count	212

3.2 Forward Projection: Estimating Size of Base for December 31, 2026

In order to estimate the size of the base at that future point in time, we leverage the historical Forbes Billionaires data, filtered to California billionaires, from 1996 to 2026 and project forward a 2027 point estimate. The statutory text of the California Billionaire Tax Act proposal calculates the underlying tax base according to the value of assets at the December 31, 2026 valuation date (Office of the Attorney General, State of California, 2025). This 2027 growth estimate accordingly serves as a proxy for what aggregate net worth will look like for the California billionaire class on the valuation date, especially since Forbes releases its Billionaires listing early each year, the projection for early 2027 is close in temporal proximity to the tax's valuation date on the last day of 2026 (Forbes, 2025).

We do this through two methods. The first applies a simple 7% growth rate to the 2026 aggregate billionaire net worth, which the Act states is the average annual growth rate of billionaire wealth since the 1980s (Section 1(w))(Office of the Attorney General, State of California, 2025). This methodology yields a point estimate of $2,027.4 billion for billionaire wealth on the tax's valuation date. The second method we use is a vector autoregression (VAR) model with two lags, to validate the point estimate yielded by our 7% projection. The VAR(2) forecasts aggregate

billionaire wealth as of the valuation date to be $2,036.6 billion, which is considerably close to the estimate under the simple 7% growth rate. As such, the 2027 values of aggregate billionaire net worth estimated here must be understood as an approximation for use in our calculations going forward. We adopt the 7% billionaire asset growth rate as the main-text baseline and report the VAR specification in Appendix C. Applying this growth rate to the snapshot-vintage face-value revenue of $94.2 billion yields approximately $100.9 billion in face-value revenue for the December 31, 2026 valuation date.[16]

3.3 Residency Corrections and Pre-Snapshot Exits

The Forbes Billionaire list required several residency corrections, which would inflate a potential revenue projection by approximately $12.7 billion. Three individuals on the Forbes California billionaire list had publicly relocated prior to the Act: Larry Ellison, Drew Houston, and Lynsi Snyder. Larry Ellison relocated to Hawaii in 2020, a move widely reported at the time and concurrent with Oracle's headquarters relocation to Texas (Bloomberg, 2020). Drew Houston similarly departed California in 2020 (Luce, 2020). Lynsi Snyder left the state in the summer of 2025 before the initiative's announcement (The New York Times, 2025). Three additional billionaires departed California before the October filing date: Marc Benioff ($9.3 billion), Meg Whitman ($3.8 billion), and Frank Slootman ($3.3 billion). Because they were not California residents when the initiative was filed, we exclude them from the collectible revenue base in Section 4. We added David Sacks, a billionaire with established California residency at the time of the ballot initiative's filing who was omitted from the Forbes list (San Francisco Chronicle, 2026). After making these changes to our analysis, the corrected billionaire base falls to an aggregate net worth of $1,894.8 billion (versus $2,149.6 billion) across 212 billionaires when accounting for these misclassified individuals.[17]

Seven billionaires publicly departed California between the initiative's filing and the residency

[16] A more in-depth discussion of the 7% and VAR growth projections is provided in Section C of the Appendix.

[17] The 212 count includes Benioff, Whitman, and Slootman, who remain in the base for descriptive purposes but are assigned a collection probability of zero in the revenue framework in Section 4.

snapshot date, removing $539.9 billion, or nearly 30% of aggregate billionaire wealth, from the tax base.[18] With this in mind, these documented departures and their implied revenue impacts should be understood as conservative since they only consist of pre-snapshot exits that can be publicly confirmed.

Table 4: California Billionaire Migration Status

Moving?	Count	Net Worth	Share of Total
Yes	7	$539.9 billion	28.5%
No	205	$1,354.9 billion	71.5%
Total	**212**	**$1,894.8 billion**	**100.00%**

3.4 Excluding Residential Property

The initiative excludes directly held residential real estate from the taxable base, reducing the base among stayers by $8.19 billion. One further adjustment to be made is accounting for the several categories of assets excluded from the base by the proposition's language. This includes worldwide residential property, which since 1978 has been governed by Proposition 13, mandating that the "maximum amount of any ad valorem tax on real property shall not exceed One percent (1%) of the full cash value of such property" (California State Legislature, 1978). In anticipation of possible complications arising from this statute, the California Billionaire Tax Act excludes total worldwide residential property from the tax base (Galle et al., 2025). We acquire the necessary "Total Residential Real Estate" (TRRE) data on a billionaire-by-billionaire basis, primarily using news reports detailing the residential real estate holdings of specified billionaires, as well as through real estate valuation websites such as homes.com, redfin.com, and zillow.com. For current residential properties with no single value but a range, the maximum value of the range was taken (see Table 5). We use the maximum because the exclusion is going to claimed by the taxpayer, who has a clear incentive to substantiate and support the largest defensible valuation of excludable residential

[18] While we only included the 7 billionaires with announced departures before the snapshot date in our initial analysis, it is likely others have left since. For example, Mark Zuckerberg has since announced plans to leave California, suggesting that his tax attorneys may believe they have a case to either avoid the tax or pay a pro-rated amount.[19] We discuss this question more comprehensively in Section 4

property.[20]

Table 5: Residential Real Estate Holdings of California Billionaires

Panel A: Coverage and Identification	
Total California-based billionaires	212
Billionaires with identified residential real estate	119
Percent with identified residential real estate	56.1%
Using primary residence only	58
Using total reported residential holdings	61

Panel B: Value of Identified Residential Real Estate Holdings	
	USD millions
Mean	52.6
Median	20.2
25th percentile	10.9
75th percentile	58.4
Maximum	600.0
Observations	119

Panel C: Residential Real Estate as a Share of Net Worth	
	Percent
Mean	1.18
Median	0.64
25th percentile	0.31
75th percentile	1.43
Maximum	9.32
Observations	119

Notes: Residential real estate values are based on publicly available property records and media reports. For some individuals, estimates of total residential real estate holdings are available; for others, only the value of a primary residence can be identified. When total holdings are unavailable, primary residence values are used, which likely understate total residential real estate exposure. Individuals for whom no residential real estate could be identified are excluded from value-based summary statistics.

[20]Of the 119 billionaires with identified residential real estate, 35 stayers have at least one property reported as a valuation range. Substituting the minimum of every range reduces the exclusion among stayers from $8.19 billion to $8.03 billion, raising face-value revenue by $8.1 million (0.01 percent of baseline). The midpoint convention falls between: $8.11 billion in exclusion, $4.0 million in additional revenue. These differences are negligible to the overall effect of the tax. The significance of this adjustment comes from rigorously attempting to capture the base as defined by the statute.

For a number of billionaires in California, directly held residential real estate figures are not available through public records. To ensure that our estimate of the taxable base was not inflated by missing assets, we imputed directly held residential real estate for missing cases using the median residential real estate share of net worth we observed among individuals with available data. For individual i with missing residential real estate, we set

$$\widehat{\mathrm{TRRE}}_i = s^{\mathrm{med}} \cdot \mathrm{NW}_i,$$

where $s^{\mathrm{med}} = 0.0064$ is the median $\mathrm{TRRE}/\mathrm{NW}$ ratio (0.64%). We compute s^{med} using the non-missing subset and apply the imputation only within the set of stayers to avoid conflating imputation with departures. Departed billionaires are excluded from the recognized base entirely; subtracting residential real estate from a net worth that is already outside the base has no effect on revenue estimates.[21] After applying this imputation method and accounting for the identified real estate amounts, the estimated taxable base among stayers (net worth minus directly held residential real estate) is reduced by \$8.19 billion (see Table 6) or only around 0.6%, consistent with the median TRRE/NW ratio.

Still, our estimates are likely severely understating billionaires' real estate holdings. Some commercial real estate holdings are also excluded from the Act's taxable base, and these holdings may be significant for some billionaires. We also assume that billionaires did not strategically shift taxable assets into real estate during 2025 in anticipation of the levy. While the Act does contain anti-avoidance provisions targeting asset conversions after the snapshot date, these rules do not reach conversions that occurred *before* it. Billionaires after the announcement of the ballot initiative and its snapshot date could have preemptively purchased more residential property in California or elsewhere, thereby converting taxable wealth into tax exempt assets without triggering the anti-avoidance provisions. To the extent that these preemptive conversions occurred, our estimate of the taxable base is overstated, and therefore our revenue projections are similarly overstated.

[21] Their TRRE/NW ratios do enter the median used for imputation, but the effect is minimal: excluding movers from the median shifts s^{med} by 0.028 percentage points and changes revenue by less than \$6 million.

Table 6: Residential Real Estate Exclusion from Taxable Base (Stayers Only)

	Taxable Base ($B)
Total Net Worth (Stayers)	1,358.40
Less: Directly Held Residential Real Estate	(8.19)
Adjusted Taxable Base	1,350.2

Notes: Residential real estate is excluded using observed directly held values where available. For individuals with missing residential real estate data, we impute values using the median residential real estate share of net worth observed in the available sample (0.64%). The total tax base excluded among stayers equals $8.19 billion.

3.5 International Billionaires

Twenty-eight non-U.S. citizens listed as California-based billionaires have been identified as potentially subject to the Act, with an aggregate net worth of $146.3 billion and a taxable base of $145.3 billion after excluding residential real estate (Boll et al., 2025). At the statutory 5 percent rate, these individuals represent $7.27 billion in face-value revenue at the snapshot vintage and $7.78 billion after the 7% growth rate. Wealth among international billionaires is concentrated: the three largest account for 43 percent of the group's aggregate net worth.

These individuals could be included in the base, but collections from this group require three independent conditions to hold simultaneously. First, the Act itself must survive constitutional challenge. Second, federal treaty obligations must not preempt California's assertion of taxing authority over the worldwide assets of foreign nationals, a question governed by the Supremacy Clause. Third, the Act's worldwide apportionment must hold for individuals whose wealth was accumulated and is held almost entirely outside California. The Act itself recognizes this apportionment risk. Section 50306(b) provides a two-step resolution: if the standard 100 percent apportionment does not fairly represent the extent of a taxpayer's connection to California, the taxable share may be reduced to a minimum of 25 percent. If even that reduced share would produce "grossly disproportionate" results, Section 50306(b)(6) authorizes the Office of Tax Appeals or a court to reduce it further, potentially to zero (Office of the Attorney General, State of California, 2025). Because all of these conditions must be met before California is likely to retain the amounts

assessed against a foreign national, the expected revenue contribution from this group is especially uncertain, and therefore we exclude from the base entirely.

