PROPOSITION

3 PROVIDES PERMANENT FUNDING FOR SCHOOLS AND HEALTH CARE BY EXTENDING EXISTING TAX ON HIGH INCOMES. INITIATIVE CONSTITUTIONAL AMENDMENT.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on page 109 and the Secretary of State's website at *voterguide.sos.ca.gov.*

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- Makes permanent the existing 2012 voter-approved tax rates for high-income Californians, currently set to expire in 2031.
- Rates apply to income over about $371,000 for single filers, $742,000 for joint filers, and $505,000 for heads of household (2025 levels; adjusted annually for inflation).
- Allocates tax revenues 89% to K–12 schools, 11% to community colleges.
- Allows local school boards to decide how revenues are spent; bars use for administrative costs.
- Increases General Fund revenues available for health care, budget reserves, and other programs.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Maintains $5 billion to $15 billion of annual state income tax revenue by making a temporary tax increase on high-income earners permanent instead of letting it expire in 2031.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Most State Money Comes From the Income Tax. The income tax is the state's largest tax. It pays for most spending from the state's main operating account, the General Fund. The General Fund is the account the state uses to pay for most public services, including education, health care, and prisons. The tax applies to most types of income, such as salaries, wages, interest, and profits from the sale of stocks, property, and other investments. The income tax rate starts out low and gradually goes up for taxpayers with higher incomes. For example, a married couple pays a 1 percent tax on the first $21,000 of income, a 2 percent tax on income between $21,000 and $50,000, and a 4 percent tax on income between $50,000 and $80,000.

Prior Voter-Approved Tax Increases. Voters approved Proposition 30 in 2012 to temporarily increase income tax rates on high-income taxpayers. In 2016, voters approved Proposition 55 to extend these higher rates until 2030. The top 2 percent of California taxpayers pay these higher rates. These taxpayers pay about half of all state income taxes.

How Does the State Spend Its Money? This year, the state plans to spend about $250 billion from the General Fund to pay for services to the public. About half of this spending is for schools, community colleges, and the state's public universities. (The State Constitution sets a minimum spending level for schools and community colleges.) About another one-third of state spending is for health and human services programs, mainly for the state's low-income health insurance program, Medi-Cal. The rest goes mostly to prisons, courts, and other state services.

PROPOSAL

Proposition 3 makes the higher income tax rates established by Proposition 30 permanent instead of letting them expire in 2031. Figure 1 shows what income tax rates would be if this measure passes and what they would be if it is rejected.

FISCAL EFFECTS

Proposition 3 Would Bring in Between $5 Billion and $15 Billion Each Year. The amount of money brought in by Proposition 3 will go up and down a lot from year to year. This is because much of the revenue comes from taxing income that is closely tied to the stock market, which is always changing. In a weak year, the proposition might bring in around $5 billion in revenue to the state. In a strong year, the proposition might bring in $15 billion in revenue to the state. In most years, revenue would be in between these amounts.

Funding for Education and Other Programs. Proposition 3 results in funding for education and other programs. Roughly 40 percent of the funding would go to schools and community colleges. The rest would go to other state programs. Part of this amount would be set aside in budget reserves the state could use to fund these programs when revenues decline.

Visit *sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2026-ballot-measure-contribution-totals* for a list of committees primarily formed to support or oppose this measure.

Visit *fppc.ca.gov/transparency/top-contributors.html* to access the committee's top 10 contributors.

Figure 1

Personal Income Tax Rates Under Proposition 3

		Marginal Tax Rate		
			After 2030, if This Proposal Is...	
Single Filer's Income	Joint Filers' Income	Now Through 2030	Approved	Rejected
$0 to $11k	$0 to $22k	1.0%	1.0%	1.0%
$11k to $26k	$22k to $53k	2.0	2.0	2.0
$26k to $41k	$53k to $83k	4.0	4.0	4.0
$41k to $58k	$83k to $115k	6.0	6.0	6.0
$58k to $73k	$115k to $145k	8.0	8.0	8.0
$73k to $371k	$145k to $743k	9.3	9.3	9.3
$371k to $446k	**$743k to $892k**	**10.3%**	**10.3%**	**9.3%**
$446k to $743k	**$892k to $1.5 million**	**11.3%**	**11.3%**	**9.3%**
Above $743k	**Above $1.5 million**	**12.3%**	**12.3%**	**9.3%**

For the full text of Proposition 3, see page 109.