# The Net Present Value of the California Billionaire Tax Act*

Joshua Rauh† Benjamin Jaros‡

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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 2025 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 $40 billion, less than half of the $100 billion projected by proponents. This range accounts for the publicly confirmed taxpayer migration that has already eliminated nearly 30% of the Act's wealth tax base and uses the wealth tax base elasticity literature to predict the additional tax base losses attributable to unannounced, stealth departures. 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 fully offsets the one-time wealth tax revenue, yielding a net present value of negative $24.7 billion. Across 100,000 simulated revenue and discount rate combinations, 71% of plausible outcomes produce a negative net present value of state revenues. Finally, we note that policies that distort behavior but generate little or no net revenue gain are not harmless as they may nonetheless impose substantial costs on residents through reduced employment, investment, and income.

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†Hoover Institution, Stanford University, 434 Galvez Mall, Stanford, CA 94305; email: rauh@stanford.edu

‡Hoover Institution, Stanford University; email: benjaros@stanford.edu

# 1 Introduction

The 2026 California Billionaire Tax Act (officially Initiative No. 25-0024) is a proposed statewide ballot initiative in California that would impose a 5% one-time excise tax on the worldwide net worth of individuals with net worths exceeding $1 billion, who were residents or part-year residents of California as of January 1, 2026. If enough signatures in favor of the ballot proposition are gathered by June 2026, California will vote on the initiative in November 2026. If passed, this would be the first major tax on general wealth in 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 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 lost payments from a broader group of taxpayers in the future.

The starting point of the proponents of the 2026 California Billionaire Tax Act was to add up

the total wealth of billionaires whose residency was in California, which, based on their calculations from the Forbes list, amounted to $2.18 trillion in 2025. They then arbitrarily claim that evasion and avoidance by the base would eliminate 10% of the base and apply the 5% rate.[1] Their calculation is flawed in several respects. First, a much greater share than 10% of the tax base has already fled California before signatures have even been collected for the initiative. Second, they include billionaires who are no longer in California and thus their revenue estimates are artificially inflated.[2] Third, they completely ignore lost income tax revenues.

In response, we have crafted the following analysis person-by-person to (1) define the tax base and (2) apply rates to that remaining base. We then consider the present value of the lost income taxes due to the departures of the high net worth individuals.

Section 2 outlines the data used to construct the base. Section 3 outlines our general empirical framework and gives the current implied elasticity of taxable wealth from the possibility of this tax being enacted. Section 4 presents several likely revenue estimates, with our preferred estimate of approximately $40 billion, less than half the amount claimed by the proponents. 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 $24.7 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.

# 2 Data

This section constructs the person-by-person tax base underlying our revenue estimates, starting from the 2025 Forbes Billionaire List and applying four corrections: removing misclassified residents, documenting pre-initiative departures, excluding residential real estate, and scoping the treatment of control-weighted net worth.

[1] Galle et al. (2025b).

[2] A quick search through the Forbes list demonstrates that several of these people left California before 2025, leaving the true number closer to $1.89 trillion in 2025.

This novel dataset to determine the Net Present Value of the 2026 California Billionaire Tax Act is derived from several sources: namely, the 2025 Forbes Billionaire List (i.e., the same dataset used by the proponents of the wealth tax), 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 four key variables: "Net Worth," "Moving," "House Price," and "Total Residential Real Estate." Section 2.1 discusses how the "Net Worth" variable is used as a proxy for assets in our NPV analysis and Section 2.2 details the Billionaires who left prior to the wealth tax initiative's filing. Section 2.3 details which Billionaires left California in response to the tax and Section 2.4 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 2.5 explains our rationale behind not adjusting for control-weighted net worth in the succeeding empirical framework and revenue estimate sections.

## 2.1 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 three residency misclassifications and one omission, yielding 212 billionaires with an aggregate net worth of $1.895 trillion.

The California Billionaire Tax Act of 2026 proposes a one-time 5 percent tax on the worldwide net worth of individuals exceeding $1 billion. This measure applies to tangible and intangible assets, including those held through trusts and certain recent transfers.California Office of the Attorney General (2026a) Our proxy for these 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. 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. 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. It should be noted that this task was not difficult and it is intriguing that the other expert report does not even attempt to verify the accuracy of the Forbes list. 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.for (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.[3]

Table 1: 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%.

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

Table 2: 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 | $10.00 billion |
| Median | $3.10 billion |
| Mode | $1.30 billion |
| Standard Deviation | $30.23 billion |
| Maximum | $256.20 billion |
| Minimum | $1.00 billion |
| Sum | $1,894.8 billion |
| Count | 212 |

## 2.2 Excluding Falsely Recorded Residents

The proponents' $100 billion revenue estimate begins from a base that includes three billionaires who were not California residents at the time of the initiative's filing, inflating projected revenue by approximately $15.3 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) We excluded all three from our analysis. We added David Sacks, a billionaire with established California residency at the time of the ballot initiative's announcement who was omitted from the Forbes list.San Francisco Chronicle (2026)

Adjusting for these misclassified individuals and applying the statutory real estate exclusion yields a **corrected wealth tax base of $94.20 billion**. This is $15.3 billion below the proponents' pre-avoidance figure of $109.5 billion. The bulk of this discrepancy is due to the proponents' error of including Larry Ellison, a Florida resident who is valued by Forbes at $246.1 billion, among California's billionaire tax base. At the statutory 5% rate, his inclusion inflates projected revenue

by approximately $12.3 billion. 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 three misclassified individuals.

