California voters reject proposed billionaire tax

Critics said one-time tax on state billionaires' fortunes would prompt ultrawealthy taxpayers to leave state

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California voters have rejected a proposed tax on the net worth of billionaires following a contentious ballot fight that generated huge spending by some prominent tech leaders eager to stop their taxes from going up.

The measure's failure is a win for Democratic leaders who opposed it, including Gov. Gavin Newsom, who's deciding whether to run for president in 2028. Critics of the tax, known as Proposition 40, said it would have prompted ultrawealthy taxpayers to leave the state.

The "no" side raised roughly 10 times as much as the "yes" side. Google co-founder Sergey Brin alone dumped more than $100 million US into a political action committee working to defeat the measure.

The measure would have imposed a one-time five per cent tax on the wealth of Californians whose net worth exceeds $1 billion US. It would have been the first of its kind in the U.S.

Most of the money would have been used to backfill federal funding cuts to health care, and 10 per cent would have gone toward education and food-assistance programs. SEIU United Healthcare Workers West, California's health-care union, said the tax was necessary to replace an estimated $100 billion US the state will lose in federal health-care funding over five years.

Long championed by progressives

Proposition 40 was the nation's biggest test yet on an idea progressives have long championed: raising taxes on the ultra-rich by targeting the main way they make their money — through their investments as opposed to their work paycheques.

The measure attracted support from liberal leaders beyond the state, including Vermont Sen. Bernie Sanders, who rallied in cities across California in the race's closing weeks to urge voters to pass it.

Billionaires donated millions of dollars to a political action committee, Building a Better California, working to defeat the measure. The committee, which backed other measures on the ballot designed to nullify the tax, raised more than $333 million US, nearly a third of which came from Brin.

Brin, along with his fellow Google co-founder Larry Page, was among the billionaires who started cutting ties with the state in anticipation of the possible tax. Another tech mogul, Facebook co-founder Mark Zuckerberg, said he would remain in the state for eight years and made a deal with Meta to help him pay the tax without losing his ownership stake in the company.

Opposed by some Democratic allies

Some traditional Democratic allies, including Planned Parenthood and the California Medical Association, were part of a coalition opposing the measure. They were concerned about how the tax revenue would be divvied up and about the potential impact on the state's budget if there was a mass exodus of wealthy taxpayers.

California's budget relies heavily on the income tax of the state's richest residents.

"Proposition 40 was a reckless experiment conducted on our state's economy with little regard for the harms it would cause," the coalition said in a statement. [...]

Tax would disadvantage state: Newsom

Progressive politicians, including Sanders and Massachusetts Sen. Elizabeth Warren, have long supported a federal wealth tax. Newsom says a California wealth tax would disadvantage the state, but he supports a national minimum tax on anyone with a net worth above $100 million US. [...]