An act to amend Section 12651 of the Government Code, and to amend Section 19441 of, to add Section 19573 to, and to add Part 27 (commencing with Section 50300) to Division 2 of, the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 12651 of the Government Code is amended to read:

12651. (a) Any person who commits any of the following enumerated acts in this subdivision shall have violated this article and shall be liable to the state or to the political subdivision for three times the amount of damages that the state or political subdivision sustains because of the act of that person. A person who commits any of the following enumerated acts shall also be liable to the state or to the political subdivision for the costs of a civil action brought to recover any of those penalties or damages, and shall be liable to the state or political subdivision for a civil penalty of not less than five thousand five hundred dollars ($5,500) and not more than eleven thousand dollars ($11,000) for each violation, as adjusted by the Federal Civil Penalties Inflation Adjustment Act of 1990, Public Law 101–410 Section 5, 104 Stat. 891, note following 28 U.S.C. Section 2461.

(1) Knowingly presents or causes to be presented a false or fraudulent claim for payment or approval.

(2) Knowingly makes, uses, or causes to be made or used a false record or statement material to a false or fraudulent claim.

(3) Conspires to commit a violation of this subdivision.

(4) Has possession, custody, or control of public property or money used or to be used by the state or by any political subdivision and knowingly delivers or causes to be delivered less than all of that property.

(5) Is authorized to make or deliver a document certifying receipt of property used or to be used by the state or by any political subdivision and knowingly makes or delivers a receipt that falsely represents the property used or to be used.

(6) Knowingly buys, or receives as a pledge of an obligation or debt, public property from any person who lawfully may not sell or pledge the property.

(7) Knowingly makes, uses, or causes to be made or used a false record or statement material to an obligation to pay or transmit money or property to the state or to any political subdivision, or knowingly conceals or knowingly and improperly avoids, or decreases an obligation to pay or transmit money or property to the state or to any political subdivision.

(8) Is a beneficiary of an inadvertent submission of a false claim, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the state or the political subdivision within a reasonable time after discovery of the false claim.

(b) Notwithstanding subdivision (a), the court may assess not less than two times and not more than three times the amount of damages which the state or the political subdivision sustains because of the act of the person described in that subdivision, and no civil penalty, if the court finds all of the following:

(1) The person committing the violation furnished officials of the state or of the political subdivision responsible for investigating false claims violations with all information known to that person about the violation within 30 days after the date on which the person first obtained the information.

(2) The person fully cooperated with any investigation by the state or a political subdivision of the violation.

(3) At the time the person furnished the state or the political subdivision with information about the violation, no criminal prosecution, civil action, or administrative

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action had commenced with respect to the violation, and the person did not have actual knowledge of the existence of an investigation into the violation.

(c) Liability under this section shall be joint and several for any act committed by two or more persons.

(d) This section does not apply to any controversy involving an amount of less than five hundred dollars ($500) in value. For purposes of this subdivision, “controversy” means any one or more false claims submitted by the same person in violation of this article.

(e) This section does not apply to claims, records, or statements made pursuant to Division 3.6 (commencing with Section 810) of Title 1 or to workers’ compensation claims filed pursuant to Division 4 (commencing with Section 3200) of the Labor Code.

(f) (1) This section ~~does not~~ shall apply to claims, records, or statements made under Part 27 (commencing with Section 50300) of Division 2 of the Revenue and Taxation ~~Code.~~ Code only if the damages pleaded in the action exceed two hundred thousand dollars ($200,000).

(2) For purposes of this subdivision only, “person” has the same meaning as that term is defined in Section 17007 of the Revenue and Taxation Code.

(3) The Attorney General or prosecuting authority shall consult with the taxing authorities to whom the claim, record, or statement was submitted prior to filing or intervening in any action under this article that is based on the filing of false claims, records, or statements made under the Revenue and Taxation Code.

(4) Notwithstanding Section 19542 of the Revenue and Taxation Code or any other law, the Attorney General or prosecuting authority, but not the qui tam plaintiff, is hereby authorized to obtain otherwise confidential records relating to taxes, fees, surcharges, or other obligations under the Revenue and Taxation Code needed to investigate or prosecute suspected violations of this subdivision from state and local taxing and other governmental authorities in possession of such information and records, and such authorities are hereby authorized to make those disclosures. The taxing and other governmental authorities shall not provide federal tax information without authorization from the Internal Revenue Service.

(5) Any information received pursuant to paragraphs (3) and (4) shall be kept confidential except as necessary to investigate and prosecute suspected violations of this subdivision.

(6) This subdivision does not and shall not be construed to have retroactive application to any claims, records, or statements made under the Revenue and Taxation Code before January 1, 2024.

(g) This section does not apply to claims, records, or statements for the assets of a person that have been transferred to the Commissioner of Insurance, pursuant to Section 1011 of the Insurance Code.

SEC. 2. Section 19441 of the Revenue and Taxation Code is amended to read:

19441. (a) The Franchise Tax Board or any person authorized in writing by the Franchise Tax Board is authorized to enter into an agreement in writing with any person (or the person or estate for whom that person acts) in respect of any tax, interest, penalty, or addition to tax levied under Part 10 (commencing with Section 17001), Part 11 (commencing with Section 23001), Part 27 (commencing with Section 50300), or this part for any taxable period.

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(b) If the agreement is approved by the Franchise Tax Board, itself, within the time as may be stated in the agreement, or later agreed to, the agreement shall be final and conclusive, and except upon a showing of fraud or malfeasance, or misrepresentation of a material fact:

(1) The case shall not be reopened as to the matters agreed upon or the agreement modified, by any officer, employee, or agent of the state, and

(2) In any suit, action, or proceeding, the agreement, or any determination, assessment, collection, payment, abatement, refund, or credit made in accordance therewith, shall not be annulled, modified, set aside, or disregarded.