4 Empirical Framework

This section estimates the revenue the Act is likely to collect. Section 4.1 presents the baseline revenue estimate absent behavioral response or litigation risk. Section 4.2 introduces the collectibility principle underlying our revenue framework. Section 4.3 reports litigation-weighted revenue estimates and identifies our preferred estimate. Section 4.4 validates these estimates against the European wealth tax literature.

We note that all wealth tax revenue estimates, including our own, face inherent limitations.[22] Projected revenues depend on assumptions about asset valuation and taxpayer behavior that cannot be reliably verified, and the absence of asset-specific elasticities means that revenue forecasts necessarily rest on assumptions about avoidance and compliance. Our approach, combining person-by-person tax base construction with publicly observed departures and litigation-risk weighting validated by literature-implied semi-elasticities, represents an empirically grounded estimate, but should be understood as an informed range rather than a precise forecast.

4.1 Baseline Revenue Estimate

Absent any behavioral response or litigation risk, the wealth tax would generate \$94.20 billion in revenue at the snapshot vintage, where $\tau = 0.05$ is the statutory tax rate and $N = 212$ is the number of domestic California billionaires after the residency corrections described in Section 3.3. The per-person tax base is:

$$\text{TaxBase}_i = \text{NetWorth}_i - \text{TRRE}_i \tag{1}$$

and aggregate face-value revenue is:

[22] As discussed in Jaros et al. (2026).

$$R_{\text{base}} = \tau \sum_{i=1}^{212} \text{TaxBase}_i = \$94.20\text{B} \tag{2}$$

Applying the 7 percent growth rate to the December 31, 2026 valuation date yields approximately \$100.9 billion in face-value revenue at the grown vintage. This baseline is the object that the \$100 billion revenue estimate of Galle et al. (2025) also target; the difference reflects only the Forbes list corrections documented in Section 3.3.[23] The baseline assumes the probability of the Act surviving a constitutional challenge (q) survives in its entirety ($q = 1$), and every taxpayer in the base pays the full statutory rate. We relax this assumption in Section 4.2.

4.2 The Collectibility Principle

A responsible fiscal analysis of a novel, untested tax should not treat contested revenue as certain. The Act faces constitutional challenges on multiple independent dimensions (Section 2.4), applies to a base of 212 identified individuals whose residency status and asset valuations will each be litigated, and depends on provisions the Act itself acknowledges may not survive judicial review. Revenue estimates that do not account for these risks overstate what the state will actually collect. We therefore assign each taxpayer a collection probability reflecting the potential strength of the state's claim on that individual's tax liability, and report results across scenarios for the probability that the Act survives constitutional challenge in some form. Expected revenue is:

$$E[R] = q \times R_{\text{recognized}} \tag{3}$$

where q is the probability the Act survives constitutional challenge, and $R_{\text{recognized}}$ is the grown face-value revenue from taxpayers whose individual liability meets the recognition threshold. We construct $R_{\text{recognized}}$ in Section 4.4 by removing confirmed departures, pre-filing departures, and taxpayers whose collectibility falls under the "more likely than not" standard. We adopt $q = 0.50$

[23] They estimate applies a 10 percent across-the-board avoidance reduction to a slightly larger Forbes base. Our baseline makes no avoidance assumption and corrects the underlying list, arriving at a comparable face value from a more accurate base.

as our central estimate. The Financial Accounting Standards Board (FASB) establishes how corporations must treat uncertain tax positions in their financial statements. The relevant standard, Accounting Standards Codification Topic 740-10 (ASC 740-10), requires that uncertain tax benefits be recognized only if it is "more likely than not" that the position will be sustained on its technical merits, and measured at the largest amount with greater than 50 percent cumulative probability of being realized. Our approach applies this framework to the revenue side.[24]

We apply this framework at the individual level: taxpayers whose collectibility falls below the "more likely than not" threshold (confirmed departures, pre-filing departures, Pareto-imputed billionaires) are excluded from $R_{\text{recognized}}$ entirely, consistent with the standard's recognition gate. For the systemic parameter q, we apply 0.50 as a probability weight rather than a threshold. This is a conservative application: under a strict threshold, if the probability that the Act survives exceeds 50 percent, the full $R_{\text{recognized}}$ would be recognized at face value. Our approach of multiplying by $q = 0.50$ yields a lower estimate. The ASC 740-10 standard motivates our choice of $q = 0.50$. If U.S. GAAP does not permit corporations to book uncertain tax benefits at face value, a fiscal score of a novel tax with no judicial precedent should not book uncertain tax revenue at face value either (Financial Accounting Standards Board, 2006).

There are two layers of uncertainty. The first is individual: confirmed departures and pre-filing departures are removed from the base deterministically in Section 4.3, which directly reduces $R_{\text{recognized}}$. The second is a systemic adjustment: the constitutional challenges outlined in Section 2.4 apply to every taxpayer who remains in the recognized base. The parameter q captures this systemic risk. The Act's own fallback provisions, including the severability clause and the safety valve conceding worldwide apportionment issues, are risks the drafters anticipated. In order to inform policymakers and voters of the fiscal tradeoffs of the Act, incorporating this uncertainty into the revenue estimate is prudent and appropriate.

The collectibility principle applies in particular with respect to revenue attributed to taxpayers the Franchise Tax Board cannot identify. Boll et al. (2025) use a Pareto extrapolation to impute

[24] Financial Accounting Standards Board, Accounting Standards Codification Topic 740-10, *Income Taxes: Overall* (originally issued as FASB Interpretation No. 48, June 2006).

approximately 368 additional California billionaires in the $1 billion to $4.5 billion range where Forbes coverage becomes sparse, adding $615 billion in wealth and $24 billion in revenue to their scoring. However, Boll et al. (2025) themselves acknowledge that the FTB has no direct way to identify these individuals, and propose that it estimate their wealth through the capitalization method instead. Appendix F implements that procedure.[25] Under the collectibility framework, the collection probability for Pareto-imputed billionaires is $q = 0$. Revenue that depends on identifying taxpayers who are invisible to the taxing authority fails the "more likely than not" standard: the FTB cannot assess a liability it cannot attribute to a specific individual, and it cannot enforce collections against a taxpayer it cannot find.

4.3 Confirmed Pre-Snapshot Departures

Accounting for the seven publicly confirmed pre-snapshot departures, projected revenue falls to $72.06 billion. These seven departures represent $539.9 billion of the $1,894.8 billion aggregate net worth of California's billionaires. Table 7 presents the specific individuals.

Table 7: Confirmed California Billionaire Departures Prior to Residency Snapshot

Name	**Source of Wealth**	**Net Worth ($B)***	**Tax Avoided ($B)**
Larry Page	Google (co-founder)	274.1	13.70
Sergey Brin	Google (co-founder)	252.9	12.65
Peter Thiel	PayPal, Palantir (co-founder)	28.6	1.42
Don Hankey	Hankey Group (founder)	8.7	0.43
Steven Spielberg	Amblin Entertainment (founder)	7.5	0.36
Travis Kalanick	Uber (co-founder)	3.7	0.18
David Sacks	Craft Ventures (co-founder)	2.1	0.11
Total (7 departures)		**577.7**	**28.85**

Notes: *Net worth projected to the December 31, 2026 valuation date at 7 percent growth. Tax avoided calculated as 5 percent of projected net worth less directly held residential real estate. These departures were identified through media reports and occurred between October 2025 (initiative filing) and January 1, 2026 (statutory residency snapshot date). Departures represent 28.5% of California's total domestic billionaire wealth base.

[25] Boll et al. (2025), p. 21 and Table 5, row 2, in which projected wealth tax revenue rises from $104 billion to $128 billion. The extrapolation imposes the Pareto coefficient estimated at and above $4.5 billion, anchored on the 89 Forbes billionaires above that threshold, as constant down to $1 billion. Appendix F estimates the same population directly from California Franchise Tax Board income data and the Survey of Consumer Finances, the two sources Boll et al. (2025) name for this purpose, and finds approximately 111 additional returns holding $134 billion.

This represents the revenue collected from billionaires who remain California residents as of the January 1, 2026 snapshot date. When accounting for observed departures, projected revenue falls to \$72.06 billion, representing a \$28.85 billion decrease relative to the no-departure baseline estimate. The implied semi-elasticity from confirmed departures is:

$$\varepsilon = \frac{\%\Delta \text{ TaxBase}}{\Delta\tau} = \frac{(100.9 - 72.06)/100.9}{0.05} = \frac{28.6\%}{5.00\%} = 5.73 \tag{4}$$

This observed semi-elasticity, derived entirely from publicly documented departures, should be understood as a floor. Section 4.5 validates this estimate against the European wealth tax mobility literature. The three pre-filing departures documented in Section 3.3 remove an additional \$0.88 billion in face-value revenue, reducing the collectible base to \$71.17 billion.

4.4 Litigation Discount and Collectible Estimate

Removing confirmed departures (\$28.85 billion), pre-filing departures (\$0.88 billion), and keeping the international billionaires outside of the base entirely, the remaining domestic base carries \$71.17 billion in face-value revenue at the grown vintage. Applying $q = 0.50$ to this base yields the collectible estimate.

Mark Zuckerberg announced his departure from California in February 2026, after the statutory snapshot date but before the Act's enactment (Fox Business, 2026). Whether the state can collect from a taxpayer who departed nearly nine months before voters approved the Act depends entirely on the retroactive obligation date surviving constitutional challenge. As discussed in Section 2.4, the Act's own severability clause (Section 50311(b)) concedes this date may be reformed, and Zuckerberg's departure without apparent urgency regarding the snapshot date suggests that his tax attorneys are confident the retroactive provision will not survive. We exclude Zuckerberg from the recognized base, yielding:

$$R_{\text{recognized}} = 71.17 - 12.03 = \$59.15\text{B} \tag{5}$$

$$E[R] = 0.50 \times 59.15 = \$29.6\text{B} \tag{6}$$

If Zuckerberg's liability is sustained and collected at the same litigation-survival probability as other recognized residents, the estimate rises to:

$$E[R] = 0.50 \times 71.17 = \$35.6\text{B} \tag{7}$$

The recognized base of \$59.15 billion includes 194 confirmed stayers (\$58.06 billion) and 7 individuals with departure signals that do not meet the threshold for confirmed departure (\$1.09 billion). Under the ASC 740-10 "more likely than not" standard, these individuals remain in the recognized base because the state's claim on confirmed residents, conditional on the Act surviving the constitutional challenges outlined in Section 2.4, exceeds the 50 percent recognition threshold. The systemic litigation risk is captured by q:

$$E[R] = q \times R_{\text{recognized}} = 0.50 \times 59.15 = \$29.6\text{B} \tag{8}$$

Several additional billionaires have been reported as considering relocation, including Jan Koum, Reed Hastings, and Andy Fang (New York Post, 2026; Fang, 2026). Because these individuals remain in the recognized base at $q = 0.50$, the sensitivity to their departure is modest: if all three and the seven ambiguous individuals are reclassified as leavers, the estimate falls from \$29.6 billion to \$28.4 billion, a difference of \$1.2 billion. The central estimate is therefore approximately **\$30 billion** (range \$28–36 billion), where the lower bound reflects the departure of all gray-zone individuals and the upper bound reflects Zuckerberg remaining in the recognized base.