The proponents further applied the 5% rate to raw Forbes net worth without excluding directly held real estate, despite the fact that their own initiative explicitly excludes "real property directly held by the taxpayer" from the tax base.California Office of the Attorney General (2026b) Of the $15.3 billion total overstatement, $12.84 billion is attributable to residency corrections alone, nearly all of it driven by Ellison. Even applying the proponents' own assumption of 10% avoidance to our corrected base produces a revenue estimate of **approximately $84.8 billion**, roughly $15 billion below their headline figure.

## 2.3 Excluding Residents Who Moved Prior to Cutoff

Six billionaires publicly departed California between the initiative's filing and the residency snapshot date, removing $536.4 billion, or nearly 30% of aggregate billionaire wealth, from the tax base. We expand our data by including the binary "Moving" variable, which outlines which billionaires left California in response to the tax. The variable is set to "Y" if a select billionaire is, or has indicated to be, moving from California in response to the billionaire tax prior to the cutoff date. The variable is set to "N" if otherwise. This descriptor variable indicates that of the 212 total billionaires in California, we document 6 (2.8% of the total) having publicly moved prior to the January 1, 2026 residency date. Although seemingly negligible at first glance, observing this effect in terms of the aggregate net worth leaving the state highlights a much higher cost. Nearly 30% of aggregate billionaire wealth in the state, $536.4 billion, is already lost. It is evident that of those billionaires publicly announcing their exit from the state, a sizable proportion of California's wealth tax base is leaving with them.[4] With this in mind, our departure estimate and their implied revenue impacts should be understood as conservative.

[4]While we only included the 6 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. We discuss this question more comprehensively in 4.3.

Table 3: California Billionaire Migration Status

| Moving? | Count | Net Worth | Share of Total |
|---|---|---|---|
| Yes | 6 | $536.4 billion | 28.3% |
| No | 206 | $1,358.4 billion | 71.7% |
| **Total** | **212** | **$1.894.8 billion** | **100.00%** |

## 2.4 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 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. (2025b) 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 4).

Table 4: 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.

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 $s^{\mathrm{med}}$ using the non-missing subset and apply the imputation only within the set of stayers to avoid conflating imputation with departures. 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 5) 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 ballot initiative'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.

Table 5: 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.

## 2.5 Control-Weighted Valuation and Scope of the Tax Base

We proceed under stated net worth rather than control-weighted net worth, though the statutory text's ambiguity on this point likely influenced founder departure decisions before the proponents issued a clarifying report. 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 specifically addressed the control-weighted net worth concern in their separate report they released on January 16, 2026.Galle et al. (2026) While the authors emphatically state that claims that the government will use this valuation method are "false," "absurd," and are made by "bad faith actors," many founders did take this seriously, and they may rationally have felt compelled to make the decision to leave before the snapshot date (n.b., 16 days before the authors released their clarifying expert report). Under this valuation method, a significant number of founders would not just lose their economic stakes in their respective companies, but also their voting majorities. We explore this issue comprehensively in Appendix A.

# 3 Empirical Framework

We proceed by outlining our general empirical framework. Section 3.1 outlines the components and exclusions of our defined tax base under the Billionaire Tax Act's statutory language, as well as our methodology for handling data limitations. Section 3.2 discusses our strategy for identifying which California billionaires left prior to the snapshot date and which remained as residents. Section 3.3 provides an overview of our revenue and semi-elasticity calculation framework under the baseline and when adjusting for departures.

We note that all wealth tax revenue estimates, including our own, face inherent limitations.[5] 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 literature-implied semi-elasticities, represents an empirically grounded estimate, but should be understood as an informed range rather than a precise forecast.

## 3.1 Tax Base Determination

We identify applicable individuals using the Forbes Billionaire List and construct the taxable base by excluding directly held residential real estate from stated net worth. Following the statutory language of the 2026 Billionaire Tax Act, we identify "applicable individuals" as those with net worth exceeding $1 billion. Importantly, the threshold calculation includes *all* assets, including real estate, despite directly held real estate's exclusion from the tax base.

For individual $i$, we classify them as subject to the tax if:

$$\text{NetWorth}_i = \text{FinancialAssets}_i + \text{RealEstate}_i + \text{OtherAssets}_i > \$1\text{B} \tag{1}$$

The taxable base excludes "real property directly held by the taxpayer." Following that

[5] As discussed in Rauh, Jaros, Cosso, and Doran (2026)Jaros et al. (2026)

language, we calculate:

$$\text{TaxBase}_i = \text{NetWorth}_i - \text{DirectRealEstate}_i \tag{2}$$

We estimated directly held real estate using public property records and media reports. Overall, we were able to collect 119 of the 212 CA-based billionaires' personal home or total residential real estate holdings. Due to data limitations, we could not identify all individuals' real estate holdings, and thus our estimates are relatively conservative.

## 3.2 Departure Identification Strategy

We identified billionaires who were California residents on the day of the ballot initiative's initial filling date (i.e., October 15, 2025) and who subsequently announced their departures from California before the statutory residency snapshot date (i.e., January 1, 2026), meaning our count represents a lower bound on true exits. We relied exclusively on public press reports or billionaire taxpayers' personal statements indicating their departures.