SEC. 3. Section 19573 is added to the Revenue and Taxation Code, to read:

19573. (a) Notwithstanding Section 19542 or any other law, the Franchise Tax Board may, upon request and consistent with this section, disclose returns or return information to the Wealth Tax Advisory Council or the University of California for use in research related to compliance with or administration of the Tax on Extreme Wealth (Part 27 (commencing with Section 50300)).

(b) Data shared under this section may be matched or otherwise combined with other sources.

(c) The Franchise Tax Board may require reimbursement for all direct costs incurred in providing information pursuant to this section.

(d) The Franchise Tax Board shall establish procedures relating to requests from the University of California for the following:

(1) Identifying projects consistent with subdivision (a).

(2) Providing responses to requests in a reasonably timely manner.

(3) Ensuring compliance with subdivision (g).

(e) Upon written request from the Wealth Tax Advisory Council, the material of the State Library shall be made available. All state agencies, and other official state organizations, and all persons connected therewith shall give the requester full information, and reasonable assistance in any matters of research requiring recourse to them, or to data within their knowledge or control.

(f) The Franchise Tax Board is authorized to employ funds allocated to it pursuant to Section 50316 for purposes of adopting and implementing the procedures necessary to comply with this section, including unreimbursed expenses related to any data request.

(g) Any information shared pursuant to this section shall be in compliance with the California Information Practices Act of 1977 (Chapter 1 (commencing with Section 1798) of Title 1.8 of Part 4 of Division 3 of the Civil Code).

(h) Tax information provided to a requester from the University of California shall not be furnished to, or used by, any person other than an employee of the University of California, and shall be utilized in a form and manner to safeguard the tax information as required by the Franchise Tax Board, including, but not limited to:

(1) The completion of a data exchange security questionnaire provided by the Franchise Tax Board prior to approval of a data exchange by the Franchise Tax Board.

(2) The requester shall allow for an onsite safeguard review conducted by the Franchise Tax Board.

(3) The completion of disclosure training provided by the Franchise Tax Board and a confidentiality statement signed by all employees with access to information provided by the Franchise Tax Board confirming the requirement of data security with

respect to that information and acknowledging awareness of penalties for unauthorized access or disclosure under Sections 19542 and 19552 of this code and Section 502 of the Penal Code.

(4) The requester shall notify the Franchise Tax Board within 24 hours upon discovery of any incident of unauthorized or suspected unauthorized access or disclosure of the tax information and provide a detailed report of the incident and the parties involved.

(5) All records received by the requester shall be destroyed in a manner to make them unusable or unreadable so an individual record may no longer be ascertained in a timeframe specified by the Franchise Tax Board.

(i) Nothing in this section shall be construed to prohibit a requester of information from the publication of statistics, in an aggregated and anonymized manner to prevent the identification of any particular taxpayer or taxpayer identifying information.

SEC. 4. Part 27 (commencing with Section 50300) is added to Division 2 of the Revenue and Taxation Code, to read:

PART 27. WEALTH TAX

Chapter 1. General Provisions and Definitions

50300. (a) This part shall be known, and may be cited, as the Wealth Tax Act.

(b) The Legislature finds and declares that the intention of this act is to provide revenue to be expended for the purpose of advancing California towards meeting the conditions set forth in subdivision (b) of Section 1 of Article XIII B of the California Constitution.

50301. For purposes of this part, the following definitions shall apply:

(a) “Dependent” shall have the same meaning as that term is defined in Section 152 of the Internal Revenue Code.

(b) “GAAP” means generally accepted accounting principles.

(c) “Internal Revenue Code” shall have the same meaning as that term is defined in Section 17024.5.

(d) “Person” shall have the same meaning as that term is defined in Section 17007.

(e) “Related persons” shall mean any person that is related to the taxpayer under either Section 267 or 3Ü18 of the Internal Revenue Code plus any other person so specified via regulations adopted by the Franchise Tax Board.

50302. The collection and administration of the tax described in this part shall be governed by Part 10.2 (commencing with Section 18401) unless expressly superseded by this part.

50303. (a) The Wealth Tax shall be reported with, and is due at the same time as, the annual income taxes of a taxpayer under Part 10 (commencing with Section 17001). The Franchise Tax Board shall amend the Personal Income Tax Forms, and amend or create other forms as necessary, for the reporting of certain assets.

(b) Every taxpayer required to file a California tax return is required to either declare their worldwide net worth is less than the exemption threshold in subdivision (a) of Section 50305 or shall report worldwide net worth.

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(c) For purposes of reporting a taxpayer's worldwide net worth, assets that must be reported separately shall include, but shall not be limited to, the following categories:

(1) Stock in any publicly and privately traded C-corporation.

(2) Stock in any S-corporation.

(3) Interests in any partnership.

(4) Interests in any private equity or hedge fund.

(5) Interests in any other noncorporate businesses.

(6) Bonds and interest-bearing savings accounts.

(7) Cash and deposits.

(8) Farm assets.

(9) Interest in mutual funds or index funds.

(10) Put and call options.

(11) Futures contracts.

(12) Art and collectibles.

(13) Financial assets held offshore.

(14) Pension funds.

(15) Other assets, excluding real property.

(16) Debts other than mortgages or other liabilities secured by real property.

(17) Real property.

(18) Mortgages and other liabilities secured by real property.

(d) For the avoidance of doubt, directly held real property, and mortgages and other liabilities secured by directly held real property, must be listed separately in accordance with subdivision (c), but those items are not considered in calculating the taxpayer's worldwide net worth under this part pursuant to Section 50306.