Throughout this section, we have treated the seven confirmed departures as the entirety of the behavioral response. This assumption is extraordinarily conservative. Every billionaire in the base faces a minimum avoidable payment of \$50 million, and the Act's pre-announced snapshot date gave taxpayers over two months to establish residency elsewhere before the obligation attached. The confirmed departures represent only those individuals whose moves were reported in the media

or documented through public real estate transactions. Billionaires who relocated quietly, without press coverage, property purchases in their own names, or public announcements, do not appear in any of the estimates above. The participation margin is large: for a taxpayer with $5 billion in net worth, the avoided liability is $250 million, a sum that dwarfs any plausible relocation cost. Our revenue ceiling of $72 billion (and the central estimate of approximately $30 billion) should therefore be understood as upper bounds that assume zero stealth departures, an assumption that becomes less plausible as the incentive for avoidance scales linearly.[26]

4.5 Validation Against the Mobility Literature

The observed semi-elasticity of 5.73 from confirmed pre-snapshot departures (Section 4.3) represents a floor on the true behavioral response, since it captures only publicly documented departures. The wealth tax literature provides independent estimates of the migration response to wealth taxation across multiple settings.

The primary external calibration comes from Brülhart et al. (2022), who study wealth-tax changes across Swiss cantons and estimate a headline aggregate semi-elasticity of taxable wealth of approximately 43 percent per percentage point of wealth tax. Their case-study decomposition of the 2009 Lucerne–Bern reform attributes approximately 24 percent of the total response to taxpayer migration, yielding a migration semi-elasticity of $\eta_{\text{mig}} = 0.24 \times 43 = 10.32$.[27] Applied to a 5 percentage point rate increase using the log net-of-tax form, this implies a base loss of $1 - 0.95^{10.32} = 41.1$ percent. When restricted to the ten largest wealth-tax reforms, the implied migration elasticities rise to $\eta_{\text{mig}} \in [20.16, 26.40]$, corresponding to base losses of 64 to 74 percent.

Table 8 presents the observed California departure rates alongside the estimates from the European and U.S. wealth and estate tax literature.

[26] Appendix B presents an upper-bound stress test using independently compiled departure data; under the most aggressive scenario, revenue falls to $4.82 billion with an implied semi-elasticity of 18.98.

[27] We transport only the migration channel from the Swiss calibration. The housing-capitalization, avoidance, and saving channels are excluded because the Act removes directly held real property from the taxable base, U.S. securities are subject to substantially greater third-party reporting than Swiss self-declared financial wealth, and the saving component was measured in the context of a recurring annual tax. See Appendix C for a detailed discussion.

Table 8: Observed vs. Literature-Implied Tax Base Erosion at a 5 Percentage Point Rate Increase

Study	**Setting**	**Implied Base Loss**	**Note**
Agrawal et al. (2025)	Wealth tax, Spain	10–20%	Authors' scaling
Brülhart et al. (2022)	Wealth tax, Switzerland	41.1%	Baseline, log form
Brülhart et al. (large reform)	Wealth tax, Switzerland	64–74%	$\eta \in [20, 26]$, log form
CA confirmed departures	Observed	28.6%	$\varepsilon = 5.73$, floor
CA expanded departures	Observed	∼42%	$\varepsilon = 8.41$

Notes: Literature-implied base losses are computed at a 5 percentage point rate increase using the migration channel only. California observed rates are computed from publicly documented departures as a share of the domestic billionaire wealth base.

The confirmed departure rate of 28.6 percent sits at the lower end of the literature range. The expanded departure rate of approximately 42 percent, incorporating post-snapshot and reported departures, matches the Swiss baseline of 41.1 percent almost exactly. The European studies cited above examine recurring annual wealth taxes, not one-time levies. The observed confirmed departure rate of 28.6 percent exceeds the base erosion implied by a literal one-time interpretation by a wide margin, revealing that taxpayers are pricing the Act as the beginning of a persistent wealth tax regime rather than an isolated payment. The recurring-tax elasticities are therefore the appropriate benchmark for validating the observed response. This conclusion is reinforced by the Act's constitutional amendment removing the intangible property tax cap with no sunset clause. Section 6 examines the credibility of the one-time framing in detail.

The collectibility estimate of approximately \$30 billion (Section 4.4) converges with the literature through an entirely independent methodology. The aggressive Swiss calibration ($\eta_{\text{mig}} \in [20.16, 26.40]$) implies retained revenue of $0.95^{\eta} \times 100.9 =$ \$26–\$36 billion. Two unrelated analytical routes, one based on observed departures and the ASC 740-10 litigation discount, the other applying European migration elasticities, land in the same range.

5 Present Value of Future Loss of Individual Income Tax Collections

Using our estimates from sections 3 and 4, we develop a framework to evaluate the present value of the future loss of individual income tax collections. Section 5.1 lays out an estimate of California's billionaire income tax liability. Section 5.2 outlines the perpetuity valuation framework for billionaire income tax collections under different discount rates and departure scenarios. Section 5.3 provides a break-even departure analysis that we use to evaluate the net fiscal impact of the wealth tax. In Section 5.4, we simulate 100,000 draws at varying discount rates to develop a range of outcomes for our NPV estimates.

5.1 Estimating Billionaire Income Tax Contributions

California's 212 billionaires contribute an estimated \$3.3–5.8 billion annually in state income taxes. The FTB's highest published AGI bracket, \$10 million and above, contained 4,729 returns and \$11.1 billion in tax liability in Tax Year 2023 (11.4% of total PIT).[28] In order to estimate and isolate the top 212 filers within this bracket, we fit a Pareto distribution to the upper tail of the AGI distribution. The Pareto survival function,

$$N(y) = A \cdot y^{-\alpha}, \tag{9}$$

is estimated via OLS on the log-linearized form $\ln N(y) = \ln A - \alpha \ln y$ using cumulative filer counts above six AGI thresholds (\$1M, \$2M, \$3M, \$4M, \$5M, \$10M), yielding $\hat{\alpha} = 1.44$ ($R^2 = 0.999$).

[28] California Franchise Tax Board, *Personal Income Tax Annual Report 2024*, Table B-4A (Tax Year 2023), available at `https://lab.data.ca.gov/dataset/pit-annual-report-2024`.

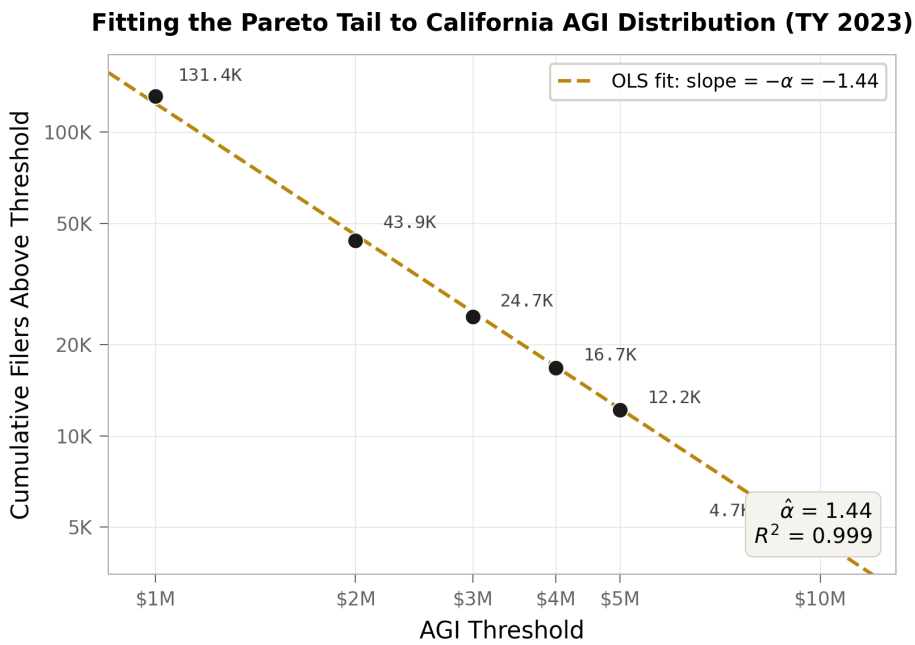

Figure 1: Pareto tail fit to California AGI distribution (TY 2023). Six cumulative filer counts on a log-log scale fall on a near-perfect line ($R^2 = 0.999$), yielding $\hat{\alpha} = 1.44$.
Alt text: Six points from $1M to over $10M AGI thresholds, with filer counts declining from 131,400 to 4,700, closely tracking a straight dashed fitted line.

The share of bracket income attributable to the top k of n filers is then

$$S(k, n) = \left(\frac{k}{n}\right)^{(\alpha-1)/\alpha}. \tag{10}$$

For the top 212 of 4,729 filers, this implies a 39.0% share of bracket tax liability, or approximately $4.3 billion in Tax Year 2023.

Scaling proportionally to FY 2024–25 total PIT collections of approximately $130 billion, the top 212 taxpayers contributed an estimated $5.76 billion in FY 2024-25.[29] This proportional scaling is not perfect because the top 212 individual income-tax filers are not necessarily the same individuals as California's 212 listed billionaires.

[29]FY 2024–25 PIT based on State Controller's Office cash receipts through April 2025.

Lower Bound for Billionaire Income Tax Collections

The Pareto distribution in Section 5.1 yields an upper bound by implicitly assuming that the 212 billionaires occupy the top 212 positions in the AGI distribution. However, as Splinter (2025) documents, effective tax rates decline at the very top when taxpayers are ranked by *wealth* rather than *income*. This divergence reflects the realization gap: billionaires whose fortunes are concentrated in unrealized equity gains may report substantially less AGI in any given year than other top filers who realize large capital gains or receive carried interest. Ranking by wealth breaks the link with the tax base.

