



Proposition 30

Raises Taxes on Personal Income over \$2 Million to Fund Programs to Reduce Greenhouse Gas Emissions and Prevent Wildfires

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Purpose

The purpose of Prop. 30 is twofold. First, it would seek to reduce greenhouse gas emissions by funding zero emissions vehicle (ZEV) incentives, including subsidies to purchase or lease ZEVs as well as funding for infrastructure to support the deployment of ZEVs, like charging stations. Second, it would seek to prevent wildfires primarily by hiring and training more firefighters and engaging in other wildfire mitigation efforts. These new programs would be paid for by a tax increase of 1.75% on people with personal income over \$2 million.¹

Background

Compared with other states, California is known for its high taxes and progressive environmental policies. Prop. 30 would continue in this tradition by taxing high-income earners to fund new climate programs. Prop. 30 would not be the first time Californians have considered a ballot measure to increase income taxes on high-earners to fund a specific program. One antecedent is Prop. 63 of 2004, the Mental Health Services Act, which imposed new taxes on people with personal income over \$1 million to fund mental health services.²

California already has the highest personal income tax rates in the country, and Prop. 30 would establish an additional tax bracket above the current highest threshold of \$1 million. Income above this level is currently taxed at 13.3%, including the Mental Health Services Act tax.³ Prop.

¹ California Legislative Analyst's Office, "Proposition 30: Analysis of Measure (November 8, 2022 Election)," accessed September 20, 2022, <https://lao.ca.gov/BallotAnalysis/Proposition?number=30&year=2022>.

² "Mental Health Services Act," Department of Health Care Services, August 1, 2022, https://www.dhcs.ca.gov/services/mh/Pages/MH_Prop63.aspx.

³ Timothy Vermeer and Katherine Loughhead, "State Individual Income Tax Rates and Brackets for 2022," Tax Foundation, February 15, 2022, <https://taxfoundation.org/publications/state-individual-income-tax-rates-and-brackets/>.

30's new threshold would apply only to income above \$2 million; income above this level—for both single and married filers—would be taxed at a new rate of 15.05%.⁴

California also has led the nation in environmental protection initiatives, including vehicle emission standards. Since the state had established emissions standards before the passage of the federal Clean Air Act of 1963, California was allowed to continue setting its own vehicle emissions limits, which other states may adopt. Today, 13 other states and the District of Columbia follow California's emissions standards, thus forcing many auto manufacturers to adhere to California's rules if they want to sell vehicles in those states.⁵

California has a number of policies in place mandating a transition to ZEVs. In 2020, California Governor Gavin Newsom signed an executive order calling for 100% of new car and truck sales to be ZEVs by 2035; in August 2022 the California Air Resources Board (CARB) adopted regulations to achieve this goal.⁶ Last year, CARB also passed a new standard requiring 90% of passenger miles driven by rideshare companies be in electric cars by 2030.⁷ Prop. 30 would help rideshare companies meet these targets by increasing the total number of ZEVs owned by California residents, some of whom would be rideshare company drivers.

California also has established a number of programs to fund ZEV infrastructure and provide ZEV rebates. For example, the California Electric Vehicle Infrastructure Project has funded the construction of 1,357 DC and level 2 chargers at a cost of about \$47.5 million.⁸ In addition, the Clean Vehicle Rebate Project has spent \$974 million on electric vehicle rebates for over 440,926 ZEVs.⁹ ZEV purchases have been steadily rising in California: over the period from mid-February

⁴ "Tax Calculator, Tables, Rates," State of California Franchise Tax Board, February 11, 2022, https://www.ftb.ca.gov/file/personal/tax-calculator-tables-rates.asp?WT.mc_id=akTaxCalc2.

⁵ Stanley Young, "Pollution standards authorized by the California waiver: A crucial tool for fighting air pollution now and in the future," California Air Resources Board, September 17, 2019, <https://ww2.arb.ca.gov/resources/fact-sheets/pollution-standards-authorized-california-waiver-crucial-tool-fighting-air>.

⁶ "Governor Newsom's Zero-Emission by 2035 Executive Order (N-79-20)," California Air Resources Board, January 19, 2021, <https://ww2.arb.ca.gov/resources/fact-sheets/governor-newsoms-zero-emission-2035-executive-order-n-79-20>, Rob Wile, "California regulators vote to ban the sale of new gasoline-powered cars by 2035," NBC News, August 25, 2022, <https://www.nbcnews.com/business/business-news/california-bans-sales-new-gasoline-powered-cars-2035-rcna44855>.