50304. The provisions of this part are severable. If any provision of this part or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

Chapter 2. Imposition of Tax on Wealth

50305. (a) For taxable years beginning on or after January 1, 2024, and before January 1, 2026, on the activity of sustaining excessive accumulations of wealth there is hereby imposed an excise tax of 1.5 percent upon the worldwide net worth of every resident, part-year resident, temporary resident, or wealth-tax resident, as those terms are described in Section 50313, in this state in excess of the following:

(1) For married taxpayers filing separately, five hundred million dollars ($500,000,000).

(2) For all other taxpayers, one billion dollars ($1,000,000,000).

(b) For taxable years beginning on or after January 1, 2026, on the activity of sustaining excessive accumulations of wealth, there is hereby imposed an excise tax of 1 percent upon the worldwide net worth of every resident, part-year resident, temporary resident, or wealth-tax resident, as those terms are described in Section 50313, in this state in excess of the following:

(1) For married taxpayers filing separately, twenty-five million dollars ($25,000,000).

(2) For all other taxpayers, fifty million dollars ($50,000,000).

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(c) In addition to the tax imposed under subdivision (b), there is also hereby imposed an additional 0.5 percent surtax, for a total combined tax rate of 1.5 percent, upon the worldwide net worth of every resident in this state in excess of the following:

(1) For married taxpayers filing separately, five hundred million dollars ($500,000,000).

(2) For all other taxpayers, one billion dollars ($1,000,000,000).

(d) (1) Except as explicitly provided for in this part, for purposes of subdivisions (a), (b), and (c), worldwide net worth shall be calculated in the manner set for calculation of the Federal Estate Tax under Chapter 11 (commencing with Section 2001) of Subtitle B of the Internal Revenue Code.

(2) Except as otherwise provided in this part, and only to the extent allowable under the California Constitution, the United States Constitution, and other governing federal law, worldwide net worth shall be the value of all worldwide property owned by the taxpayer on December 31 of each year. Any transaction with a primary purpose of reducing the valuation of a taxpayer's worldwide net worth as of December 31 shall be disregarded.

50306. Worldwide net worth shall not include any real property directly held by the taxpayer. Worldwide net worth shall also not include any tangible personal property directly held by the taxpayer and located outside of this state. However, worldwide net worth shall include the value of real property or out-of-state tangible personal property held indirectly, as through a corporation, partnership, limited liability company, trust, or other such legal form, except to the extent that such inclusion is prohibited by the United States Constitution or other governing federal law.

50307. (a) Any assets of a person who can be claimed as a dependent that are in excess of fifty thousand dollars ($50,000), shall be deemed to be assets of the taxpayer who can claim them as a dependent.

(b) A taxpayer's worldwide wealth shall include any asset transferred by the taxpayer to a related party, or otherwise to any party under circumstances in which the transferor remains in control of or directly benefits from the transferee's use of the transferred asset.

(1) For purposes of this subdivision, a grant of an asset to an organization described in subparagraph (K) of paragraph (5) of subdivision (c) of Section 50308, where the grant is subject to conditions imposed by the donor, will not ordinarily constitute "control" so long as the conditions imposed do not allow the use of the asset to inure to the private benefit of the donor.

(2) In the event that a taxpayer receives consideration other than services for any transfer described in this subdivision, the amount included in the transferor taxpayer's worldwide wealth shall be reduced by the amount of consideration received, but in no event shall that reduction exceed the fair market value of the transferred asset, and any consideration received shall thereafter be subject to inclusion in the taxpayer's worldwide wealth pursuant to this part.

(A) The value of any consideration received shall be determined in accordance with Section 50308.

(B) If any consideration includes an assumption of a liability of the taxpayer, the amount of consideration credited cannot exceed the amount by which that liability would have reduced the worldwide wealth of the taxpayer.

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(3) Any trust which has a potential beneficiary who is a related person to the taxpayer is itself a related person to that taxpayer.

(4) If application of this subdivision would result in any asset or portion of an asset being taxed to more than one taxpayer in a given tax year, that asset or portion thereof will instead be included only in the worldwide wealth of the taxpayer for whom that inclusion would result in the greatest amount of tax. If two or more taxpayers would owe an equal amount of tax as a result of that inclusion, the asset shall be taxed to its owner.

50308. (a) No later than January 1, 2024, the Franchise Tax Board shall publish, and post on its internet website, an Estimated Economy-wide Normal Rate of Return for each of the prior 10 tax years. Unless the Franchise Tax Board determines that some other methodology is more appropriate for a particular year or set of years, the Estimated Economy-wide Normal Rate of Return for each year shall be determined by adding 300 basis points to the rate of return on the most appropriate one-year United States Treasury Bill for that year.

(b) No later than January 1, 2024, and each year thereafter, the Franchise Tax Board shall publish the Estimated Economy-wide Normal Rate of Return for the prior year, based on the best available methodology.

(c) (1) For all publicly traded assets, the value of the asset shall be presumed to be the asset's market value at the end of the tax year.

(2) All assets owned by or held through a sole proprietorship shall be reported and valued as though they were directly owned and held by the taxpayer.

(3) For all interests in business entities other than sole proprietorships, including, but not limited to, equity and other ownership interests, all debt interests, and all other contractual or noncontractual interests that are not governed by paragraph (1), the following rules apply:

(A) The taxpayer shall report annually all of the following:

(i) The percentage of the business entity owned by the taxpayer.

(ii) The book value of the business entity according to GAAP.

(iii) The book profits of the business entity in the tax year according to GAAP.

(B) If reporting pursuant to subparagraph (A) is impossible because the taxpayer lacks information on the book value or the book profits of the business entity and also lacks the right to obtain that information, then the taxpayer shall instead submit a certified appraisal of all of the taxpayer's interests in the business entity and shall include the value derived from that certified appraisal in the taxpayer's wealth tax base for the tax year.

(C) A taxpayer is exempt from the requirements of subparagraphs (A) and (B) only if all of the following conditions are met:

(i) The taxpayer has received no information reporting from the business entity, as specified in Section 50309, and has received no other communications from the business entity sufficient for estimating a minimum plausible value for the taxpayer's interests in the business entity.