To quantify the impact of this dispersion, we conduct a Monte Carlo simulation. Using the Pareto-implied income schedule from Section 5.1, we assign each of the 4,729 filers in the \$10 million-plus bracket a tax liability proportional to their rank-implied income, calibrated so that the top 212 positions collectively account for the continuous Pareto share $S(212, 4{,}729) = (212/4{,}729)^{(\alpha-1)/\alpha} = 38.8\%$ of bracket tax liability.[30]

Next, we relax the assumption that the 212 billionaires occupy positions 1 through 212 and instead draw them uniformly at random (without replacement) from the top K positions in the income schedule, where K ranges from 212 to 2,000. For each value of K, we draw 100,000 independent samples of 212 positions and compute the sum of tax liabilities in each draw. At $K = 212$ the result is deterministic and equals the upper bound. As K increases, the 212 billionaires are dispersed across a wider pool of filers and the expected aggregate tax contribution falls.

Table 9 reports selected results. At $K = 300$, implying modest dispersion, the mean aggregate contribution is \$4.6 billion (90% interval: \$4.1–5.0B). At $K = 500$, implying that billionaires are scattered across roughly the top decile of the bracket, the mean falls to \$3.3 billion (90% interval: \$2.8–3.8B). We view $K \approx 500$ as a reasonable lower bound from the simulation. We therefore

[30]The discrete rank summation undershoots the continuous Pareto integral by approximately 11%. We rescale the discrete schedule to match the continuous formula used in Section 5.1, ensuring internal consistency between the upper bound and the simulation.

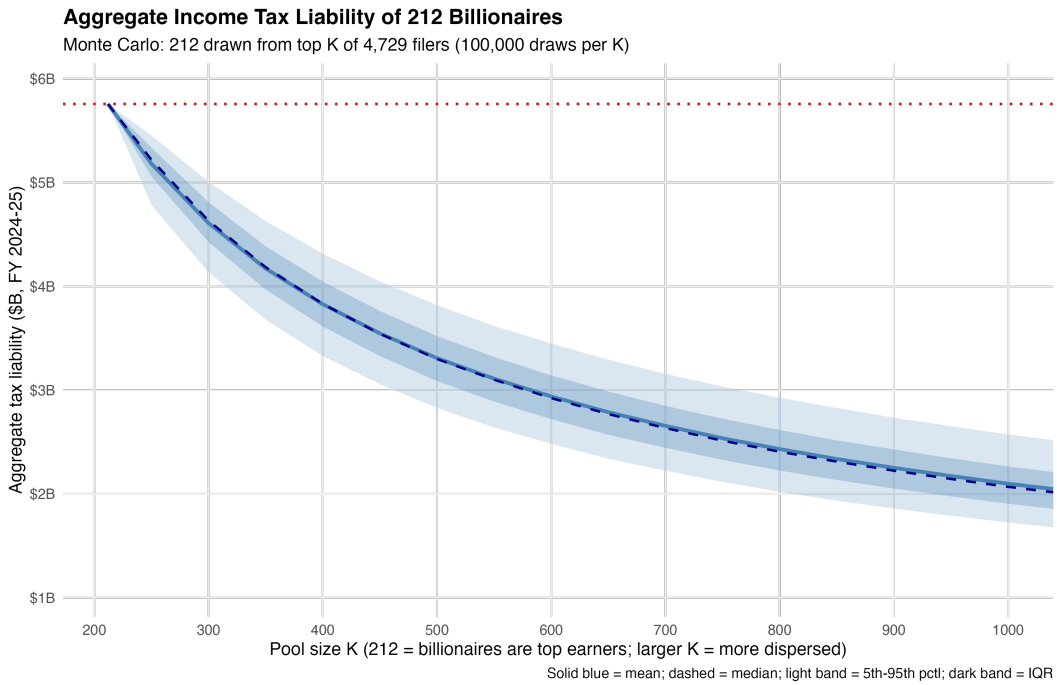

Figure 2: Aggregate income tax liability of 212 California billionaires drawn from the top K of 4,729 filers (FY 2024–25, 100,000 draws per K). Solid line: mean. Dashed: median. Dark band: IQR. Light band: 5th–95th percentile.
Alt text: Downward-sloping curve from about %5.7B at pool size 212 to about $2B at pool size 1,000, with widening uncertainty bands as pool size increases.

bracket annual income tax contributions of California's 212 billionaires between $3.3–5.8 billion.[31]

[31]This range captures only personal income tax liability. It excludes capital gains taxes realized upon departure, sales taxes, and other state levies attributable to billionaires. In response to the concern that the $3.3–5.8 billion is an overestimate of income tax contributions, the omission of these additional tax bases works in the opposite direction and likely more than compensates.

Table 9: Monte Carlo Estimates of Billionaire Income Tax Contributions (FY 2024–25)

Pool Size K	**Mean ($B)**	**P5 ($B)**	**P95 ($B)**
212	5.76	5.76	5.76
250	5.18	4.79	5.45
300	4.61	4.14	5.01
400	3.83	3.33	4.31
500	3.31	2.83	3.82
750	2.54	2.12	3.03
1,000	2.10	1.73	2.57

Notes: Each row reports the distribution of aggregate California income tax liability across 100,000 Monte Carlo draws of 212 billionaires from the top K positions of the Pareto-implied income schedule. Tax liabilities are scaled from TY 2023 to FY 2024–25 using the ratio of total PIT collections ($130B/$97.4B). At $K = 212$ the draw is deterministic.

5.2 Perpetuity Valuation of Income Tax Collections

The present value of permanently lost income tax collections more than offsets the one-time wealth tax revenue under midpoint assumptions. If these 212 taxpayers were to permanently depart California, the state would lose their income tax contributions for the remainder of their lives. If no more billionaires were to emerge to replace them, we can view this as a perpetuity. The present value of a perpetual real annual stream of cash flows is:

$$PV = \frac{C}{r}, \tag{11}$$

where C is in real terms and r is a real discount rate. This formula maps to the present value of income tax receipts from billionaires if C represents income tax returns of California billionaires growing at the rate of inflation. That is, $C \in [\$3.3\text{B}, \$5.8\text{B}]$ is the annual income tax contribution estimated in Section 5.1. The NPV of the Act would be the one-time wealth tax revenue less the present value of permanently lost income tax collections:

$$NPV = WT - \frac{f \cdot C}{r}, \tag{12}$$

where WT is the adjusted wealth tax revenue from Section 4, $C \in [\$3.3\text{B}, \$5.8\text{B}]$ is the annual income tax contribution from Section 5.1, f is the fraction of the income tax base that departs, and r is the real discount rate.

California's personal income tax base has historically grown faster than inflation, implying a growing perpetuity with present value $f \cdot C/(r-g)$. Incorporating growth rates makes the present value

$$PV = \frac{C}{r-g}, \tag{13}$$

and the NPV

$$NPV = WT - \frac{f \cdot C}{r-g}. \tag{14}$$

The departure fraction f measures the share of billionaire income tax payments permanently lost through departures. We draw $f \sim U[0.30,\ 0.60]$ independently of WT. The confirmed pre-snapshot departures documented in Section 4.3 removed 28.6 percent of the domestic billionaire wealth base. However, the fraction of the wealth tax base that departs is not the same object as the fraction of income tax payments lost. The Monte Carlo simulation in Section 5.1 already accounts for the possibility that billionaires occupy lower positions in the AGI distribution than their wealth rankings would suggest, producing the $C \in [\$3.3\text{B},\ \$5.8\text{B}]$ range that captures the realization gap between wealth and taxable income (Splinter, 2025). The parameter f addresses whether the billionaires who departed contributed more or less than a proportionate share of the group's income tax payments. We adopt a range of 0.30 to 0.60 that is centered conservatively around the observed wealth-base departure fraction. The lower bound of 0.30 and upper bound of 0.60 yield a central value of 0.45, which in conjunction with the Monte Carlo simulation provides a formal acknowledgment that the departures of the wealth tax asset base are not directly translated one-for-one into the fraction of the income tax base lost. Yet, the range in the simulations will control for this as well.

Assuming billionaire income derives primarily from returns on accumulated wealth, the relevant growth rate g is approximately the long-run real capital appreciation rate of that wealth.

Under the Gordon Growth Model, for an asset whose cash flows grow at a constant rate g and are discounted at rate r, the dividend-price ratio satisfies $D/P = r - g$, so that the dividend yield provides a direct measure of $(r - g)$.[32] For an equity portfolio approximating the S&P 500, the dividend yield is approximately 1.5%, suggesting $(r - g) \approx 0.015$.

This calibration is corroborated by an independent accounting check. Billionaire wealth is estimated at $W = \$1.89$ trillion. If that wealth generates a yield of d, and that yield is subject to California's top marginal rate of 13.3%, the implied state tax collections are $W \cdot d \cdot 0.133 = \$251.4\text{B} \cdot d$. Equating this expression to the observed tax collection range of $[\$3.3\text{B},\ \$5.8\text{B}]$ implies $d \in [1.3\%, 2.3\%]$, consistent with the dividend-yield proxy for $(r - g)$.[33]

Any factors that reduce the expected growth rate of the income stream relative to a broad equity index—such as illiquidity or mean-reversion in entrepreneurial returns—would justify a higher value of $(r - g)$. In addition, if we expected a baseline level of shrinkage of the high net worth tax base due to policies other than the California wealth tax, that would reduce g and increase $(r - g)$ accordingly. Rauh and Shyu (2024) and Rauh (2022) show baseline post-Proposition 30 departure rates of high income California earners of around 1%. To account for these factors, we present scenarios at $(r - g) \in \{1.5\%, 3.0\%, 4.5\%\}$ in our calculations.

In our perpetuity framework we do not assume an ongoing wealth tax. Rather, we assume that departed billionaires do not return to California after the one-time levy, a proposition which is supported by the conditions that will persist after collection: the constitutional cap on intangible property taxation has been permanently removed, §50310 permits a change to any part of the Act by a two-thirds vote of the legislature, and the spending obligations the Act funds are open-ended (Section 6). For the income tax loss to be temporary, departed billionaires would need to reverse

[32] This equivalence holds when (i) the payout ratio is stable, (ii) earnings are reinvested at the market rate of return so that retained earnings neither create nor destroy value, and (iii) the growth rate g is constant and less than r. Under these conditions, the portion of total return paid out as dividends—rather than reinvested as capital gains—is precisely $(r - g)$, the net cash flow rate relevant for perpetuity valuation. See Gordon (1962), "The Investment, Financing, and Valuation of the Corporation."