⁷ Rachel Becker, "California Approves Electric Car Mandate for Uber and Lyft" CalMatters, May 19, 2021, <https://calmatters.org/environment/climate-change/2021/05/uber-lyft-electric-cars-california-mandate-weighed/>.

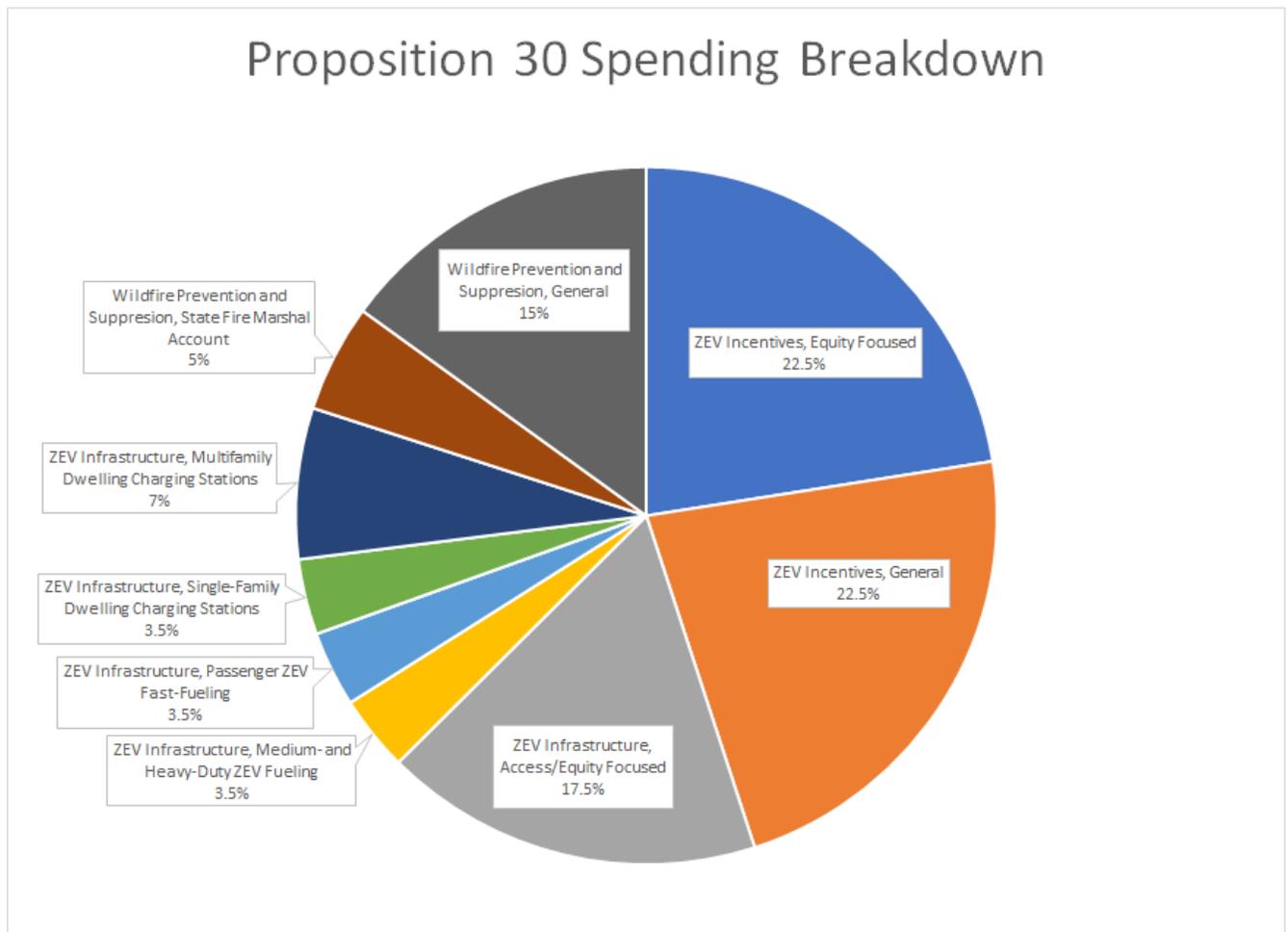
⁸ "California Electric Vehicle Infrastructure Project (CALeVIP) Cost Data," California Energy Commission, accessed August 19, 2022, <https://www.energy.ca.gov/programs-and-topics/programs/clean-transportation-program/california-electric-vehicle>.