(ii) The taxpayer lacks the legal rights to obtain that information reporting or other communications from the business entity.

(iii) The taxpayer declares that the total value of all of the taxpayer's interests in that business entity are de minimis. A taxpayer's interests in a business entity are considered to be de minimis if the sum of all of the taxpayer's interests in the business entity, except for any rights to receive reasonable future compensation for future work or future services to be performed by the taxpayer, is less than fifty thousand dollars ($50,000). For purposes of assessing whether a taxpayer's interests in a business entity are de minimis, any rights of related persons shall be deemed to be rights of the taxpayer.

(D) For purposes of this part, if a valuation is to be calculated by the proxy valuation formula for business entities, that valuation shall be the book value of the business entity according to GAAP plus 7.5 times the book profits of the business entity for the taxable year according to GAAP. However, if the taxpayer can demonstrate with clear and convincing evidence that a valuation calculated via the proxy valuation formula would substantially overstate the value as applied to the facts and circumstances for any taxable year, then the taxpayer can instead submit a certified appraisal of the value of the taxpayer's ownership interests in the business entity for that year and use that certified appraisal value in place of applying the primary valuation rules of subparagraph (F) or (G).

(E) For any interests that confer voting or other direct control rights, the percentage of the business entity owned by the taxpayer shall be presumed to be no less than the taxpayer's percentage of the overall voting or other direct control rights. However, if the taxpayer can demonstrate with clear and convincing evidence that such a presumption would substantially overstate the actual percentage of the business entity owned by the taxpayer for any taxable year, then the taxpayer can instead submit a certified appraisal of the percentage of the business entity owned by the taxpayer for that year and use such certified appraisal value in place of the presumed percentage.

(i) For any interests that confer rights to the taxpayer in excess of the rights associated with voting or other direct control rights, unless the total value of all of the taxpayer's interests in the business entity are de minimis under the definition in subparagraph (A) of paragraph (3), the taxpayer shall submit a certified appraisal for the estimated excess of the value of all rights above the value of the taxpayer's voting or other direct control rights. This excess shall be added to the valuation derived from the taxpayer's voting and other direct control rights.

(ii) Interests that confer rights in excess of voting or other direct control rights include rights for any potential future payments, potential future services, or other valuable receipts potentially obtainable from the business entity, regardless of whether these rights are contingent, and regardless of whether these rights are in the form of equity, debt, or other contractual or noncontractual rights.

(iii) Interests that confer rights in excess of voting or other direct control rights do not include any rights to be paid reasonable compensation for future work or for future services to be provided by the taxpayer or by an entity controlled by the taxpayer.

(iv) For purposes of this subparagraph, any rights of a related person shall be deemed to be the rights of the taxpayer unless the taxpayer submits evidence that the related person both reported and paid wealth tax on those rights to the state, to another state, or to a jurisdiction outside of the state.

(F) For business entities for which the valuation calculated by the proxy valuation formula for business entities is less than fifty million dollars ($50,000,000), the value of the taxpayer's ownership interests in the business entity will be presumed to be the percentage of the business entity owned by the taxpayer multiplied by the valuation calculated by the proxy valuation formula for business entities.

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(G) For business entities for which the valuation calculated by the proxy valuation formula for business entities is fifty million dollars ($50,000,000) or greater, the taxpayer shall submit a certified appraisal of the value of the taxpayer's ownership interests in the business entity. The value of the taxpayer's ownership interests in the business entity will then be presumed to be the greater of the following:

(i) The certified appraisal value.

(ii) The percentage of the business entity owned by the taxpayer multiplied by the valuation calculated by the proxy valuation formula for business entities.

(H) Notwithstanding subparagraphs (B) to (G), inclusive, if at any time within the past 10 years there has been a sale, partial sale, or any other event that sets the value of the taxpayer's interests in a business entity based on an arm's-length transaction, unless the total value of all of the taxpayer's interests in the business entity are de minimis pursuant to subparagraph (C), the taxpayer shall report the valuation derived from that arm's-length transaction and adjust that valuation by the annual published Estimated Economy-wide Normal Rates of Return for each year or partial year since the transaction took place. The taxpayer shall also make any proper adjustments for withdrawals from or contributions to the business entity.

(i) The rule established by this subparagraph shall be known as the "Prospective Formulaic Alternative Minimum Valuation Rule."

(ii) If, in any taxable year, the valuation calculated pursuant to the Prospective Formulaic Alternative Minimum Valuation Rule exceeds the valuation Rule calculated based on the valuation rules in subparagraph (F) or (G), reported based on a certified appraisal, then the valuation calculated via the Prospective Formulaic Alternative Minimum Valuation Rule shall supersede the valuation calculated based on the valuation rule of either subparagraph (F) or (G) or reported based on a certified appraisal.

(iii) This subparagraph shall not apply if the taxpayer can demonstrate with clear and convincing evidence that the valuation calculated via the Prospective Formulaic Alternative Minimum Valuation Rule would substantially overstate the value as applied to the facts and circumstances.

(I) Notwithstanding subparagraphs (B) to (H), inclusive, if in any year there is a sale, partial sale, or any other event that sets the value of the taxpayer's interests in a business entity based on an arm's-length transaction, unless the total value of all of the taxpayer's interest in that business entity are de minimis pursuant to subparagraph (C), the taxpayer shall report the valuation derived from that arm's-length transaction. If, in any year, the valuation calculated based on the arm's-length transaction described in this subparagraph exceeds the valuation reported and used by the taxpayer in any of the previous four taxable years, after adjusting that valuation based on the annual published Estimated Economy-wide Normal Rates of Return for each year or partial year between the transaction and the valuation reported and used by the taxpayer, and also after making proper adjustments for withdrawals from or contributions to the business, then the taxpayer shall report the excess of any valuation calculated based on the arm's-length transaction over the valuation reported and used by the taxpayer in the prior taxable years. The excess calculated is then adjusted based on the published Estimated Economy-wide Normal Rates of Return, and based on withdrawals from or contributions to the business, and is added to the taxpayer's worldwide net worth for the current taxable year for purposes of calculating the taxpayer's wealth tax base.