[33] This consistency is not mechanical. The wealth estimate W and the tax collection estimate C are derived from independent data sources (Forbes wealth estimates and Franchise Tax Board returns respectively) so their coherence with a market-based measure of $(r - g)$ provides external validation of the calibration. Were the implied d to differ substantially from plausible equity yields, this would suggest that billionaire income is not well-characterized as a return on a diversified equity portfolio.

relocation decisions made in response to these conditions. Section 6 examines why this is unlikely. Similarly, the same conditions that deter return migration also deter new entry: a founder choosing where to locate a company faces the same constitutional infrastructure for wealth taxation that drove existing billionaires to leave. The asymmetry between one-time wealth tax revenue and permanent income tax losses is not a modeling assumption but a feature of the Act's structure: the statute authorizes one collection, while the constitutional amendment that enables it has no sunset or reinstatement provision.

The income tax loss is not conditioned on q because the departures that generate it have already occurred. The seven confirmed pre-snapshot departures are observed facts, not projections contingent on the Act's survival. If the Act is struck down entirely ($q = 0$), the wealth tax collects nothing, but the departed billionaires do not return to California and their income tax contributions are still lost. The behavioral response preceded and is independent of the legal outcome: billionaires departed in response to the filing and the snapshot date, not in response to court rulings that have yet to occur. In this respect, the income tax loss is more certain than the wealth tax revenue. The simulation's uniform draw over $f \in [0.30, 0.60]$ captures uncertainty about the magnitude of total departures, including those not publicly documented, rather than uncertainty about whether departures reverse conditional on the Act's legal fate.

5.3 Break-Even Departure Analysis

The wealth tax has positive net present value only if the one-time revenue exceeds the present value of foregone income taxes from departing billionaires. Setting NPV to zero, the break-even departure fraction x^* solves

$$x^* = \frac{WT \cdot (r - g)}{C}. \tag{15}$$

At the central estimate of $WT = \$36$ billion (the ASC 740-10 recognition threshold applied to the \$72 billion ceiling) and $C = \$4.55$ billion (the midpoint of the income tax range from Section 5.1), the break-even departure fractions are:

Table 10: Break-Even Departure Fraction of Income Tax Base

	Break-Even x^*		
	$(r-g) = 1.5\%$	$(r-g) = 3.0\%$	$(r-g) = 4.5\%$
Central ($WT = \$36$B, $C = \$4.55$B)	11.9%	23.7%	35.6%

The central departure assumption of $f = 0.45$ (the midpoint of $U[0.30, 0.60]$) exceeds the break-even threshold at every discount rate in the plausible range. At a 3 percent real discount rate, only 23.7 percent of the income tax base must depart to erase the Act's net fiscal benefit, and we assume 45 percent. At the most forgiving discount rate of 4.5 percent, the break-even threshold is 35.6 percent, still well below the central departure assumption. The break-even is sensitive to the income tax estimate: at $C = \$3.3$ billion the 3 percent break-even rises to 32.7 percent, while at $C = \$5.8$ billion it falls to 18.6 percent. In all cases, the central departure fraction exceeds the break-even. Even at the $72 billion revenue ceiling (the absolute maximum assuming no stealth departures and full litigation survival), a 3 percent discount rate only requires 47.5 percent of the income tax base to depart before the NPV turns negative.

5.4 Distribution of Outcomes Across the Parameter Space

We simulate draws from uniform distributions over the plausible ranges for discount rates, revenue from the wealth tax, and lost income tax collections. In the interest of exploring what the range of possible outcomes is for our NPV estimates, we simulate 100,000 draws from uniform distributions over the plausible ranges for discount rates, revenue from the wealth tax, and lost revenue from income tax collections.[34]

[34]The zero lower bound floors the simulated wealth tax revenue at $0 and is empirically grounded beyond the litigation risk framework: Appendix B documents a scenario in which stealth and reported departures reduce revenue to $4.82 billion.

$$WT \sim U[\$0\text{B},\ \$72\text{B}] \tag{16}$$
$$C \sim U[\$3.3\text{B},\ \$5.8\text{B}] \tag{17}$$
$$(r - g) \sim U[0.015,\ 0.045] \tag{18}$$
$$f \sim U[0.30,\ 0.60] \tag{19}$$

For each draw, we compute the net present value $NPV = WT - f \cdot C/r$.

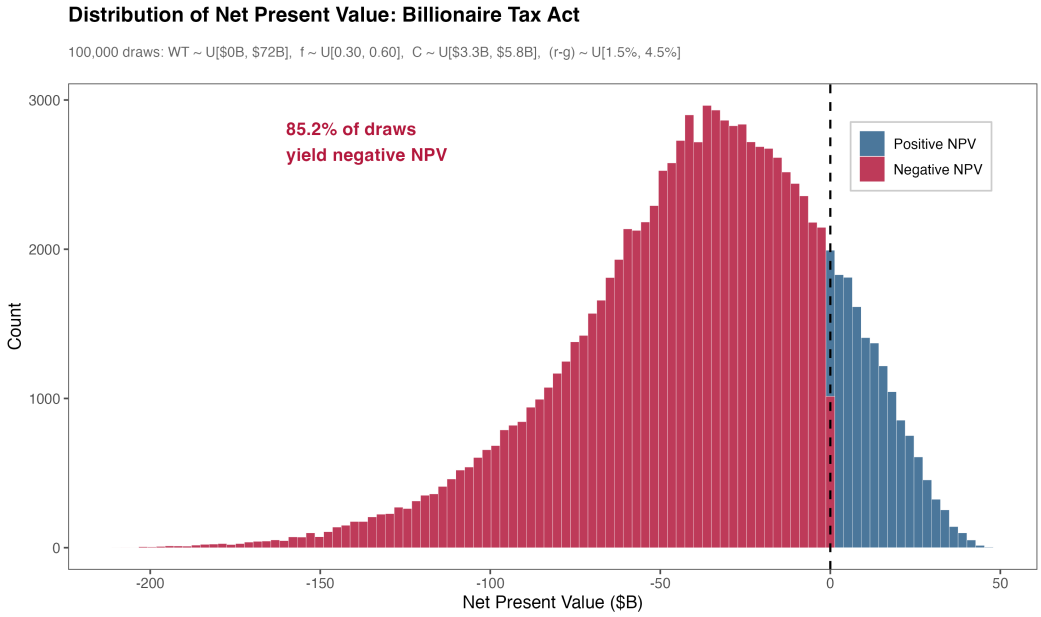

Figure 3: Distribution of NPV across 100,000 parameter draws. Red bars indicate negative NPV (net fiscal loss); blue bars indicate positive NPV.
Alt text: Right-skewed histogram spanning roughly -$200B to $50B, peaking around -$40B, with 85.2% of draws falling below zero.

The mean NPV across all draws is $-\$38.9$ billion, with a median of $-\$35.3$ billion, and a standard deviation of $37.6 billion. Approximately 85% of plausible parameter combinations yield a negative net present value. The 5th and 95th percentiles of the distribution are - $107.9 billion and $15.9 billion, respectively. Several features of our estimation are plausibly understating the costs because we exclude all non-income-tax fiscal spillovers, including lost sales tax, property tax, and business activity, such as employing other income taxpayers.

6 Is This Truly a One-Time Tax?

The Act's statutory text raises substantial questions about whether the one-time framing is credible. It is a constitutional amendment that lifts California's existing 0.4% cap on taxes on intangible personal property. The measure contains no sunset clause and no provision reinstating the cap after collection is complete. Once that cap is lifted, future ballot initiatives and legislative action can build on the authority this amendment creates to impose additional wealth taxes at any rate, on any threshold. Thus, the Act establishes constitutional infrastructure for wealth taxation while presenting itself as a bounded, 'one-time' event.

The core problem is one of commitment. If the state of California votes to enact this tax, and if it is sustained by the courts, the constitutional barrier to future wealth taxation is removed, and the state's ability to commit to not enacting additional wealth taxes is substantially diminished. This is a dynamic game of complete information in which the plausibility of wealth taxation becomes permanent. Billionaires and their advisors understand this: the rational response is not to evaluate the 5 percent levy in isolation, but to estimate the expected present value of all subsequent taxes the amendment makes possible. Based on the experience of California with Proposition 30 (2012), which introduced progressive income tax rates of up to 13.3% as a temporary measure but was then extended by Proposition 55 to 2030 and may well be extended again, taxpayers are right to be skeptical that measures billed as temporary in fact will remain temporary once the administrative and legal frameworks are in place. The control-weighted valuation default in the current Act (see Section 2.3) illustrates the kind of expansive design feature that future measures could employ, reinforcing the rational basis for this expectation.

Section 50310 of the Act permits the state legislature to modify the Act by means of a simple two-thirds majority: "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" (Office of the California Attorney General, 2025). This provision permits the Legislature to

expand the Act's scope and duration, provided that the Legislature determines that the amendment furthers the purposes of the Act.

Additionally, the fiscal rationale for the Act is itself inconsistent with the one-time framing. The Billionaire Tax Act has been promoted as the fiscal "solution" to the state's federal reductions to Medi-Cal under the One Big Beautiful Bill Act (OBBBA). These reductions, however, are heavily backloaded, with 77% of the cumulative reduction occurring after 2029 (Rauh et al., 2026). Table 11 presents the federal Medicaid spending in California under the OBBBA, broken down by annual reduction, cumulative reduction, and its cumulative share by year.

Table 11: Estimated Reductions in Federal Medicaid Spending in California Under OBBBA

Year	**Annual Reduction ($B)**	**Cumulative Reduction ($B)**	**Cumulative Share**
2025	$0	$0	0%
2026	-$2	-$2	1%
2027	-$7	-$10	6%
2028	-$10	-$20	13%
2029	-$16	-$35	23%
2030	-$19	-$54	35%
2031	-$22	-$77	49%
2032	-$24	-$101	65%
2033	-$26	-$127	82%
2034	-$29	-$156	100%

Notes: Authors' calculations. Years are the federal Fiscal Year (October to September).

