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Here's the Tax Beat broadcast for September 30

Subject Line: Reverse Gold Rush

Two hundred people. That's the entire target list for California's Proposition 40, the "Billionaire Tax Act" that voters will decide on November 3. If it passes, every California resident worth over a billion dollars as of last January 1 owes a one-time 5% tax on their net worth. (Married couples count as one person, which may be the only time a billionaire's spouse has ever registered as a bargain.) Backers figure those 200 folks are sitting on about \$2 trillion, so the take comes to roughly \$100 billion. It's payable in 1% installments over five years and earmarked for Medi-Cal, food assistance, and public schools.

The measure came from SEIU-United Healthcare Workers West, a union of 120,000-plus hospital workers who say last year's federal budget bill blew a \$100 billion hole in the state's health care funding. They gathered 1.6 million signatures, nearly double what they needed. (Turns out "tax somebody else" polls beautifully. Go figure.) And that's where it gets weird. Governor Gavin Newsom, a Democrat, called it "really damaging" and "bad economics" and vowed to beat it. Meanwhile, Nvidia's Jensen Huang, who'd owe \$8 billion, told Bloomberg he was "perfectly fine" with it. (Easy to say when you're worth more than Portugal.) So this isn't the usual red-versus-blue food fight. It's labor versus its own governor, a blue-on-blue food fight, with billionaires heckling from both sidelines.

Some of them didn't wait to see how it ends. Several of the state's richest residents, including Google founders Sergey Brin and Larry Page, have already fled. Palantir founder Peter Thiel went all the way to Argentina. That explains the sneakiest feature in the fine print: the tax hits anyone who lived in California on January 1, 2026, whether they've moved since then to Austin, Miami, or the moon.

Pledging your fortune to charity won't help either. Pledges made after October 15, 2025 don't count, though gifts you actually completed before December 31 of last year do. (Nothing says "philanthropy" like a deadline.) Oh, and a competing measure on the same ballot would ban new taxes on personal property, so if both pass, the lawyers will spend the next decade figuring out who won.

Now, you're probably not one of the 200. Neither am I. But there are two lessons here for anyone who earns real money.

First, "one-time" taxes and "only the rich" taxes have a funny way of sticking around. The federal income tax arrived in 1913 with a top rate of 7% on income over \$500,000 – about \$16 million today. Thanks to a \$3,000 exemption, barely one American in a hundred had to file. The "temporary" phone tax Congress passed in 1898 to pay for the Spanish-American War stuck around on and off, until 2006. And the Alternative Minimum Tax was born in 1969 because 155 households making over \$200,000 paid nothing; by 2010 it was reaching four million taxpayers. Whatever California decides, don't assume the list stays at 200.

Second, where you live is a tax decision, and the states know it. California's top rate reaches 14.4% on wages over a million. Texas, Florida, Tennessee, Washington, and Nevada charge zero. That gap pays for a lot of U-Hauls, which is why California's Franchise Tax Board runs residency audits that examine where your driver's license, your doctor, your kids' school, and even your dog live. Moving isn't as simple as forwarding the mail. Done right, it's a plan. Done wrong, it's an audit with a view.

In 1849, people poured into California chasing gold. In 2026, the gold is pouring out. We can't tell you whether Prop 40 passes. But we can make sure that whatever the voters decide, you're the one panning the profits instead of the tax collector.

Kevin