(i) The rule established by this subparagraph shall be known as the “Retrospective Formulaic Alternative Minimum Valuation Rule.”

(ii) If, for any taxable year, the valuation calculated pursuant to the Retrospective Formulaic Alternative Minimum Valuation Rule exceeds the valuation calculated based on the valuation rules in subparagraph (F) or (G), reported based on a certified appraisal, or the valuation calculated pursuant to the Prospective Formulaic Alternative Minimum Valuation, then the valuation calculated via the Retrospective Formulaic Alternative Minimum Valuation Rule shall supersede the valuation calculated based on those other valuation rules.

(iii) This subparagraph shall not apply if the taxpayer can demonstrate with clear and convincing evidence that the valuation calculated via the Retrospective Formulaic Alternative Minimum Valuation Rule would substantially overstate the value as applied to the facts and circumstances.

(J) For purposes of this paragraph, the taxable year of a business entity shall be the tax year of the entity ending within or with the applicable taxable year of the taxpayer.

(4) For all interest-bearing savings accounts, cash, foreign currency, and other deposits, the value of the assets will be presumed to be their dollar value as of the last day of the taxable year.

(5) For all interests in trusts, the following rules apply:

(A) At the election of any trust, whether domiciled in California or otherwise, that trust may be taxable under this act as if it were an individual, except that for purposes of determining worldwide net worth of the trust, paragraph (2) of subdivision (a) of Section 50305 shall be applied by replacing “fifty million dollars ($50,000,000)” with “zero dollars ($0).”

(B) In the case of a trust beneficiary whose interest does not depend on the outcome of uncertain future events, such as the exercise of discretion by the fiduciary or the income of that trust, the assets of any trust shall be taxable to that beneficiary as if all the beneficiary’s interests in that trust, other than those that depend on uncertain future events, were owned by the beneficiary, but no beneficiary shall be taxable on any trust asset in a given year to the extent that asset is taxed under this part for that year to the trust.

(C) In the case of a beneficiary of a trust whose interest depends on the outcome of uncertain future events, such as the exercise of discretion by the fiduciary or the income of the trust, the beneficiary shall be treated as the owner of the assets of the trust to the extent that those assets are distributable to the beneficiary, whether distributed or not.

(D) To the extent permitted by the United States Constitution and the California Constitution, the assets of any trust shall be taxable to the grantors of that trust, but a trust grantor shall not be taxable on any trust asset in a given year to the extent that asset is taxed under this act for that year to the trust or to any beneficiary of the trust.

(E) In the case of a trust with more than one grantor, where the assets are taxable to one or more grantors, each asset of the trust shall be taxable to each grantor proportionately, where that proportion shall equal the ratio of the net value of the grantor’s contributed assets and any appreciation thereon still owned by the trust, all over the total net assets of the trust, and where, for purposes of this calculation, any liabilities incurred or distributions or purchases by the trust are deemed to have been made out of contributed or appreciated funds in the same such proportion existed that at the time of the liability, distribution, or purchase.

(F) In the case of a beneficiary of a trust whose interest depends on the outcome of uncertain future events, such as the exercise of discretion by the fiduciary or the income of the trust, in any year in which a portion of the trust assets becomes distributable to the beneficiary, whether distributed or not, there shall additionally be a throwback tax imposed on those assets for each prior year in which that beneficiary was both a California resident and a potential beneficiary of that trust or its predecessor trusts, but in no case for a year prior to the effective date of this statute, except that in the case in which an electing grantor, as described in subparagraph (H), has already been taxed on a given asset for a given year, no throwback liability shall accrue for a beneficiary with respect to that asset in that year.

(G) In the case of a throwback tax being imposed, the amount of that tax shall be the amount of tax that would be due if the taxpayer's worldwide net worth for each applicable prior year were incremented by the discounted value of the trust assets that became distributable in the current tax year, where that discounted value shall be calculated using the annual published Estimated Economy-wide Normal Rates of Return for each relevant year or partial year, and that throwback tax shall be further increased by an amount equal to the amount of interest that would have accrued between the applicable year and the current year, had the taxpayer incurred such incremented tax liability in the applicable year.

(H) For any year in which a grantor is subject to tax with respect to any trust asset, the grantor may elect to forgo any potential refund otherwise available under subparagraph (I), but that election shall not be effective with respect to a given tax year unless exercised at or before the time for payment of tax under this section for that year, and that election, once made, shall be binding with respect to that grantor and that asset for all subsequent years.

(I) In the case of a trust grantor previously taxed on a trust asset under this part, other than a grantor who has made an election with regard to the asset under subparagraph (H), where a trust beneficiary is later subject to throwback tax based on a deemed increment to worldwide wealth for the same such asset in the same such year, the grantor may request a refund of tax paid on that asset in that year, where the earliest time that refund may be requested is the year in which the beneficiary's tax is paid and the latest such time shall extend from that year for that period of time as is permitted for the filing of amended returns under this part or Part 10.2 (commencing with Section 18401), and the amount of the refund shall include payment of reasonable interest, as the Franchise Tax Board shall determine, but not at a rate to exceed the Estimated Economy-wide Normal Rate of Return.

(J) To the extent required by the United States Constitution and the California Constitution, there shall be credited against the current year or throwback tax liability of any grantor, beneficiary, or trust the amount paid to any taxing jurisdiction other than the state as an annual wealth tax on the assets taxable to that grantor, beneficiary, or trust under this paragraph for the same time period.

