

AB 1253 (Santiago, Bonta, Carrillo, Chiu, Gonzalez, Kalra, Stone, and Wicks)

Principal Coauthors: Assemblymember Chu and Senator Skinner

Coauthors: Assemblymembers Ting and Jones-Sawyer, and Senators Durazo, Gonzalez, Wiener

Millionaire's Tax

Bill Summary

[AB 1253](#) would impose a surcharge on taxable income over \$1 million to generate needed revenue for California in the wake of COVID-19.

Existing Law

California already has a millionaire's tax. Proposition 63 in 2004 established a surcharge of 1% on taxable income over \$1 million to fund mental health services. The tax is only on every dollar over \$1 million reported as taxable income. So if an individual's taxable income after all of the deductions is \$1,300,000, they are only required to pay an extra 1% x \$300,000 = \$3,000 (Revenue and Tax Code Section 17043).

Proposition 30 in 2012 temporarily increased income taxes on California's highest earners starting at incomes over \$250,000 for single filers and \$500,000 for joint filers. This established a 12.3% tax bracket for single filers' taxable income above \$500,000 and joint filers' taxable income above \$1 million (and when you add in the additional 1% from Proposition 63, this becomes 13.3%). Proposition 55 in 2016 extended this tax to 2030 (Section 36, Article XIII, California Constitution).

Background

COVID-19 has devastated California's economy and put millions of people out of work. Over 5 million Californians are unemployed because of the pandemic and our state faces an estimated \$54 billion deficit. Many people are already struggling to pay for rent, mortgage, and basic necessities, which will only worsen once local eviction moratoriums expire.

Need for AB 1253

A recent survey conducted in May 2020 by David Binders and Associates revealed that 70% of California voters supported a tax on millionaires. Even in the most conservative Central Valley areas, more than 60% supported the tax concept.

With the state facing economic and health emergencies, as well as civil unrest due to racial inequality, now is the time to make the wealthiest pay their fair share. We need to reform our broken tax system, especially after Trump's regressive tax cuts, so that every Californian can make it through these difficult times.

To generate desperately needed revenue for our state and our marginalized communities, AB 1253 would raise personal income taxes on millionaires by a progressive 1 to 3.5 percent.

Specifically, this bill proposes a surcharge on every dollar of taxable income after all deductions over the adjusted amount of \$1 million, which is \$1,181,484 (2020 inflation).

The tiered structure is as follows:

- Personal income above \$1 million for joint and single filers, the tax rate is increased by 1%
- Personal income above \$2 million for joint and single filers, the tax rate is increased by 3%;
- Personal income above \$5 million for joint and single filers, the tax rate is increased by 3.5%

AB 1253 will only affect California’s top 0.5 percent of tax filers and would generate an estimated \$6-\$8 billion of revenue each year to help address the recession brought on by COVID-19. This bill will invest in our communities to build a more just, equitable, and inclusive society.

Support

Advancement Project California
American Civil Liberties Union of California
American Federation of State, County & Municipal Employees
American Friends Service Committee, Los Angeles
Alliance for Boys and Men of Color
Alliance of Californians for Community Empowerment
Asian Resources, Inc
Asian Pacific Environmental Network
Build Affordable Housing Faster
California Environmental Justice Alliance
California Faculty Association
California Federation of Teachers
California Food Policy Advocates
California Health Professional Student Alliance
California League of Conservation Voters
California Pan-Ethnic Health Network
California Physicians Alliance
California Tax Reform Association
California Teachers Association
California Policy Immigrant Center
Center on Policy Initiatives, San Diego
Central Coast Alliance United for Sustainable Economy
Children’s Defense Fund-California
Clergy and Laity United for Economic Justice
Coalition for Humane Immigrant Rights
Community Health Initiative of Orange County
Community Health Councils
Daly City
East Bay Alliance for a Sustainable Economy
Empowering Pacific Islander Communities
Equal Rights Advocates
Financial Capability Investment

Friends Committee on Legislation of California
Having Our Say Coalition
Health Access California
Inland Equity Partnership
Korean Community Center of the East Bay
Latino Coalition for a Healthy California
Leadership Counsel for Justice & Accountability
Long Beach Immigrant Rights
Los Angeles Alliance for New Economy
Los Angeles Trust for Children’s Health
MyPath
National Association of Social Workers, California Chapter
Orange County Communities Organized for Responsible Economy
Partnership for Working Families
Patriotic Millionaires
PICO California
PolicyLink
Power California
Prevention Institute
Safety Net for All
San Francisco Senior and Disability Action
Service Employees International Union California
Sierra Club California
South Asian Network
Stronger California Advocates Network
UDWAFSCME Local 3930
Warehouse Worker Resource Center, Inland Empire
Western Center of Law and Poverty
West Valley People’s Alliance
Women’s Foundation of California, Women’s Policy Institute
Women Organizing Resources, Knowledge and Services
Working Partnership USA
Working Partnership USA, Silicon Valley

For More Information

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