The observed behavioral response is inconsistent with the one-time framing. A one-time 5 percent levy is approximately equivalent, in present-value terms, to a recurring annual wealth-tax rate of:

$$\tau_{\text{annual equivalent}} \approx r \times 0.05, \tag{20}$$

where r is the relevant real discount rate. At real discount rates of 3.0 to 4.5 percent, this corresponds to an annual rate of roughly 0.15 to 0.225 percentage points. Applying the baseline Swiss migration elasticity at those rates implies a base loss of approximately 1.5 to 2.3 percent and

revenue of roughly \$99 billion. Publicly documented departures already account for 28.6 percent of the corrected base, and the expanded count reaches approximately 42 percent, far exceeding the 1.5 to 2.3 percent erosion the literal one-time convention predicts. The confirmed departure rate exceeds the one-time prediction by a factor of twelve. Appendix D formalizes this diagnostic: under a mixture model in which taxpayers assign probability ω to the persistent-regime interpretation, the confirmed departure rate implies $\omega = 0.68$, and the elasticity required to rationalize observed departures under a literal one-time interpretation would be $\eta \approx 222$, which is far outside any plausible range. Under a migration calibration based on the Swiss wealth tax base elasticity, that gap is consistent with taxpayers assigning substantial probability to a more persistent wealth-tax regime. It is also consistent with a discrete participation margin: the Act confronts each taxpayer in the base with an avoidable lump-sum payment of at least \$50 million, and participation decisions respond to the average price of remaining in the base, not merely to an annualized marginal rate.

7 Conclusion

Galle et al. (2025) projected approximately\$100 billion in revenue from the Billionaire Tax Act assuming 10% avoidance; we estimate collections of approximately \$30 billion (range \$28-36 billion). Seven publicly confirmed departures already eliminated nearly 30% of the wealth tax base before signatures were collected. California's billionaires contribute an estimated \$3.3–5.8 billion annually in state income taxes, and the present value of those lost collections more than offsets the one-time wealth tax revenue under midpoint assumptions. Across 100,000 draws from the plausible parameter space, 85% of outcomes yield a negative net present value, with a mean NPV of $-$\$38.9 billion.

Even in 15% of the simulated scenarios in which NPV is positive, the amount of present value revenue would still be relatively small. Policies that distort behavior but generate little or no net revenue gain may nonetheless impose substantial costs on residents through reduced employment, investment, and income. Billionaire departures, and the fact that new founders would think twice

about locating in California, have significant potential economic effects if the location of jobs and innovation shifts elsewhere.

These findings suggest that the Billionaire Tax Act will not fulfill the primary functions for which it was designed. Although the Act was designed to raise revenue, behavioral response prior to voting has eroded most of the projected tax base. While the Act was framed as addressing a fiscal emergency, its one-time collections are roughly offset—and in most scenarios more than offset—by the present value of permanently lost income tax revenue. The Act is presented as a one-time measure, but the Legislature can amend it by a two-thirds vote without returning to voters, reducing the procedural barrier to extending the tax beyond 2026, which effectively establishes the constitutional foundation on which future wealth taxes at any rate and threshold could be built. Even in the minority of scenarios where the net present value is positive, the gains are modest, while the distortions to employment, investment, and the location decisions of future founders are not.

A The Control Provision and Founder Decision-Making

Section 50303(c)(3)(C) of the 2026 Billionaire Tax Act states that a taxpayer's ownership share "shall be presumed to be not less than the taxpayer's percentage of the overall voting or other direct control rights." For founders with dual-class share structures, where super-voting Class B shares confer voting power far exceeding economic stakes, this language implies taxation of control rather than wealth (California Office of the Attorney General, 2026).

On January 16, 2026, Galle, Gamage, Saez, and Shanske issued a separate expert report asserting that it is "false" to claim voting shares would be taxed at full value regardless of economic ownership, and that claims to the contrary are "absurd" and made by "bad faith actors" (Galle et al., 2026). We proceed in our main analysis assuming that economic ownership will determine the tax base, consistent with the proponents' stated interpretation.

However, this clarification is irrelevant in explaining the behavioral responses that had already occurred. The ballot initiative was filed on October 15, 2025. The statutory residency snapshot date was January 1, 2026. The rebuttal of Galle et al. (2026) was not issued until January 16, which was sixteen days after the snapshot had passed. During the entire 77 day window in which founders and their tax attorneys had to evaluate their exposure and make relocation decisions, the only available guidance was the statutory text itself, and that text could have plausibly presumed voting control.

Table 12 illustrates what a reasonable founder would have understood their liability to be during this decision window. Mark Zuckerberg, holding roughly 13.4% of Meta's economic value but 61.0% of its voting rights, faced an adjusted net worth of approximately $1.03 trillion compared to his stated net worth of $226.7 billion. Larry Page and Sergey Brin, with combined voting control of 52.3% of Alphabet but economic stakes of only 6.5% and 6.0%, faced adjusted net worths exceeding $1.09 trillion and $1.02 trillion, respectively. Across all 18 dual-class founders, aggregate stated net worth of $815.2 billion expands to $3,505.4 billion under a control-weighted reading or a $2.7 trillion inflation of the tax base.

The valuation consequences of this reading are severe. The inflated tax base forces Class B share liquidation that directly erodes the voting control driving the inflation. Applying an A-share first liquidation methodology (exhausting Class A shares before selling Class B), eight of eighteen dual-class founders analyzed lose voting majority post-tax. The effective cash burden exceeds the statutory 5 percent levy because liquidating shares triggers federal and state capital gains taxes on the realized appreciation, which must themselves be funded through additional share sales. At California's combined federal-state capital gains rate of approximately 37%, a founder must sell roughly $1.59 in shares for every $1.00 of wealth tax liability. Under this methodology, Page and Brin's combined voting stake falls from 52.3% to 17.6%, ending their coordinated majority control of Alphabet. Tony Xu's obligation exceeds his entire Class A and Class B share position in DoorDash.

Although §50303(c)(3)(F) permits rebuttal of the voting-share presumption through certified appraisal, this carve-out would not have reassured founders during the decision window. The "clear and convincing evidence" standard is deliberately demanding and contesting the presumption requires trusting California appraisers and courts in a jurisdiction whose political environment produced the initiative. The 20-40% understatement penalties under §50312 mean a failed challenge further compounds the original liability. For founders facing potential tax bills in the tens of billions,

the expected cost of relocating to a low or no income tax state was trivial relative to the downside risk of remaining in California.

Consistent with this logic, the three founders most exposed under the control-weighted reading (i.e., Page, Brin, and Zuckerberg, who together account for nearly 89% of the excess tax burden) each took steps toward establishing non-California residency before the snapshot date or shortly thereafter. Removing them from the calculation, the voting-share uplift for remaining dual-class founders falls from $239.6 billion to $26.6 billion, an 89% reduction. Galle et al. (2026) may be correct that the control provision was never intended to operate as written. But the relevant question for revenue estimation is not what the drafters meant, but rather what founders believed during the only window in which their decisions mattered. The clarification could have plausibly come too late.

Table 12: Wealth Tax Burden Under a Control-Weighted Valuation Approach
One-Time 5% Levy; Capital Gains Tax Rate Per State of Residence

Dual-Class Founders (Voting Premium Applies)

Founder	Co.	Stated NW ($B)	Adj. NW ($B)[a]	Econ. Own. (%)	Voting Pwr. (%)	Eff. Cash Req. ($B)[b]	Class B Sold (%)[c]	Post-Tax Vote (%)	Control Lost[d]
Page, L.	GOOGL	261.8	1,094.8	6.5	27.1	86.89	66.5	9.1	Y[f]
Brin, S.	GOOGL	241.6	1,018.1	6.0	25.2	80.80	66.3	8.5	Y[f]
Zuckerberg, M.	META	226.7	1,030.9	13.4	61.0	81.82	35.4	39.4	Y
Foroughi, A.	APP	23.4	112.1	9.3	60.9	8.90	48.4	31.4	Y
Chesky, B.	ABNB	9.4	21.8	10.7	27.2	1.73	14.1	23.4	N/A
Blecharczyk, N.	ABNB	8.9	21.3	9.9	26.6	1.69	20.0	21.3	N/A
Bhatt, B.	HOOD	6.5	34.0	7.7	35.9	2.70	36.8	22.7	Y
Tenev, V.	HOOD	6.3	22.9	6.0	24.2	1.82	37.0	15.2	N/A
Yuan, E.	ZM	5.0	8.8	7.0	31.6	0.70	34.0	20.9	N/A
Baszucki, D.	RBLX	4.9	30.9	8.2	60.9	2.45	53.1	28.6	Y
Dorsey, J.	XYZ	4.8	16.5	7.9	41.3	1.31	40.4	24.6	N/A
Xu, T.	DASH	2.7	51.5	2.7	57.6	4.09	174.6	0.0	Y[e]
Wood, A.	ROKU	2.6	8.8	12.7	56.7	0.70	26.7	41.5	Y
Spiegel, E.	SNAP	2.6	6.2	9.3	49.5	0.49	29.5	34.9	N[g]
Levchin, M.	AFRM	2.2	9.2	8.2	40.4	0.73	3.3	39.0	N/A
Murphy, B.	SNAP	2.1	6.2	3.5	49.5	0.49	26.6	36.3	N[g]
Houston, D.	DBX	2.1	5.9	29.4	78.5	0.46	10.6	70.1	N
Silbermann, B.	PINS	1.6	5.5	7.0	34.5	0.44	48.0	17.9	N/A
Panel A Total		815.2	3,505.4			278.20			
Flat NW Tax (5%)						40.76			
Uplift vs. Flat						*+237.4*			

[a] Adjusted net worth under a control-weighted valuation: $\widehat{W}_i = \max(\alpha_i^V \cdot M_i,\ W_i)$, where α_i^V is founder i's voting share and M_i is company market capitalization. For single-class founders $\widehat{W}_i = W_i$.

[b] Effective cash requirement includes the wealth tax liability and the capital gains tax triggered by share liquidation, grossed up at each founder's state marginal rate. We assume a near-zero cost basis for all founders, implying that capital gains are approximately equal to total liquidation proceeds. This is conservative for founders who received shares at incorporation but may modestly overstate the liability for individuals who acquired shares at higher prices.

[c] Percentage of Class B (super-voting) shares sold after first exhausting all Class A holdings. Values exceeding 100% indicate the founder cannot satisfy the obligation even after liquidating their entire position.

[d] Founder held voting control pre-tax (voting power $\geq$ control threshold) and fell below that threshold post-liquidation. N/A indicates the founder did not hold voting majority pre-tax.

[e] Xu's obligation exceeds his entire super-voting position, reflecting the extreme divergence between his 2.7% economic interest and 57.6% voting control, the latter held largely via irrevocable proxy over co-founders' shares.

[f] Page and Brin exercise majority control of Alphabet jointly (27.1% + 25.2% = 52.3% pre-tax). Post-liquidation their combined stake falls to 17.6%, ending coordinated founder majority control of the company independent of their individual threshold crossings.