This identification strategy captures only the publicly announced or reported departures from California. Billionaires who quietly established residency in other states without media attention will not be captured in our sample. Ultimately, we believe our count represents a *lower bound* on the true number of exits.

## 3.3 Revenue and Semi-Elasticity Framework

We estimate revenue under two scenarios and compute the implied migration semi-elasticity to benchmark observed departures against the existing wealth tax literature.

**Baseline Scenario (No Behavioral Response)**

Under the assumption that all California billionaires remain residents of California and pay the tax, we calculate the baseline revenue as:

$$R_{\text{baseline}} = \sum_{i=1}^{N} \tau \times \text{TaxBase}_i \tag{3}$$

**Adjusted Scenario (With Departures)**

Accounting for observed departures, revenue becomes:

$$R_{\text{adjusted}} = \sum_{i=1}^{N} (1 - \text{Departed}_i) \times \tau \times \text{TaxBase}_i \tag{4}$$

To benchmark the observed behavioral response against the existing wealth tax literature — and to use prior estimates to predict the magnitude of unobserved, stealth departures — we compute the implied migration semi-elasticity. This measure captures the percentage change in the tax base for each one percentage point increase in the tax rate:

$$\varepsilon = \frac{\%\Delta \text{ TaxBase}}{\Delta \text{ TaxRate(p.p.)}} \tag{5}$$

# 4 Revenue Estimates

Having outlined our empirical framework, we proceed in generating revenue estimates of the Billionaire Tax Act under several methodologies. Section 4.1 briefly outlines the baseline revenue estimate of the wealth tax proponents and Section 4.2 adjusts this estimate by accounting for the six publicly confirmed pre-snapshot departures. Section 4.3 provides an expanded estimate that accounts for departures that have occurred since the snapshot date. Section 4.4 provides an alternative revenue estimate informed by the empirical wealth tax literature. Section 4.5 discusses our preferred estimate and how it compares to the proponents' calculation and the existing literature on the subject.

## 4.1 Baseline Revenue Estimate

Absent any behavioral response, the wealth tax would generate **$94.20 billion** in revenue, where $\tau = 0.05$ is the statutory tax rate and $N = 212$ is the initial number of California billionaires. The only difference between this group and the proponents baseline group is accounting for people who were inaccurately recorded on the Forbes list.

## 4.2 Confirmed Pre-Snapshot Departures

Accounting for the six publicly confirmed pre-snapshot departures, projected revenue falls to $67.51 billion. These six departures represent $536.4 billion of the $1,894.8 billion aggregate net worth of California's billionaires. Table 6 presents the specific names of the billionaires of interest.

Table 6: Confirmed California Billionaire Departures Prior to Residency Snapshot

| Name | Source of Wealth | Net Worth ($B) | Tax Avoided ($B) |
|---|---|---|---|
| Larry Page | Google (co-founder) | 256.2 | 12.8 |
| Sergey Brin | Google (co-founder) | 236.4 | 11.8 |
| Peter Thiel | PayPal, Palantir | 26.7 | 1.3 |
| Don Hankey | Hankey Group | 8.1 | 0.4 |
| Steven Spielberg | Amblin Entertainment | 7.0 | 0.3 |
| David Sacks | Craft Ventures | 2.0 | 0.1 |
| **Total (6 departures)** | | **536.4** | **26.7** |

*Notes:* Net worth estimates based on Forbes Real-Time Billionaires List with minor adjustments and public financial disclosures, excluding estimated directly held real estate. Tax avoided calculated as 5% of adjusted net worth. These departures were identified through media reports and occurred between October 15, 2025 (initiative filing) and January 1, 2026 (statutory residency snapshot date). Departures represent about 28.3% of California's total billionaire wealth base ($536.4B of $1.895T).

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 **$67.51 billion**, representing a $26.7 billion decrease relative to the no-departure baseline estimate. The percentage change in tax base due to departures is (i.e., the share of the billionaire tax base no longer resident at the statutory snapshot date):

$$\%\Delta \text{ TaxBase} = \frac{R_{\text{baseline}} - R_{\text{adjusted}}}{R_{\text{baseline}}} = \frac{94.20 - 67.51}{94.20} = 28.34\% \tag{6}$$

The tax rate increase relative to a no wealth tax scenario is:

$$\Delta\text{TaxRate} = 5.00(p.p.) \tag{7}$$

Therefore, the implied semi-elasticity is:

$$\varepsilon = \frac{28.34\%}{5.00\%} = 5.67 \tag{8}$$

## 4.3 Expanded Departure Estimate

Incorporating post-snapshot and unconfirmed departures further reduces projected revenues to $55.10 billion. Departures have occurred since the snapshot date, although the specific number remains unclear. Mark ZuckerbergFox Business is the most notable example, as he announced his exit for Florida in early February 2026. In early January 2026, Netflix founder Reed Hastings and WhatsApp founder Jan Koum were reportedly also looking to move to FloridaNew York Post. DoorDash co-founder Andy Fang indicated that he will likely leave as well, explaining in early January that it would be "irresponsible" to not "plan to leave the state."Fang (2026). While it is still unclear, these post-snapshot leavers may ultimately avoid paying the amount argued by proponents if they leave before the initiative passes in November 2026.