(K) There shall be no tax due on assets held by any trust recognized as a charitable trust under California law, or by any other organization exempt from federal income taxation under Section 501 of the Internal Revenue Code, except that assets held by organizations claiming exemption from federal income taxation under Section 501(c)(4) of the Internal Revenue Code shall not be exempt if otherwise taxable under this paragraph, and no trust shall be exempt under this subparagraph unless the trust is organized and operated to prohibit distributions for any substantial noncharitable purpose.

(6) Debts and other liabilities owed by the taxpayer shall be deductible against the taxpayer's worldwide net worth for purposes of calculating the taxpayer's annual wealth tax base, but only if those debts or liabilities are bona fide and only pursuant to the rules of this paragraph.

(A) Except as otherwise provided in subparagraphs (C) and (D), recourse debts for which the taxpayer is fully personally liable, without any limitations other than those arising from bankruptcy law, shall be fully deductible against the taxpayer's worldwide net worth.

(B) Except as otherwise provided in this subparagraph and subparagraphs (C) and (D), nonrecourse debts and other liabilities for which the taxpayer is not fully personally liable shall be fully deductible against the taxpayer's worldwide net worth.

(i) The taxpayer shall separately report the value of all assets serving as collateral for each such debt or liability.

(ii) For each nonrecourse debt or liability, the amount deductible against net worth in any taxable year shall not exceed the amount included in the taxpayer's worldwide net worth in that tax year on account of the assets serving as collateral for the debt or liability.

(iii) For purposes of calculating the deduction allowed under this subparagraph, the amount of each nonrecourse debt or liability shall be reduced by the fair market value of any assets used to secure the debt or liability that are not owned by the taxpayer.

(C) No deduction shall be allowed for a debt or liability under this paragraph if any of the following apply:

(i) The debt or liability is owed to a related person or persons.

(ii) The debt or liability is contingent on future events that are substantially uncertain to occur or that are substantially uncertain to occur within the subsequent two years, except that this limitation shall apply only to the extent that the amount so deducted exceeds the fair market value of the liability. Unless otherwise provided by Franchise Tax Board, a liability's value does not depend on future events if the only source of uncertainty relates to the creditworthiness or other ability to pay of the obligor.

(iii) The debt or liability was not negotiated for at arm's length.

(iv) No market rate of interest is charged to the taxpayer on account of the debt or liability.

(v) Payment of the debt or liability, or the interest thereon, is contingent on future events that are uncertain to occur or that are uncertain to occur within the subsequent two years.

(D) For any debt or liability of a taxpayer for which a taxpayer is entitled to receive future benefits or future ownership rights, deductions shall be allowed only to the extent that either the value of the future benefits or ownership rights is included in the taxpayer's wealth tax base or to the extent that the taxpayer can demonstrate that the amount owed under the debt or liability is in excess of any future benefits or ownership rights that are not included in the taxpayer's wealth tax base.

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(E) For purposes of this paragraph a “related person” shall also include any organization with respect to which the taxpayer would be considered a “disqualified person,” as that term is defined in Section 4946 of the Internal Revenue Code.

(7) For all other assets included in the net worth tax base, the taxpayer may exclude up to a total of one million dollars ($1,000,000) of value from the taxpayer’s worldwide net worth, summed across all such assets, for both annual reporting requirement purposes and for purposes of calculating the taxpayer’s annual wealth tax base. To the extent that the value of those assets collectively exceeds one million dollars ($1,000,000), the taxpayer shall report that excess and include that excess in the taxpayer’s worldwide net worth for purposes of calculating the taxpayer’s annual wealth tax base.

(A) For any assets that were purchased or produced through an arm’s-length transaction that was completed within the prior 10 years, the valuation of those assets shall be deemed to be the valuation derived from that arm’s-length transaction and then adjusted by the annual published Estimated Economy-wide Normal Rates of Return for each year or partial year since the transaction took place, making proper adjustments withdrawals, contributions, improvements, or depreciation of the assets.

(B) For any such assets that were not purchased or produced through an arm’s-length transaction completed within the prior 10 years, the taxpayer shall either submit a certified appraisal of the collective value of all those assets or else declare that the collective value of all those assets is less than one million dollars ($1,000,000).

(8) (A) Where a taxpayer is required to report or submit a certified appraisal pursuant to this part, if the taxpayer has previously submitted, within the prior 10 years, a certified appraisal for an asset or for a set of assets or for the taxpayer’s interests in an entity, and if the taxpayer declares that the taxpayer has not entered into any transactions since that prior certified appraisal that would substantially alter either the valuation or the percentage of the asset or assets or entity owned by the taxpayer, then the taxpayer may choose to do either of the following:

(i) Submit a new certified appraisal for the value and the percentage owned by the taxpayer on December 31 of the taxable year.

(ii) Submit the prior certified appraisal with all valuations adjusted by the annual published Estimated Economy-wide Normal Rates of Return for each year or partial year since the prior certified appraisal.

(B) Any appraiser making a certified appraisal for the purposes of this part shall send a copy of that certified appraisal to the Franchise Tax Board, along with also providing information sufficient for identifying the taxpayer for whom the certified appraisal was prepared, as well as also following any regulations or other relevant instructions adopted by the Franchise Tax Board.

(C) An appraiser shall include within the contents of the appraisal a signed declaration as to whether the appraiser has “high,” “medium,” or “low” confidence that the amount determined to be the correct value of the appraised assets or property will not exceed 150 percent of the amount reported as the value of those assets or property in the certified appraisal.

(i) Where an appraiser declares “high” confidence, and it is subsequently determined the correct value of the appraised assets or property exceeds 150 percent of the amount reported in the certified appraisal, there shall be a penalty imposed on the appraiser equal to ten thousand dollars ($10,000) plus 125 percent of the sum of all payments for applicable appraisal services received from the taxpayer.