[g] Murphy and Spiegel's control threshold is 25%, reflecting Snap Inc.'s tri-class share structure under which Class C shareholders (the founders) retain supermajority control above that threshold. Both founders retain control post-liquidation with voting stakes of 36.3% and 34.9% respectively.

Sources: SEC EDGAR DEF 14A and Form 4 filings (2024–2025); Forbes Billionaires List (Feb. 2025); authors' calculations.

B Lucas Erosion Estimates

We construct a high-end exit stress-test using data from *cawealthexodus.com*, a platform supported by California Assembly candidate Dick Lucas (California Wealth Exodus, 2026). The site reports approximately 49 billionaire departures, including publicly announced and "stealth" exits, as well as an additional 129 taxpayers described as considering relocation. These figures are reported only in aggregate form and are translated into implied lost tax revenue under a 5 percent wealth tax.

Because individual identities are not disclosed beyond a small handful of departees, we cannot reconstruct person-level taxable wealth or separately identify exempt components such as owner-occupied residential real estate. To avoid overstating taxable wealth in these aggregate figures, we adjust for residential real estate using the median share of net worth (i.e., 0.64%), applying this adjustment uniformly across upper-bound scenarios. For the elasticity calculations that follow, percentage changes are calculated relative to our baseline revenue estimate of \$94.20 billion.

Upper-Bound Adjusted Scenario 1. In the first upper-bound scenario (UB1), 48 billionaires are assumed to depart California. Their combined net worth amounts to \$1.092 trillion. Projected wealth tax revenue is computed as

$$R_{\text{UB1}} = \sum_{i=1}^{N} \left(1 - \text{Departure}_i^{\text{UB1}}\right) \times \tau \times \text{TaxBase}_i, \tag{21}$$

which yields projected revenue of \$52.89 billion, representing a \$41.31 billion decrease relative to the Forbes no-departure baseline.

Upper-Bound Adjusted Scenario 2. In the second upper-bound scenario (UB2), the 129 taxpayers described as considering relocation are also assumed to depart, for a total of 177 billionaires leaving California. Their combined net worth amounts to approximately \$2.06 trillion. Revenue is given by

$$R_{\text{UB2}} = \sum_{i=1}^{N} \left(1 - \text{Departure}_i^{\text{UB2}}\right) \times \tau \times \text{TaxBase}_i, \tag{22}$$

which yields projected revenue of \$4.82 billion, representing a \$89.38 billion decrease relative to the no-departure baseline.

Implied Semi-Elasticities. Applying the migration semi-elasticity and calculating percentage changes to the tax base relative to the adjusted baseline value of \$94.20 billion:

$$\%\Delta\text{TaxBase}^{\text{UB1}} = \frac{94.20 - 52.89}{94.20} = 43.85\%, \tag{23}$$

$$\%\Delta\text{TaxBase}^{\text{UB2}} = \frac{94.20 - 4.82}{94.20} = 94.88\%. \tag{24}$$

Dividing these percentage changes by the five-percentage point increase in the wealth tax rate yields implied migration semi-elasticities of the following:

$$\varepsilon^{\text{UB1}} = \frac{43.85\%}{5.00\%} = 8.77, \tag{25}$$

$$\varepsilon^{\text{UB2}} = \frac{94.88\%}{5.00\%} = 18.98. \tag{26}$$

C California Billionaire Net Worth Trend and Trajectory

We construct two estimates of the 2027 growth trajectory of the California billionaire aggregate net worth using Forbes historical data from 1996 to 2025, as well as data published in early 2026. Figure 4 presents the historical trend from 1996 to 2026 in blue, with a simple 7% growth estimate in green for 2027 and a vector autoregression (VAR) time series point estimate and 95% confidence interval based on the prior two growth lags presented in orange. The 7% growth estimate is derived from the California Billionaire Tax Act architects' argument that the average real wealth of the Forbes 400 has grown at 7% per year, 4.5 points above the average, implying the proposed one-time 5% wealth tax is an appropriate mechanism (Office of the Attorney General, State of California, 2025). This estimate projects aggregate California billionaire net worth of $2,027.4 billion in 2027. The VAR(2) projects a 95% confidence interval with $1,770.6 billion as the lower bound, $2,302.6 billion as the upper bound, and a central estimate of $2,036.6 billion. The trend includes Forbes' estimated net worth for Larry Ellison and Drew Houston prior to their exits from the state in 2020 as well as that of Lynsi Snyder prior to her exit in 2025.

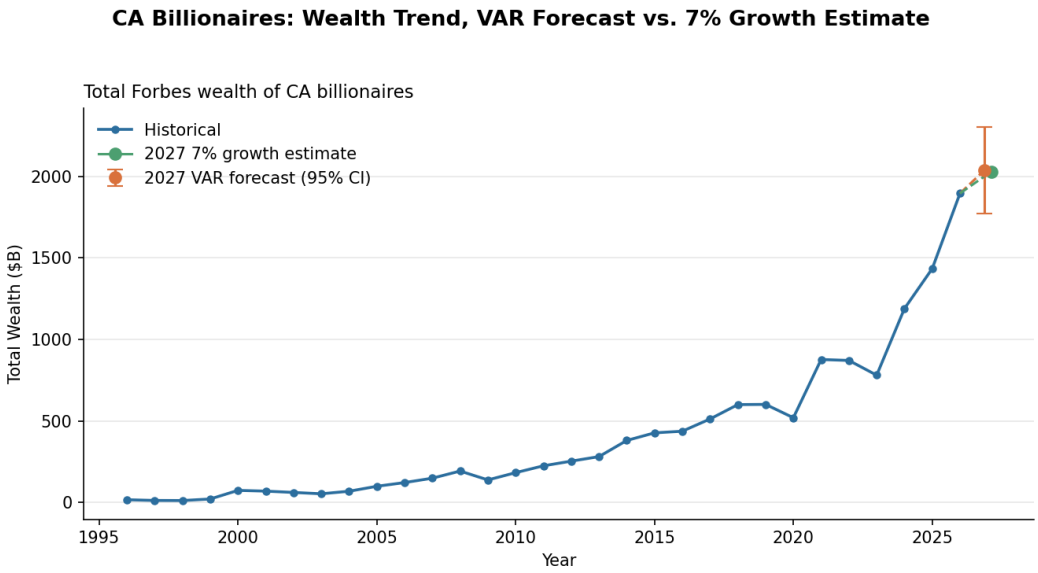

Figure 4: Estimated aggregate billionaire wealth in the state of California as of the month of January of the select year. Green point estimate ($2,027.4B) denotes the estimated growth at a 7% rate for 2027. Orange point estimate ($2,036.6B) and confidence interval [$1,770.6B, $2,302.6B] denotes the vector autoregression (VAR) central and 95% confidence interval estimates of California billionaire net worth growth in 2027.

Alt text: Line graph of estimated total California billionaire wealth from 1996 to 2026, rising from under $50B to roughly $1,900B, followed by two divergent 2027 estimates near $2,030B.

D Reconciling Observed Departures with the Swiss Calibration

The confirmed pre-snapshot departures remove 28.3 percent of the corrected California wealth-tax base, and the expanded reported-departure scenario removes 41.5 percent. These observed base losses are much larger than the 1.5 to 2.3 percent erosion implied by the "literal one-time tax" derived from Swiss wealth tax base elasticity numbers. Two diagnostics translate that discrepancy into the model's own units, and two economic mechanisms resolve it.

Implied Annual Tax-Rate Shock

The Swiss migration calibration relates base retention to an annual wealth-tax rate shock q through $B_1/B_0 = (1-q)^{\eta_{\text{mig}}}$. Since an observed base loss of f implies retention $1-f$, inverting the model gives the annual rate shock that would rationalize the observed loss:

$$q = 1 - (1-f)^{1/\eta_{\text{mig}}}. \tag{27}$$

With $\eta_{\text{mig}} = 10.32$, the confirmed loss of 28.3 percent implies $q = 3.17$ percentage points, and the expanded loss of 41.5 percent implies $q = 5.06$ percentage points. The expanded scenario behaves as if taxpayers are pricing essentially the full statutory five points as a persistent annual rate.

Implied Elasticity Under Literal One-Time Pricing

The same point can be seen from the opposite direction. Under the literal one-time convention at a 3 percent real discount rate, the annualized dose is $q = 0.03 \times 0.05 = 0.0015$, or 0.15 percentage points. Holding that dose fixed, the elasticity required to rationalize an observed base loss f is:

$$\eta = \frac{\ln(1-f)}{\ln(0.9985)}. \tag{28}$$

For the confirmed departure scenario, $\eta = \ln(0.717)/\ln(0.9985) \approx 222$; for the expanded scenario, $\eta = \ln(0.585)/\ln(0.9985) \approx 357$. These required elasticities are far outside any plausible range. Under this calibration, observed behavior is quantitatively irreconcilable with literal one-time pricing.

Resolution I: The Annualized Calculation Prices the Wrong Margin

The persistent-regime convention prices a flow: it treats the Act as raising the annual cost of holding wealth in California, the same kind of object estimated in Brülhart et al. (2022). The literal one-time convention also prices a flow, but only after converting the one-time levy into an annualized equivalent. That conversion may be appropriate for measuring the present value of a perfectly credible, unavoidable one-time tax. It does not capture the actual decision facing a taxpayer before the residency snapshot.

Under the Act, the relevant decision is discrete: be a California resident on the obligation date, or not. That is a participation margin, and participation decisions respond to the average price

of the choice, not merely to an annualized marginal tax rate. A minimal participation model makes the point concrete: taxpayer i departs if

$$0.05\, W_i > C_i, \tag{29}$$

where W_i is net worth and C_i is the taxpayer's cost of leaving. For a taxpayer with \$10 billion of net worth, the avoided bill is \$500 million, while plausible relocation costs may be much smaller.

In a frictionless version of this model, every taxpayer who can successfully avoid the tax by leaving would leave, implying near-total base erosion among mobile taxpayers. The observed 28.3 to 41.5 percent base loss therefore lies between two polar cases: the literal one-time flow model, which implies only about 1.5 percent erosion, and the frictionless participation model, which implies much larger erosion. The relevant fiscal question is not simply what the elasticity is, but what rations departure. This mechanism operates even if taxpayers assign full credibility to the one-time framing: a pre-announced one-time levy with an avoidable snapshot date can generate large behavioral responses even if taxpayers expect no future wealth taxes.

Resolution II: Regime Pricing

Taxpayers may not price the Act as one-time at all. The Act amends California's constitutional limitation on taxing intangible personal property and does not restore it after collection, so the one-time promise is a commitment problem. A government that has levied once and kept the constitutional door open has lowered its own cost of levying again, and rational taxpayers price the regime rather than the statute. Section 6 develops this argument; here we ask only how much weight on the regime interpretation the observed departures would imply.

