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California’s new wealth tax could follow you to Florida or Texas — and would hit more than billionaires

By Mark Calvey – Senior Reporter, San Francisco Business Times

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California lawmakers are once again considering a wealth tax.

The Wealth Tax Act was introduced by Assemblymember Alex Lee, D-San Jose, Thursday as Assembly Bill 259 and Assembly Constitutional Amendment 3. The wealth tax would impose an annual 1.5% tax on worldwide net worth above $1 billion, starting as early as 2024. In 2026, the threshold for being subject to California’s wealth tax rate would fall to $50 million, with a 1% annual tax on wealth that rises to 1.5% for billionaires.

The proposed law also includes provisions that would allow the state to pursue wealth taxes from former California residents who may have built their wealth here but later moved to Florida, Texas or another state.

Lee was not available for an interview Friday, but he plans to hold a press conference Monday in Sacramento to make the case for the wealth tax.

To be certain, the measure faces high hurdles for adoption: The legislation would require two-thirds approval in both houses of the Legislature. The related constitutional amendment to raise the cap on taxing personal property would require a separate two-thirds approval from both houses. The proposed wealth tax would then go before California voters for a final thumbs up or thumbs down, needing a simple majority.

Even if it does get final voter approval, court challenges are also likely. Some opponents of a California wealth tax are already pointing to possible violations of the U.S. Constitution’s commerce clause, among other issues. The legislation is likely to change as it moves through the Legislature, but opponents of a wealth tax are moving quickly to sound the alarm.

“It sounds really dangerous and foolish,” Bay Area Council CEO Jim Wunderman told me. “A California wealth tax would only increase California’s dependence on the minute number of people who are bearing the burden of supporting the state’s expenditures.

“We’ve already lost many of these folks — who have taken their businesses, investments and jobs to other states,” Wunderman said. “It’s past time to reassess our tax structure to create a system that’s fair and equitable and resilient in the face of downturns.”

In addition to well-heeled investors, California has lost headquarters of, among others, McKesson Corp., Oracle Corp., Charles Schwab Corp. and Tesla Inc.

California already depends on its top 1% of taxpayers for almost half of its individual income tax revenue. That accentuates booms and busts, so that the state is flush with cash when startups are flourishing and fortunes are being made on Wall Street, but slammed when the economy heads south.

California is now facing a $22.5 billion budget deficit, with tax revenue from capital gains not meeting expectations after a down year for most investors.

“As you peel back the layers of this proposed wealth tax bill, I think it offers more questions and potential problems than it provides solutions,” Alex Torres, director of state government relations for the Bay Area Council, told me Friday. “There are so many pieces to this tax proposal that are just phenomenally challenging.”

Concerns are already being raised about how the state would value assets that are not publicly traded. If the California wealth tax is approved, it promises to be a huge boon for appraisers, accountants and lawyers.

The proposed wealth tax appears to be aimed at ending a popular maneuver among California’s successful entrepreneurs: Build their companies here but move to another state before going public or being acquired to avoid California’s income taxes, which has a top individual rate of 13.3%, the highest in the nation.

The wealth tax legislation includes provisions for creation of contractual claims tied to the assets of a qualifying taxpayer who doesn’t have the cash to pay their annual wealth tax bill because most of their assets are not easily turned into cash. The tax claim would require the taxpayer to make annual filings with California’s Franchise Tax Board and ultimately pay the wealth taxes owed, even if they have moved to Florida, Texas or another state.

“California’s proposed wealth tax looks like it's going after people who try to leave California proactively,” Steve Boultbee, a tax partner for accounting firm Marcum LLP in San Francisco, told me Friday. “If I’m understanding it correctly, it looks like the goal is that you can’t leave a year or two in advance of an IPO or some other liquidity event.

“You’re gonna have to have left four years before or they're going to conceivably get you for something,” said Boultbee, who works with wealthy entrepreneurs and families as well as closely held businesses and startups.

“My first thought is that this could be an ‘Elon Musk provision’ since he moved to Texas," Boultbee said.