⁹ "Clean Vehicle Rebate Project (CVRP)," California Air Resources Board, July 26, 2022, <https://ww2.arb.ca.gov/resources/fact-sheets/clean-vehicle-rebate-project-cvrp>.

2022 to August 2022, electric vehicle sales made up over 15% of total auto sales in California for the first time.¹⁰

Proposal¹¹

Prop. 30 would levy an additional 1.75% tax on income above \$2 million to pay for ZEV and wildfire prevention programs. The tax and funding would last through the earlier of either 2042 or as soon as California’s greenhouse gas emissions have been reduced by 80% from 1990 levels for three consecutive years (but no earlier than 2030).



The two main categories of spending—ZEV programs and wildfire prevention—will receive about 80% and 20% of revenue, respectively. ZEV programs are further subdivided, with 35% of total

¹⁰ Anne C. Mulkern, “Calif. EV sales hit record as Tesla races ahead,” *Politico Pro*, August 10, 2022, <https://subscriber.politicopro.com/article/eenews/2022/08/10/ev-sales-hit-record-in-calif-as-tesla-races-ahead-0005069>.

¹¹ Text of Proposition 30 (November 8, 2022 Election), accessed September 15, 2022, <https://voterguide.sos.ca.gov/>.

revenue allocated to fueling infrastructure, and 45% to incentives for ZEVs and other modes of green transportation.

Incentives would primarily include programs that “support the deployment of new passenger ZEVs” (e.g. electric cars); two-thirds of the 45% (30% of total revenue) would apply to these programs. While remaining funding can be spent at the discretion of CARB, the initiative suggests that potential programs might include promoting “other mobility options,” such as electric bikes. The 35% allocated for ZEV infrastructure funding is further subdivided into categories such as medium- and heavy-duty ZEV fueling, single-family dwelling charging stations, multi-family dwelling charging stations, and passenger ZEV fast-fueling, as seen in the graph above.

Notably, at least 50% of the general ZEV funding must primarily benefit “residents who live in or near low-income and disadvantaged communities.” Equity-focused funding for both the ZEV incentives and infrastructure programs is capped at 200% of the average annual amount earmarked for equity programs over the last two years, starting on July 1, 2026. The excess funding would go towards the accounts’ respective non-equity-focused programs.

Wildfire prevention funding (20% of total revenue) would also be further subdivided: 75% (15% of total revenue) to CalFire for primarily hiring and training firefighters, and also secondarily for creating “defensible space, home hardening, and forest resilience programs,” while the other 25% (5% of total revenue) for the Office of the State Fire Marshal for “wildfire suppression and prevention activities.”

Fiscal Impact¹²

The Legislative Analyst’s Office (LAO) estimates that the proposed tax increase would typically generate \$3.5-5 billion annually, all of which would go to funding the previously mentioned programs. The LAO also notes that this tax increase could have other fiscal effects. First, those with personal income over \$2 million could seek to reduce their California income in order to avoid the higher tax rate, which would reduce tax revenue to the state’s General Fund by an unknown amount. Furthermore, the additional revenue might cause the state to run afoul of the state appropriations limit—if the state’s revenue exceeds government spending from 1979-80, adjusted for economic growth and population change, then excess revenue can only be spent in a few narrowly defined ways, including (but not limited to) capital outlays. The text of the initiative specifies that incentives or subsidies for ZEV charging stations or ZEVs purchased by state or local government agencies would fall under the category of capital outlays for appropriations purposes, which might limit the impact of the appropriations limit, if triggered.

The LAO estimates that the ultimate fiscal effects of greater ZEV adoption are likely to be minor compared to overall state and local government spending, as the recently-adopted ban on sales

¹² Legislative Analyst’s Office, “Proposition 30: Analysis.”

of gas-powered vehicles after 2035 will cause gas tax revenues to decline regardless of whether or not Prop. 30 is passed. If Prop. 30's wildfire prevention program is successful, then costs related to wildfire response and recovery would fall by an unknown amount.

Supporters

Prominent supporters include:¹³

- The rideshare company Lyft
- The California Democratic Party
- The California State Association of Electrical Workers
- California Environmental Voters
- Several wealthy individuals, including billionaires Ron Conway and John Doerr, Silicon Valley investors, and Tom Steyer, a Democratic presidential primary candidate in 2020¹⁴

A longer list of supporters for Prop. 30 can be found at the official campaign website, www.yeson30.org.