Adding just these four additional founders to our list of leavers has a substantial impact on our revenue estimates (see Table 7).

Table 7: Known and Reported California Billionaire Departures (Upper-Bound Estimate)

| Name | Source of Wealth | Net Worth ($B) | Tax Avoided ($B) | Timing |
|---|---|---|---|---|
| Larry Page | Google (co-founder) | 256.2 | 12.8 | Pre-snapshot |
| Sergey Brin | Google (co-founder) | 236.4 | 11.8 | Pre-snapshot |
| Mark Zuckerberg | Meta (co-founder) | 225.1 | 11.2 | Post-snapshot |
| Peter Thiel | PayPal, Palantir (co-founder) | 26.7 | 1.3 | Pre-snapshot |
| Jan Koum | WhatsApp (co-founder) | 17.1 | 0.8 | Unconfirmed |
| Don Hankey | Hankey Group (finance) | 8.1 | 0.4 | Pre-snapshot |
| Steven Spielberg | Amblin Entertainment | 7.0 | 0.3 | Pre-snapshot |
| Reed Hastings | Netflix (founder) | 5.1 | 0.3 | Unconfirmed |
| David Sacks | Craft Ventures | 2.0 | 0.1 | Pre-snapshot |
| Andy Fang | DoorDash (co-founder) | 1.7 | 0.1 | Unconfirmed |
| **Total (10 departures)** | | **785.4** | **39.1** | |

*Notes:* Net worth estimates based on Forbes Real-Time Billionaires List with minor adjustments and public financial disclosures, excluding estimated directly-held real estate. *Timing* indicates whether departure occurred before the January 1, 2026 statutory residency snapshot date ("Pre-snapshot"), after that date ("Post-snapshot"), or remains unconfirmed by public records. Total departures represent approximately 41.4% of California's total billionaire wealth base ($785.4B of $1.895T).

Even this expanded estimate likely understates the true behavioral response. Founders Fund Writer and Chief Marketing Officer Mike Solana conducted on-the-record interviews with 20 California billionaires impacted by the proposed tax.Solana All 20 subject to the measure reported developing exit plans, though none would speak on record for fear of being publicly targeted. Three had already departed at the time of reporting. Because departing billionaires actively conceal relocation plans to avoid political targeting (a dynamic Solana's interviewees explicitly described) publicly verifiable or reported moves represent a lower bound on actual mobility. The ten individuals identified in Table 7 should therefore be understood as the observable subset of what appears to be a substantially larger exodus.

**Post-Snapshot Revenue Uncertainty**

Billionaires who remained California residents past the January 1 statutory snapshot date retain plausible legal avenues to avoid or substantially reduce their liability. The retroactive provision (n.b., which determines tax obligation based on residency at a date preceding the law's enactment by nearly eleven months) seems to face significant constitutional vulnerability. Courts have previously upheld modest retroactive adjustments to existing taxes; however, the Supreme Court has indicated

that heightened scrutiny may apply to the retroactive "creation of a wholly new tax."Baker Botts LLP (2025)

Tax attorneys specializing in state tax litigation have publicly stated that post-snapshot departures represent the strongest category of constitutional claim, as taxpayers can argue that they changed residency before the tax was enacted into law.Frank The initiative's own severability clause appears to concede this vulnerability. The provision instructs courts to "reform dates or periods specified, using the most limited adjustments possible" if retroactive provisions are found unconstitutional. A plausible judicial remedy would be to move the obligation date to the date of voter approval in November 2026, thereby releasing all who departed before that date. The fact that some departures are occurring without apparent urgency related to the snapshot date outlined in the initiative (e.g., Zuckerberg announced his move to Florida in early February 2026, well after the January 1 snapshot) suggests that the tax attorneys advising these individuals are confident the retroactive provision will not survive a constitutional challenge.

Accounting for these expanded departures, projected revenue falls to **$55.10 billion**, representing a $39.1 billion decrease relative to the no-departure baseline.

**Implied Migration Semi-Elasticity (Expanded Estimate)**

Repeating the semi-elasticity calculation from Section 4.2 with the expanded departure sample:

**Calculation**

The percentage change in tax base due to confirmed and reported departures is:

$$\%\Delta \text{ TaxBase} = \frac{R_{\text{baseline}} - R_{\text{adjusted}}}{R_{\text{baseline}}} = \frac{94.20 - 55.10}{94.20} = 41.51\% \tag{9}$$

With the same tax rate increase:

$$\Delta\text{TaxRate} = 5.00 \ (p.p.) \tag{10}$$

The implied semi-elasticity under the expanded departure estimate is:

$$\varepsilon = \frac{41.51\%}{5.00\%} = 8.30 \tag{11}$$

## 4.4 Literature-Implied Calibration

The migration semi-elasticity from wealth tax literature, applied to our baseline tax base, yields projected revenue of $45.59 billion. Brülhart et al. (2022)Brülhart et al. (2022) estimate taxable-wealth responses to wealth taxation in Switzerland and find that approximately 24 percent of the aggregate tax-base response operates through taxpayer migration. Their estimate of the aggregate semi-elasticity of taxable wealth with respect to the tax rate is 43.00, capturing all behavioral margins including avoidance, evasion, and migration. Interpreting this decomposition within our semi-elasticity framework, we calculate the following implied migration-related semi-elasticity:

$$\varepsilon^{\text{lit}} = 0.24 \times 43.00 = 10.32 \tag{12}$$

Applying this semi-elasticity to California's wealth tax implies that, for a 5 percentage-point increase in the wealth tax rate, approximately 51.6 percent of the billionaire wealth tax base would be lost through out-migration. Using our baseline no-leavers wealth tax revenue estimate of $94.20 billion, the implied wealth tax revenue under this calibration is:

$$R^{\text{lit}}_{\text{leavers}} = (1 - 0.516) \times 94.20 = 45.59 \tag{13}$$

which corresponds to an implied wealth tax revenue loss of:

$$\Delta R^{\text{lit}} = 94.20 - 45.59 = 48.61 \tag{14}$$

Under this literature-implied calibration, projected wealth tax revenue falls to **$45.59 billion**, representing a $48.61 billion decrease relative to the no-departure baseline.

## 4.5 Preferred Revenue Estimate

We estimate that the Billionaire Tax Act will collect approximately **$40 billion** (range: $35–46 billion), less than half of the $100 billion projected by proponents.

Our baseline semi-elasticity of 5.67, derived from only the publicly confirmed departures documented in Section 3.1, represents an absolute lower bound on the true migration response. This estimate captures only the billionaires whose relocations were reported in the media and omits any who departed quietly. Even this conservative floor exceeds what proponents anticipate: Galle et al. (2025)Galle et al. (2025a) argue that "such taxes have not generated substantial mobility responses." Evidence from European wealth taxes, however, implies substantially larger responses, with a literature-implied migration semi-elasticity of 10.32 per percentage point increase in the wealth tax.[6] Historical evidence from France similarly documents substantial exits following the passage of the French wealth tax (Pichet 2007)Pichet (2007).

Importantly, these European estimates occurred in settings with recurring annual wealth taxes that would typically require a cross-country relocation, suggesting that a one-time wealth tax with a fixed snapshot date and low-friction interstate mobility may plausibly generate a larger short-run migration response. Because California billionaires face only an interstate relocation cost rather than a cross-country relocation cost, which underlies the European estimates, we view a semi-elasticity of 12–13 as plausible and conservative, implying a lower bound of $33–38 billion.[7] The absolute ceiling is $67.51 billion which reflects only the publicly confirmed departures, and there is likely a substantial fraction of the list that would have preferred and likely did leave quietly.

In sum, based on our interpretation of the behavioral response implied by the wealth tax literature, we estimate that the Billionaire Tax Act will collect approximately **$40 billion** (range:

[6] Brülhart et al. (2022)Brülhart et al. (2022) estimate taxable-wealth responses to wealth taxes in Switzerland and find that roughly one-quarter of the aggregate tax-base response operates through taxpayer migration. Mapping this migration share into our semi-elasticity framework yields an implied migration semi-elasticity of $0.2443.00 = 10.32$ See Section 3.3 for details.

[7] A semi-elasticity of 12–13 implies a departure fraction of 60–65%, yielding revenue of $(1 - 0.60) \times 94.20 =$ $37.7B to $(1 - 0.65) \times 94.20 =$ $33.0B.

$35–46 billion), which is less than half of the $100 billion estimate of the proponents.[89] Given the likelihood of preference for a quiet departure, under the most aggressive departure assumptions, in the random distribution of realized revenue outcomes, actual collections could be as low as $4.82 billion.[10]

# 5 Present Value of Future Loss of Individual Income Tax Collections

Using our estimates from section 3, 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).[11] To attempt to estimate and isolate the top 212 filers within this bracket, we fit a Pareto distribution to the upper tail of the

[8] Note: This estimate still keeps Zuckerberg fully in the base, and if he makes a good-faith proportional payment that is accepted by the FTB as loosely described in the appendix, it would be appropriate to revise this estimate downwards $10-11 billion.

[9] The upper bound of this range applies the semi-elasticity of 10.32 from Brülhart et al. (2022)Brülhart et al. (2022) directly.

[10] This floor derives from data compiled by California Assembly candidate Lucas, which reports approximately 177 billionaire departures (confirmed and considering relocation). See Appendix B for details.

[11] 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`.

AGI distribution. The Pareto survival function,

$$N(y) = A \cdot y^{-\alpha}, \tag{15}$$

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 $\hat{\alpha} = 1.44$ ($R^2 = 0.999$).

