

Fact Sheet

AB 1130 – Skinner

Reagan/Wilson Tax Rates

PROBLEM

California currently faces a \$15.4 billion budget deficit. This comes after already recently cutting \$11.2 billion. Cuts have been made to higher education, as well as to services that primarily deal with the sick, poor, and elderly. With Governor Brown's proposal of putting a tax extension to the vote of the people not materializing, the legislature is looking at an all cuts budget.

BACKGROUND

The richest one percent of Californians makes an average of \$1.7 million dollars. Nobel-winning economist Joseph Stiglitz states "the upper 1 percent of Americans are now taking in nearly a quarter of the nation's income every year. In terms of wealth rather than income, the top 1 percent control 40 percent."¹

The recently approved federal tax cut extension gave California's wealthiest citizens \$14 billion in tax cuts. The top 1% of Californians received an average of \$90,000 in tax cuts.

Recent polls reveal that an overwhelming majority of Californians believe that richest Californians should pay more taxes. Seventy-eight percent of likely California voters support a 1 percent increase in the income tax rate for Californians earning more than \$500,000 a year. This includes 60% of Republicans.²

Historically, even our most fiscally conservative Governors have increased the tax

rate in times of major deficits. Governor Pete Wilson increased taxes on the top 1% by including a 10 and 11 percent tax rate. Governor Reagan did the same in 1973.

EXISTING LAW

The current tax rates are as follows:

Tax Rate	Taxable Income
1.0	Up to \$7,124
2.0	\$7,214 to \$16,890
4.0	\$16,890 to \$26,657
6.0	\$26,657 to \$37,005
8.0	\$37,005 to \$46,766
9.3	\$46,766 and over

There is a 1% surcharge on millionaires that funds the Mental Health Services Act as specified by Proposition 63.

THIS BILL

This bill would add a 1% tax increase of the richest Californians. Those that make over \$500,000 constitute less than 1% of tax payers but could contribute an estimated \$2.3 billion in additional revenue. The proposed tax rate schedule is as follows:

Tax Rate	Taxable Income
1.0	Up to \$7,124
2.0	\$7,214 to \$16,890
4.0	\$16,890 to \$26,657
6.0	\$26,657 to \$37,005
8.0	\$37,005 to \$46,766
9.3	\$46,766 to 500,000
10.3	\$500,000 and over

¹ Of the 1%, by the 1%, for the 1%" *Vanity Fair Magazine*.

² Garofoli, Joe. "Californians Back Raising Taxes on State's Wealthy." SFGate.