As of October 4, 2022, supporters have raised around \$47.2 million,¹⁵ with the vast majority of funding coming from Lyft.¹⁶

Supporting Arguments

Supporters argue that:

- California has the worst air quality of any state in the U.S.; these programs would help improve air quality.¹⁷
- Due to high gas prices, many Californians would prefer an electric vehicle but cannot afford to purchase one. Prop. 30 would make electric vehicles affordable to middle- and low-income Californians.¹⁸
- The overall impact of the tax increase would be small, as only 0.2% of Californians would see their tax bill increase.¹⁹

¹³ "About Our Coalition," Yes on 30 Clean Air CA, accessed September 25, 2022, <https://yeson30.org/about/#endorsements>.

¹⁴ California Fair Political Practices Commission, "November 2022 General Election: Top Contributors," <https://www.fppc.ca.gov/transparency/top-contributors/nov-22-gen.html>.

¹⁵ California Secretary of State, "Quick Search: Amount Raised for Ballot Measures," accessed September 15, 2022, <https://powersearch.sos.ca.gov/quick-search.php>.

¹⁶ California Fair Political Practices Commission, "November 2022 General Election: Top Contributors," accessed September 15, 2022, <https://www.fppc.ca.gov/transparency/top-contributors/nov-22-gen.html>.

¹⁷ "Get the Facts," Yes on 30 Clean Air CA, accessed August 19, 2022, <https://yeson30.org/facts/>.

¹⁸ Tim Edwards, David Tom Cooke, and Sherry Jackman, "Argument in Favor of Proposition 30 (November 8, 2022 Election)," California Official Voter Information Guide, accessed September 15, 2022, <https://voterguide.sos.ca.gov/>.

¹⁹ Yes on 30 Clean Air CA, "Get the Facts."

- Prop. 30 will ensure the reliability of the electrical grid by providing billions of dollars for grid upgrades and by prohibiting actions that could compromise the grid.²⁰

Opponents

Prominent opponents include:²¹

- California Governor Gavin Newsom
- The California Teachers Association
- The California Chamber of Commerce
- The California Republican Party

A longer list of opponents for Prop. 30 can be found at the official campaign website, <https://votenoprop30.com/>.

As of October 4, 2022, opponents have raised around \$13.4 million.²² The largest donors against Prop. 30 are mostly individuals, including investor Mark Heising, Govern for California executive Catherine Dean, and venture capitalist Michael Moritz, who each contributed \$1 million.²³

Opposing Arguments

Opponents argue that:

- Prop. 30 provides a giveaway to rideshare companies, which need to meet strict state EV standards, at the expense of taxpayers.²⁴
- California already has the highest personal income tax rate in the country; increasing taxes further would be an unfair burden in a time of high inflation and potential recession.²⁵
- The tax increase might cause high-income earners to leave the state, which would reduce General Fund revenues.²⁶
- California already spends billions of dollars on wildfire prevention and suppression, and on ZEV incentives—given that the state is running a \$97.5 billion budget surplus this year, additional tax revenue is unnecessary to fund new programs.²⁷

²⁰ Mary Creasman, Max Baumhefner, and Jose Pablo Ortiz Partida, "Rebuttal to Argument Against Proposition 30 (November 8, 2022 Election)," California Official Voter Information Guide, accessed September 15, 2022, <https://voterguide.sos.ca.gov/>.

²¹ "Our Coalition," No on Prop 30, accessed September 25, 2022, <https://votenoprop30.com/our-coalition/>.

²² California Secretary of State, "Quick Search: Amount Raised for Ballot Measures."

²³ California Fair Political Practices Commission, "November 2022 General Election: Top Contributors."

²⁴ Jeremy B. White, "Gavin Newsom is fighting a wealth tax that would fund his own climate goals," *Politico*, July 29, 2022, <https://www.politico.com/news/2022/07/29/newsom-wealth-tax-climate-goals-00047722>.

²⁵ Jon Coupal, Betty Jo Toccoli, and Joe Coto, "Argument Against Proposition 30 (November 8, 2022 Election)," California Official Voter Information Guide, accessed September 15, 2022, <https://voterguide.sos.ca.gov/>.

²⁶ Coupal, Toccoli, and Coto, "Argument Against Proposition 30."

²⁷ Coupal, Toccoli, and Coto, "Argument Against Proposition 30."

Conclusion

A YES vote on Prop. 30 would authorize an additional tax of 1.75% on personal income over \$2 million to fund ZEV incentives and infrastructure, as well as wildfire prevention and mitigation efforts. The new tax is estimated to raise between \$3.5 billion and \$5 billion annually for these programs.

A NO vote on Prop. 30 would reject both the tax increase and the new funding for ZEV and wildfire-related programs.

Date: October 4, 2022