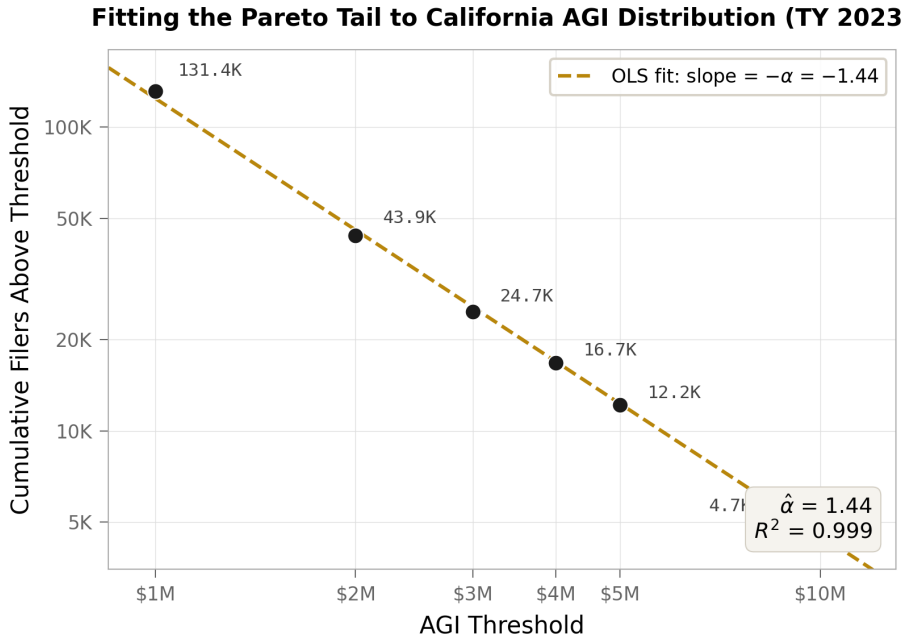



Figure 1: Pareto tail fit to California AGI distribution (TY 2023). Six cumulative filer counts on a log-log scale fall on a near-perfect line ($R^2 = 0.999$), yielding $\hat{\alpha} = 1.44$.

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

$$S(k, n) = \left(\frac{k}{n}\right)^{(\alpha-1)/\alpha}. \tag{16}$$

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**.[12] This proportional scaling is not perfect because the top 212 individual income taxpayers are not necessarily the billionaires.

**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)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.[13]

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 8 reports selected results. At $K = 300$, implying modest dispersion, the mean aggregate

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

[13]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.

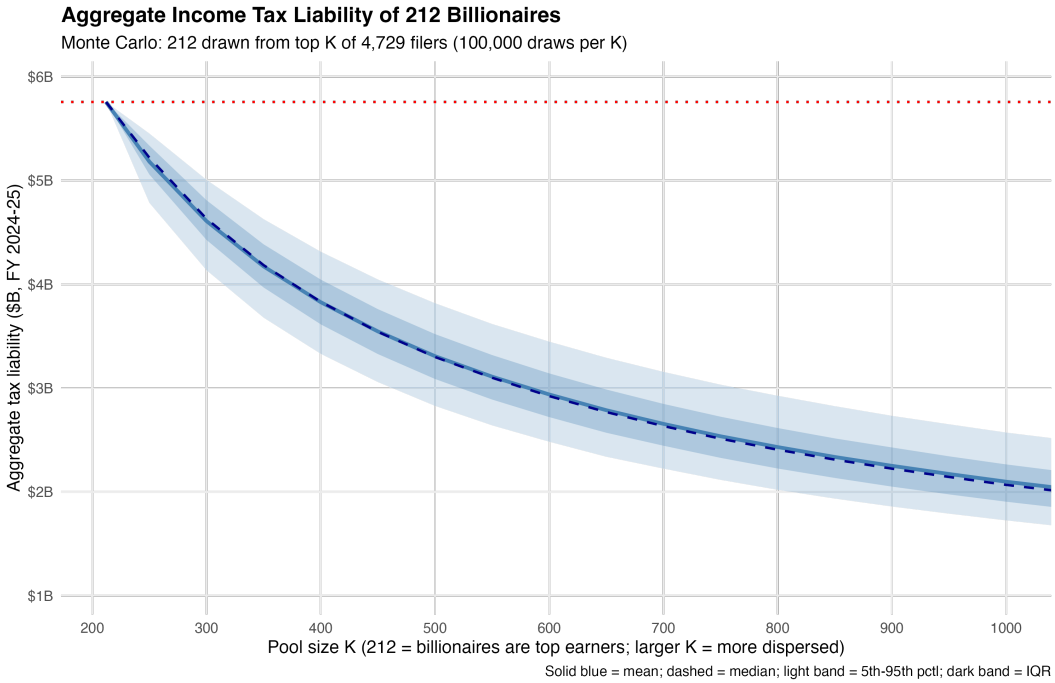



Figure 2: Aggregate income tax liability of 212 California billionaires drawn from the top $K$ of 4,729 filers (FY 2024–25, 100,000 draws per $K$). Solid line: mean. Dashed: median. Dark band: IQR. Light band: 5th–95th percentile.

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 bracket annual income tax contributions of California's 212 billionaires between **$3.3–5.8 billion**.[14]

[14]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. To the extent that critics view $3.3–5.8 billion as an overestimate of income tax contributions, the omission of these additional tax bases works in the opposite direction and likely more than compensates.

Table 8: 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

$$PV = \frac{C}{r}, \tag{17}$$

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:

$$NPV = WT - \frac{f \cdot C}{r}, \tag{18}$$

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

$$PV = \frac{C}{r-g}, \tag{19}$$

and the NPV

$$NPV = WT - \frac{f \cdot C}{r-g}. \tag{20}$$

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 $(r-g)$.[15] 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 $(r-g)$.[16]

Any factors that reduce the expected growth rate of the income stream relative to a broad

[15]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, M.J. (1962), "The Investment, Financing, and Valuation of the Corporation."Gordon (1962)

[16]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.

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 increasing $(r - g)$ accordingly. Rauh and Shyu (2024)Rauh and Shyu (2024) and Rauh (2022)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.