Suppose taxpayers price the Act as a probability-weighted mixture of the two conventions, with weight ω on the persistent regime and $1 - \omega$ on the literal one-time tax. Using the 3 percent annualization, predicted base retention is approximately 0.985 under the one-time convention and 0.589 under the persistent-regime convention, so:

$$\frac{B_1}{B_0} = (1 - \omega) \times 0.985 + \omega \times 0.589. \tag{30}$$

Setting predicted retention equal to observed retention $1 - f$ and solving:

$$\omega = \frac{0.985 - (1 - f)}{0.985 - 0.589}. \tag{31}$$

For the confirmed departures, $f = 0.283$ gives $\omega = 0.68$. For the expanded scenario, $f = 0.415$ gives $\omega = 1.01$, marginally above one, meaning the expanded departures slightly exceed even the pure persistent-regime prediction. Under this calibration, the confirmed scenario is consistent with taxpayers behaving as if they place roughly two-thirds weight on the persistent-regime interpretation. This should be read as a diagnostic rather than an estimate of taxpayers' subjective probabilities.

The two resolutions imply different behavioral futures. If departures primarily reflect a genuinely one-time levy with a temporary residency-determination window, some taxpayers may return to California after the liability period closes. If departures primarily reflect regime pricing, taxpayers should be more likely to remain outside California even after the one-time tax is resolved. The roughly \$37 to \$46 billion gap between the literal one-time estimate and the persistent-regime

or observed-departure scenarios represents the fiscal value of two things the Act cannot guarantee: a credible commitment that the tax will remain one-time, and an enforceable retroactive snapshot that prevents taxpayers from exiting the base before liability attaches.

E Severability in California Tax Legislation, 2000–2026

To assess whether the Act's severability architecture has precedent, we survey 21 California tax measures (16 ballot, 5 legislative) since 2010. Table 13 presents selected results. Of the 21 measures surveyed, 12 contain a severability clause of any kind. Eleven contain standard boilerplate. None contains a severability clause with outcome-specific instructions. Section 50311(b) of the Billionaire Tax Act is the sole instance of outcome-specific severability with date-reform instructions in the survey.

Table 13: Severability Clauses in California Tax Measures, 2000–2026

Measure	Tax Type	Const. Amend.?	Severability	Notes
Prop 30 (2012)	Income surcharge*	Yes	None	Retroactive to Jan. 1; no clause
Prop 39 (2012)	Corporate apportionment	No	None	Commerce Clause target; no clause
Prop 55 (2016)	Income surcharge ext.	Yes	Standard	Adds proponent standing
Prop 56 (2016)	Cigarette/tobacco excise	Yes	Standard	Boilerplate
Prop 15 (2020)	Split roll property	Yes	Standard	Adds non-severability pairing
Prop 19 (2020)	Property tax transfers	Yes	None	Boilerplate
Prop 30 (2022)	Income surcharge	No	Standard	Boilerplate
Prop 40 (2026)	Wealth tax	Yes	Outcome-specific	§50311(b); unique in survey
AB 119 (2023)	MCO provider tax	No	None	Instructs termination and refund

*Tax type also includes sales and use tax

Four features distinguish §50311(b) from every other surveyed measure: mandatory outcome-directed language ("a court shall . . . preserve the imposition of the tax"), judicial reformation authority rather than severance, specification of substitute terms ("the earliest date or dates subsequent to the tax obligation date"), and ranked fallback tax years (2026, then 2027, then the earliest permissible year). The only other surveyed measure that specifies what happens upon judicial invalidation is AB 119 (2023), which instructs the opposite outcome: the tax "shall cease to be operative" and amounts paid "shall be refunded." Whether a court would accept §50311(b)'s invitation to reform is itself an open question, but if honored, reformation to the November 2026 enactment date would release every taxpayer who departed before that date, converting total-invalidation risk into bounded base erosion — the mechanism through which constitutional risk translates into collectible-base reduction in Sections 4 and 5.

F On The imputed Billionaires from a Pareto Coefficient

Using California Franchise Tax Board data on income flows and the Survey of Consumer Finances, we estimate that the Forbes California billionaire list undercounts the population between $1 billion

to $4.5 billion by approximately 111 returns.[35] We capitalize FTB income flows into four asset classes (fixed income, corporate equity, private business, and rental property) and apply the SCF for within-group dispersion, calibrated to California return counts and income totals. This is the capitalization approach that Boll et al. (2025) propose for exactly this identification problem (p. 21, fn. 23). The Forbes California list contains 249 billionaires, including international residents whom we exclude from the collectible revenue base in Section 3.5. The reconstruction estimates total returns regardless of nationality, so the full Forbes count is the appropriate benchmark for the unlisted population.

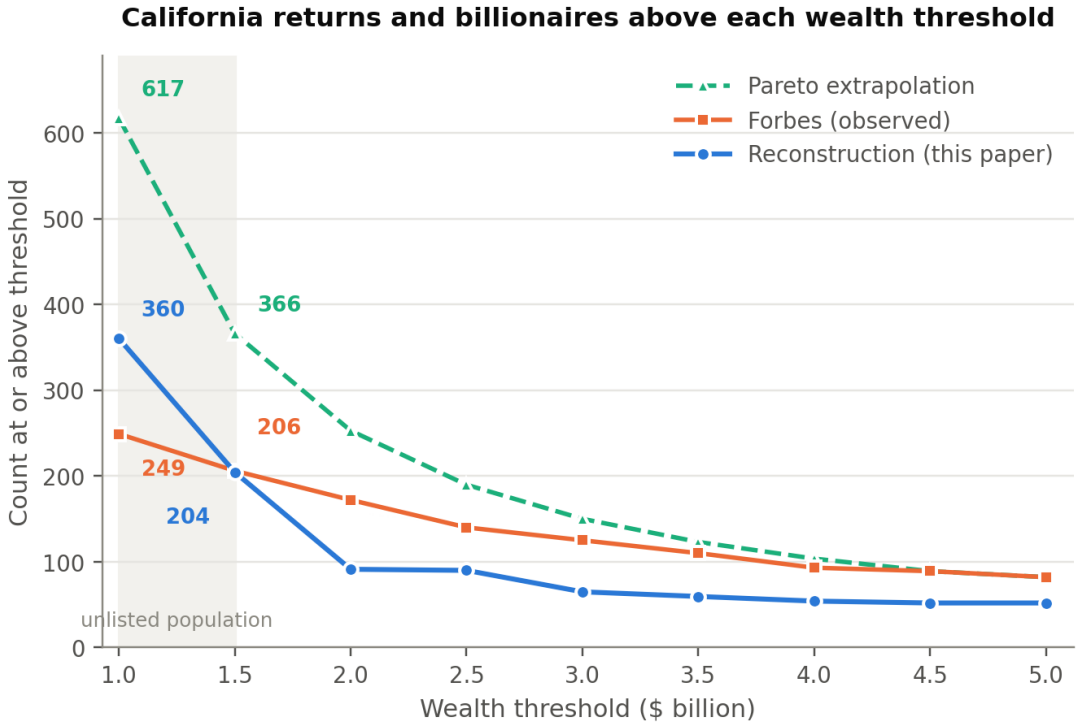

Figure 5: Cumulative counts of California returns and billionaires at or above each wealth threshold. The shaded band marks $1.0–$1.5 billion, where the entire unlisted population lies. At $1.5 billion the reconstruction returns 204 against 206 observed, a deviation of 0.8 percent. **Alt text**: Line graph of California counts at or above wealth thresholds of $1–5 billion, showing line trends from the Pareto extrapolation, Forbes observations, and this paper's reconstruction all declining, with the reconstruction and Forbes nearly matching at $1.5 billion.

At $1.5 billion the reconstruction returns 204.4 weighted returns against 206 on the Forbes list, a deviation of 0.8 percent. Forbes is a reliable census sufficiently above its editorial floor, so convergence at $1.5 billion licenses the method's estimates in the low billions where Forbes coverage is incomplete. Deviations turn negative above $2 billion ($-47$ percent at $2 billion, -42

[35] California Franchise Tax Board, *Personal Income Tax Annual Report 2024*, Table B-4A (Tax Year 2023). Federal Reserve Board, *Survey of Consumer Finances*, 2022.

[35] The Pareto extrapolation series is from Boll et al. (2025), who estimate a Pareto coefficient $b \approx 4.48$ from Forbes thresholds at and above $4.5 billion, impose it as constant down to $1 billion, and anchor on the 89 Forbes billionaires above $4.5 billion (p. 21, Table 5).

percent at \$4.5 billion) as SCF donor coverage thins, so all inference is restricted to the \$1.0 to \$1.5 billion band. The entire unlisted population sits in that band: $U(1.0) = 360.2 - 249 = 111$, while $U(1.5) = 204.4 - 206 = -1.6$. Within the band the reconstruction places 155.8 returns holding \$189.3 billion against 43 listed returns holding \$55.4 billion, yielding approximately 113 unlisted returns with \$133.9 billion in core wealth at a mean of \$1.19 billion each. Roughly three in ten returns above \$1 billion are unlisted, but because they cluster near the threshold they add only 6.1 percent to the listed wealth base. At the statutory 5 percent rate and a 20 percent evasion rate, as used in another imputation for this population, the implied revenue is \$5.36 billion.

The reconstruction's implied tail index over \$1 to \$4.5 billion is 1.288, nearly identical to the 1.287 that Boll et al. (2025) impose. If truncation were a uniform undercount, rescaling to match Forbes at \$4.5 billion ($s = 89/51.9 = 1.71$) would reproduce counts elsewhere. It does not: the rescaled series gives 350 at \$1.5 billion against 206 observed, a 70 percent overshoot where the unrescaled series is accurate to 0.8 percent. The net figure is the unlisted returns found less listed billionaires the capitalization misses, the unit of observation is the tax return (which may be a couple), and the \$10 million and above AGI cell has an effective count of 6.27. Applying the baseline migration semi-elasticity from Brülhart et al. (2022) reduces the \$5.36 billion to \$3.2 billion, and these are the most marginal members of the base, sitting at the threshold where the ratio of relocation cost to avoided liability is most favorable. Even \$3.2 billion is a ceiling conditional on assessment and collection, as Boll et al. (2025) themselves concede that the FTB has no direct mechanism to identify these filers. This appendix bounds the size of the unlisted population, not its collectibility.

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