(ii) Where the taxpayer reports or submits one or more certified appraisals for which the appraiser has declared only either “medium” or “low” confidence, the taxpayer shall do one of the following:

(I) Initiate an Optional Unliquidated Tax Claim Agreement (OUTCA), as described in subdivision (b) of Section 50310, to be attached to all of the taxpayer’s assets that are the subject of a certified appraisals wherein the appraiser declared only “medium” or “low” confidence.

(II) Request an authorized independent appraisal pursuant to paragraph (9).

(D) The Franchise Tax Board may adopt regulations further detailing the requirements for certified appraisals and for appraisers based on the qualified appraisal and qualified appraiser rules of Section 1.170A-17 of Title 26 of the Code of Federal Regulations.

(9) (A) The Franchise Tax Board shall solicit and enter into contracts with independent appraisers such that the appraisers may be selected by the Franchise Tax Board to conduct authorized independent appraisals.

(B) Upon the appropriately filed request of a taxpayer, the Franchise Tax Board shall present the taxpayer with two different options for independent appraisers who may be selected to conduct the authorized independent appraisal. A schedule of the reasonable fees shall be provided to the taxpayer. The reasonable fees are to be charged by the independent appraisers to the taxpayer if selected. The taxpayer may select one of the independent appraisers proposed, or may initiate an OUTCA to be attached to all of the taxpayer’s assets for which the taxpayer submitted certified appraisals wherein the appraiser declared only “medium” or “low” confidence pursuant to subparagraph (C) of paragraph (8).

(C) Upon the completion of an authorized independent appraisal, the appraiser shall submit copies of the authorized independent appraisal to the taxpayer and to the Franchise Tax Board. The taxpayer shall then choose either report the values determined by the authorized independent appraisal with respect to all relevant assets, or the taxpayer may choose to initiate an OUTCA to be attached to all of the taxpayer’s assets for which the taxpayer submitted certified appraisals wherein the appraiser declared only “medium” or “low” confidence pursuant to subparagraph (C) of paragraph (8).

(D) Both in soliciting and entering into contracts with independent appraisers and in selecting independent appraisers to be presented to taxpayers as one of the two options that may be designated by the taxpayer to conduct the taxpayer’s authorized independent appraisal, the Franchise Tax Board shall primarily seek to promote accuracy in the authorized independent appraisals. In so seeking to promote accuracy, the Franchise Tax Board shall primarily prioritize the selection of independent appraisers who have a demonstrated history of conducting accurate authorized independent appraisals and shall secondarily prioritize the selection of independent appraisers who have the best capacity and expressed commitment for conducting accurate authorized independent appraisals.

(E) The Franchise Tax Board shall adopt regulations further detailing the requirements for authorized independent appraisals and for selecting appraisers for conducting those appraisals.

(10) If, pursuant to the provisions of paragraph (8) or (9), a taxpayer chooses to initiate an OUTCA to be attached to all of the taxpayer's assets for which the taxpayer submitted certified appraisals wherein the appraiser declared only "medium" or "low" confidence, and if some or all of those assets previously had either an OUTCA or a Liquidity-based Optional Unliquidated Tax Claim Agreement (LOUTCA), as described in subdivision (a) of Section 50310, attached to them, then that prior OUTCA or LOUTCA shall not be fully reconciled or closed and instead shall continue to apply to any and all assets for which either the OUTCA or LOUTCA was previously attached and for which the taxpayer submitted certified appraisals wherein the appraiser declared only "medium" or "low" confidence, and then with a new OUTCA to be initiated and attached to any other assets for which the taxpayer submitted certified appraisals wherein the appraiser declared only "medium" or "low" confidence and for which no OUTCA or LOUTCA was previously attached.

(d) The Franchise Tax Board may adopt regulations on the following:

(1) Detailing abusive transactions whose aim is to change the nature of an asset from public to nonpublic or vice versa.

(2) Detailing abusive transactions whose aim is to artificially reduce the assessed value of a taxpayer's assets. Any feature of an asset intended to, and having the effect of, decreasing the value of the asset, such as a "poison pill," shall be disregarded. Additionally, no valuation discount, or any other discount, shall apply if the effect of the discount would be to reduce the value of a pro rata economic interest in an asset below the pro rata value of the entire asset.

(3) Any other issue related to valuation methods.

50309. The Franchise Tax Board may adopt regulations and appropriate forms on the following subjects to require information reporting.

(a) (1) All nonpublicly traded business entities other than sole proprietorships that are doing business in this state, organized in this state, or registered with the Secretary of State shall file an annual information return specifying all of the following:

(A) The information required to calculate the value of the business pursuant to the rules of subdivision (c) of Section 50308.

(B) The names, addresses, and taxpayer identification numbers of the persons, whether residents or nonresidents, who would be entitled to share in the net income of the entity if distributed and the amount of the distributive share of each person.

(C) The information return shall contain or be verified by a written declaration that it is made under penalty of perjury, signed by one of the partnership members or corporate officers. The Franchise Tax Board shall request the information described under the paragraph from a business entity not required to submit the information return but subject to jurisdiction of the State of California under Section 410.10 of the Code of Civil Procedure if the Franchise Tax Board reasonably believes that entity contributes substantial wealth to a taxpayer subject to the wealth tax.

(D) Each business entity required to file an information return under this paragraph shall, on or before the day on which the return for that taxable year is required to be filed, furnish to each person who holds an interest in that entity at any time during that taxable year a copy of the information required by this paragraph.

(2) All trusts required to file income tax returns in California shall file an annual information return specifying all of the following:

(A) The information required to calculate the value of the assets in the trust.

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(B) The names, addresses, and taxpayer identification numbers of the persons, whether residents or nonresidents, who would be entitled to share in the net income or assets of the trust if distributed and the amount of the distributive share of each person.