## 5.3 Net Present Value by Departure Scenario

Table 9 presents the net present value of the Billionaire Tax Act under three departure scenarios, each paired with a corresponding estimate of annual income tax contributions lost from departing billionaires.

The first scenario, *Only 6 Confirmed Departures*, represents the most conservative migration assumption. It uses the revenue ceiling of $67.51 billion (reflecting only publicly confirmed departures) and the lower bound estimate of annual income tax contributions ($C = \$3.3$ billion), implying a departure fraction of $f = 1 - (67.51/94.20) = 28.3\%$. The *Central Scenario* uses a revenue estimate of $42.0 billion and a midpoint income tax estimate ($C = \$4.55$ billion), implying $f = 55.4\%$. The *Literature Calibrated Departures* scenario applies the lower end of our revenue range ($35 billion, corresponding to a semi-elasticity of approximately 12.6) with the upper bound income tax estimate ($C = \$5.8$ billion), implying $f = 62.8\%$.

The central finding is that the net present value of the Act is negative in six of nine scenario–discount rate combinations. Under both the central and literature-calibrated scenarios, the one-time wealth tax revenue is more than offset by the present value of permanently lost income tax collections at every discount rate. Even under the most conservative departure assumptions, the NPV at a 1.5% real discount rate is just $5.2 billion—and any additional unreported departures beyond the publicly confirmed would likely push this figure into negative territory. At the other end, the literature-calibrated scenario implies fiscal losses exceeding $200 billion at a 1.5% real

rate, meaning California would forfeit roughly six dollars in future income tax revenue for every dollar the wealth tax collects.

Table 9: Net Present Value by Departure Scenario

| | **Only 6 Confirmed Departures** ($WT = \$67.51$B) ($C = \$3.3$B) | | **Central Scenario** ($WT = \$42.0$B) ($C = \$4.55$B) | | **Literature Calibrated Departures** ($WT = \$35.0$B) ($C = \$5.8$B) | |
|---|---|---|---|---|---|---|
| | PV(Lost PIT) | NPV | PV(Lost PIT) | NPV | PV(Lost PIT) | NPV |
| $(r-g) = 1.5\%$ | \$62.3B | +\$5.2B | \$168.1B | −\$126.1B | \$243.0B | −\$208.0B |
| $(r-g) = 3.0\%$ | \$31.2B | +\$36.3B | \$84.0B | −\$42.0B | \$121.5B | −\$86.5B |
| $(r-g) = 4.5\%$ | \$20.8B | +\$46.7B | \$56.0B | −\$14.0B | \$81.0B | −\$46.0B |

## 5.4 Break-Even Departure Analysis

Our preferred revenue estimate implies that approximately 55% of the billionaire income tax base has or will avoid the tax, nearly double the 30.7% break-even threshold under even the assumption of 6 confirmed departures for proponents at a 1.5% real discount rate, and approaching the 61.4% threshold at 3%. 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

$$x^* = \frac{WT \cdot (r-g)}{C}. \tag{21}$$

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

| **Scenario** | $WT$ | **Break-Even** $x^*$ | | |
|---|---|---|---|---|
| | | $(r-g) = 1.5\%$ | $(r-g) = 3.0\%$ | $(r-g) = 4.5\%$ |
| Most Favorable ($C = \$3.3$B) | \$67.51B | 30.7% | 61.4% | 92.1% |
| Midpoint ($C = \$4.55$B) | \$42.0B | 13.8% | 27.7% | 41.5% |
| Least Favorable ($C = \$5.8$B) | \$35.0B | 9.1% | 18.1% | 27.2% |

Under our central (midpoint) scenario at a 4.5% real discount rate, the departure of just 41.5% of the billionaire income tax base eliminates the net fiscal benefit of the wealth tax. Our preferred revenue estimate from Section 4 implies that approximately 55% have already departed, exceeding the break-even threshold. Even under the most favorable assumptions for proponents in which there are only 6 confirmed departures, a 3% discount rate requires only 61.4% of the income tax base to leave. Under the literature calibrated (least favorable) scenario, just 18.1% of the income tax base must depart at a 3% discount rate to eliminate any net fiscal gain.

## 5.5 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; 71% of draws yield a negative net present value, with a mean of $24.7 billion. 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.

$$WT \sim U[\$35\text{B},\ \$67.1\text{B}] \tag{22}$$
$$C \sim U[\$3.3\text{B},\ \$5.8\text{B}] \tag{23}$$
$$r \sim U[0.015,\ 0.045] \tag{24}$$

For each draw, we compute the implied departure fraction $f = 1 - WT/94.20$ and the net present value $NPV = WT - f \cdot C/r$.

The mean NPV across all draws is $-$**$24.7 billion**, with a median of $-$$19.1 billion and a standard deviation of $38.4 billion. Approximately 71% of plausible parameter combinations yield a negative net present value. These estimates are conservative in that we exclude all non-income-tax fiscal spillovers, including lost sales tax, property tax, and business activity, such as employing other income taxpayers.

