

Fact Sheet

AB 1130 – Skinner

Reagan/Wilson Tax Rates

PROBLEM

California currently faces a budget deficit of over \$5 billion. This comes after tens of billions in cuts in recent years: to higher education, as well as to services that primarily deal with the sick, poor, and elderly. With the failure of Governor Brown's proposals to put a tax extension or new tax package before the voters, the Legislature must look at all options to balance revenues and programs.

BACKGROUND

The richest one percent of Californians make an average of \$1.7 million dollars. According to Nobel-winning economist Joseph Stiglitz, "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 one percent control 40 percent."¹

Recent federal tax cuts gave California's wealthiest citizens \$14 billion in tax cuts. The top 1% of Californians received an average of \$90,000 in reduced taxes.

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

¹ "Of the 1%, by the 1%, for the 1%" *Vanity Fair Magazine*, May 2011.

² Garofoli, Joe. "Californians Back Raising Taxes on State's Wealthy." *SFGate*, April 1, 2011.

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 10 and 11 percent tax rates. Governor Reagan did the same in 1973.

EXISTING LAW

The current tax rates for single filers are as follows:

Tax Rate	Taxable Income
1.0%	Up to \$7,316
2.0%	\$7,316 to \$17,346
4.0%	\$17,346 to \$27,377
6.0%	\$27,377 to \$38,004
8.0%	\$38,004 to \$48,029
9.3%	\$48,029 and over

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

THIS BILL

AB 1130 restores tax rates similar to those paid by the richest Californians during the years that Ronald Reagan and Pete Wilson governed California. Recent federal tax cuts gave these individuals \$14 billion in tax breaks, or an average of \$90,000 per filer. AB 1130 would establish a one-percent tax increase on the richest Californians, on income they make in excess of \$500,000 a year. Although less than one percent of California taxpayers would be affected by the bill, AB 1130 would contribute an estimated \$2.3 billion in additional revenue for the state.

SUPPORT

Alliance of Californians for Community
Empowerment
American Federation of State, County and
Municipal Employees
AFSCME Council 57
California Alliance for Retired Americans
California Federation of Teachers
California Labor Federation
California Nurses Association
California School Employees Association
California State PTA
California Tax Reform Association
City College of San Francisco
City of Berkeley
Coalition of California Welfare Rights
Organizations
Congress of California Seniors
CREDO
Los Angeles County Democratic Party
National Association of Social Workers
Oakland Unified School District
Peralta Community College District
Public Authority for IHSS in Alameda
County