PROPOSITION

42 PROHIBITS NEW STATE PERSONAL PROPERTY TAXES AND CERTAIN RETROACTIVE STATE TAXES. INITIATIVE CONSTITUTIONAL AMENDMENT.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on page 150 and the Secretary of State's website at *voterguide.sos.ca.gov.*

- Prohibits new state taxes on personal property, including business interests, intellectual property, and financial assets (including assets in retirement and investment accounts).
- Prohibits new state taxes that apply retroactively based on the taxpayer's conduct, activities, or a status that occurred before the new tax's effective date.
- Applies to new taxes that are enacted or take effect on or after January 1, 2026.
- States that other voter-approved measures appearing on the same ballot are void if they conflict with this measure and this measure receives more affirmative votes.

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

- Possibility that tax revenues will not go up as much in the future.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Certain Personal Property Is Taxed in California. Both the state and local governments tax the ownership of certain personal property. These taxes are based on the property's value. Personal property is all the things that people own other than real estate. One example of these kinds of taxes is the vehicle license fee that car and truck owners pay to the Department of Motor Vehicles each year. Another example is the property taxes owners of business equipment pay to the county each year.

Ownership of Financial Assets Is Not Taxed. The ownership of many types of personal property is not taxed. One major example is financial assets like stocks and investment accounts. Although the state does tax income people make from their financial assets, there is no tax for simply owning those assets.

PROPOSAL

Prohibits New Taxes on Financial Assets or Other Personal Property. Under Proposition 42, new taxes on the ownership of financial assets or other personal property would not be allowed.

Limits Retroactive Taxes. Proposition 42 limits the situations that a ballot measure or the Legislature can raise any tax retroactively. A retroactive tax is one that applies to things that

Potential Interactions With Other Propositions

If Proposition 42 receives more "yes" votes than Proposition 40 on this same ballot, then Proposition 40 could be stopped from becoming law even if it gets yes votes from a majority of voters. This is because the courts could find that Proposition 42 conflicts with Proposition 40.

happened in the past. An example is a tax on money someone earned two years ago.

FISCAL EFFECT

Possibility That Tax Revenues Will Be Lower in the Future. Proposition 42 restricts the options the state has to raise taxes in the future. This could make it somewhat harder for the state to raise taxes. This could reduce future tax revenues. When and by how much future revenues would be reduced is unclear.

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.

For the full text of Proposition 42, see page 150.