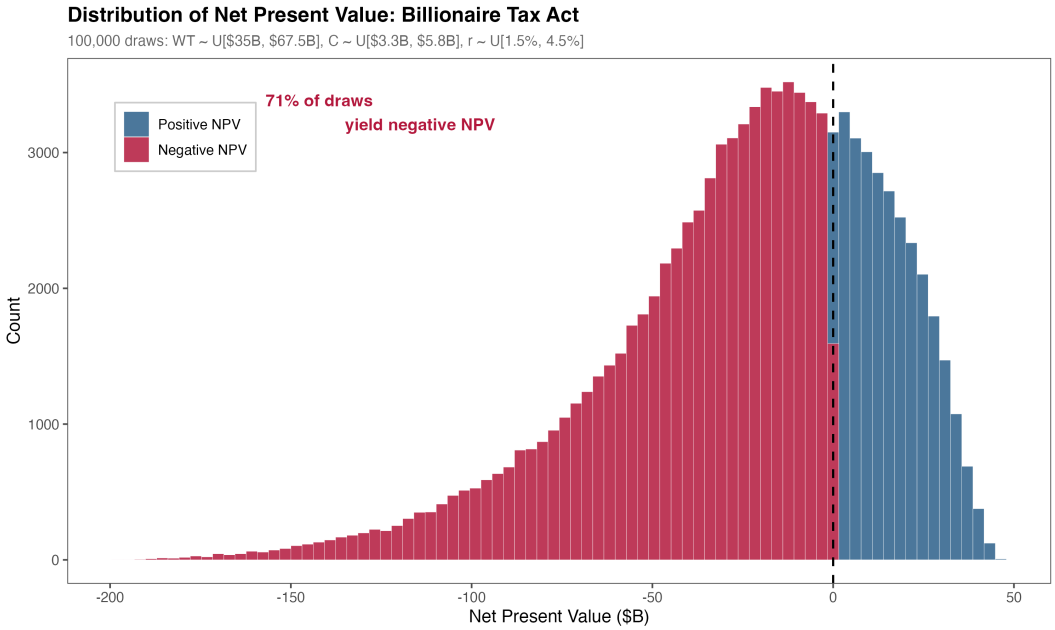



Figure 3: Distribution of NPV across 100,000 parameter draws. Red bars indicate negative NPV (net fiscal loss); blue bars indicate positive NPV.

# 6 Is This Truly a One-Time Tax?

Lastly, to address one of the proponents' central claims head-on, the Act is not a one-time tax in any meaningful sense. 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 possibly even 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 marketing 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 people can no longer credibly commit to not enacting wealth taxes in the future. 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% 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, which introduced progressive income tax rates of up to 13.3% as a temporary measure but was then extended by Proposition 56 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 2.5) illustrates the kind of aggressive design feature that future measures could employ, reinforcing the rational basis for this expectation.

# 7 Conclusion

Proponents of the Billionaire Tax Act projected $100 billion in revenue assuming 10% avoidance; we estimate collections of approximately $40 billion (range $35-46 billion), with an absolute ceiling of $67.51 billion. Six publicly confirmed departures have already eliminated nearly 30% of the wealth tax base before a single signature has been 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 exceeds the one-time wealth tax revenue under midpoint assumptions. Across 100,000 draws from the plausible parameter space, 71% of outcomes yield a negative net present value, with a mean NPV of $-\$24.7$ billion.

Even if one of the 29% of scenarios in our modeling where the NPV is positive come to fruition, the amount of present value revenue would still be small. Policies that distort behavior but generate little or no net revenue gain are not harmless as they may nonetheless impose substantial costs on residents through reduced employment, investment, and income. Certainly 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 carry a common theme: the Act fails on its own terms. It was designed to raise revenue, but the behavioral response has already eroded most of the projected tax base. It was framed as addressing a fiscal emergency, but the one-time collections are roughly offset—and in most scenarios more than offset—by the present value of permanently lost income tax revenue. It

was presented as a one-time measure, but it is a constitutional amendment that lifts the state's cap on taxes on intangible personal property with no sunset or reinstatement provision, establishing the constitutional foundation on which future wealth taxes at any rate and threshold could be built. And 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.

Voters are being asked to approve a solution built on projections that don't survive scrutiny. Our analysis finds it will collect roughly $40 billion, in general lose more than that in future income tax revenue, and permanently remove the constitutional guardrail that prevented wealth taxation in California. What remains is not a tax on billionaires but a tax on California's future, and the returns are already negative.

# 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 (2026b)

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, the proponents' 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 proponents' rebuttal 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 11 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 an $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% 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. The proponents 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 11: 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 $\alpha_i^V$ 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 an 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

$$R_{\text{UB1}} = \sum_{i=1}^{N} \left(1 - \text{Departure}_i^{\text{UB1}}\right) \times \tau \times \text{TaxBase}_i, \tag{25}$$

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

$$R_{\text{UB2}} = \sum_{i=1}^{N} \left(1 - \text{Departure}_i^{\text{UB2}}\right) \times \tau \times \text{TaxBase}_i, \tag{26}$$

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:

$$\%\Delta\text{TaxBase}^{\text{UB1}} = \frac{94.20 - 52.89}{94.20} = 43.85\%, \tag{27}$$

$$\%\Delta\text{TaxBase}^{\text{UB2}} = \frac{94.20 - 4.82}{94.20} = 94.88\%. \tag{28}$$

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

$$\varepsilon^{\text{UB1}} = \frac{43.85\%}{5.00\%} = 8.77, \tag{29}$$

$$\varepsilon^{\text{UB2}} = \frac{94.88\%}{5.00\%} = 18.98. \tag{30}$$

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