(C) The information return shall contain or be verified by a written declaration that it is made under penalty of perjury, signed by one of the partnership members or corporate officers.

(D) The Franchise Tax Board shall request the information described in this paragraph from a trust not required to submit the information return but subject to jurisdiction pursuant to Section 410.10 of the Code of Civil Procedure if the Franchise Tax Board reasonably believes the trust contributes substantial wealth to a taxpayer subject to the wealth tax.

(E) Each trust required to file an information return under this paragraph shall, on or before the day on which the return for that taxable year is required to be filed, furnish to each person who holds an interest in the trust at any time during that taxable year a copy of the information required by this paragraph.

(b) Any taxpayer that submits a certified appraisal shall file an agreement in the form required by the Franchise Tax Board. The agreement shall do all of the following:

(1) Acknowledge that the appraisal is being accepted as proof of value because of uncertainty as to contingent events or lack of reasonable access to information.

(2) Confirms the taxpayer agrees to file an information return for the subsequent four taxable years concerning each of the following:

(A) Whether any of the transactions permitting Retrospective Formulaic Alternative Minimum Valuation Rule, pursuant to subparagraph (A) of paragraph (3) of subdivision (c) of Section 50308 have occurred.

(B) Whether any other material information is now available permitting substantially more accurate valuation.

(3) The Franchise Tax Board shall mail a notice of a proposed deficiency assessment to a taxpayer within five years after the agreement was filed.

50310. (a) Liquidity-based Optional Unliquidated Tax Claim Agreements, to be referred to as LOUTCAs, shall be governed by the following rules:

(1) Taxpayers who are specified as liquidity-constrained taxpayers and who have ownership interests in designated highly illiquid assets, such as startup business entities, shall be able to elect to initiate a LOUTCA to be attached to their ownership interests in those designated highly illiquid assets instead of the net value of those ownership interests or the net value of those assets being assessed at the end of a tax year.

(2) Any taxpayer subject to the tax imposed by this part is presumed to not be specified as a liquidity-constrained taxpayer if the taxpayer’s designated highly illiquid assets are less than 80 percent of the taxpayer’s total net worth. The Franchise Tax Board may adopt regulations in regard to substantiating who is a specified liquidity-constrained taxpayer and in regard to what is a designated highly illiquid asset. It is the intent of the Legislature that most taxpayers subject to the tax imposed by this part should not be specified as liquidity-constrained taxpayers and that publicly traded assets and ownership interests conferring control rights in substantially profitable privately held business entities shall not be designated as highly illiquid assets.

(3) To initiate any LOUTCA, a taxpayer shall sign forms to be created by the Franchise Tax Board that shall have the effect of creating a binding contractual agreement between the taxpayer and the state. A LOUTCA shall be legally binding on

the taxpayer, and also on the taxpayer's estate and assigns, until such time as either the taxpayer or the taxpayer's estate reconciles the LOUTCA so as to fully liquidate the accumulated tax claims and to then pay all tax due on those liquidated tax claims. As part of each LOUTCA, the taxpayer shall agree to do all of the following:

(A) File annual information returns.

(B) Reconcile and pay all tax liabilities arising under the LOUTCA.

(C) Be subject to personal jurisdiction in this state for purposes of the collection of wealth taxes, together with any related interest or penalties, imposed on the taxpayer by this state, with respect to the LOUTCA.

(4) If a taxpayer has initiated a LOUTCA in any prior year, until that LOUTCA has been reconciled and closed, the taxpayer shall annually complete and file any form or forms that shall be created by the Franchise Tax Board for the purposes of reporting any material transactions made with regard to the LOUTCA. These reporting requirements shall continue even if and after the taxpayer is no longer a resident and shall then be enforced as a legally binding contract with the state. Failure to file these annual forms shall be treated as a breach of contract and shall also be subject to the same penalties as failure to file income tax forms for residents who are required to file income tax forms. Upon the death of any taxpayer who has initiated a LOUTCA that has not been fully reconciled and closed, that taxpayer's estate and assigns shall be required to reconcile the LOUTCA so as to fully liquidate the accumulated tax claims and to then pay all tax owed on those liquidated tax claims, treating these claims as an unpaid tax liability of the taxpayer owed to the state.

(5) If, in any year, a taxpayer who has previously initiated a LOUTCA no longer qualifies as a liquidity-constrained taxpayer, then that taxpayer shall reconcile any and all LOUTCAs in that year so as to fully liquidate the accumulated tax claims and to then pay all tax owed on those liquidated tax claims so as to close all LOUTCAs.

(6) In any year, a taxpayer who has previously initiated a LOUTCA may opt to reconcile the LOUTCA so as to fully liquidate the accumulated tax claims and to then pay all tax owed on those liquidated tax claims, thereby closing the LOUTCA for subsequent years.

(7) For the year in which a taxpayer initiates a LOUTCA and also in every subsequent year until the LOUTCA has been fully reconciled and closed, the taxpayer shall file the forms to be created by the Franchise Tax Board for purposes of calculating the taxpayer's Accumulated Unliquidated Tax Liability Percentage with respect to the LOUTCA. For the initial year in which a taxpayer initiates a LOUTCA, the taxpayer's Accumulated Unliquidated Tax Liability Percentage shall equal the taxpayer's highest marginal wealth tax rate for that year. For each subsequent year after a taxpayer has initiated a LOUTCA and until the LOUTCA is closed, the taxpayer's Accumulated Unliquidated Tax Liability Percentage for the year shall be the taxpayer's Accumulated Unliquidated Tax Liability Percentage for the prior year plus the product of the following:

(A) The taxpayer's highest marginal wealth tax rate for the year.

(B) The excess of 100 percent over the taxpayer's Accumulated Unliquidated Tax Liability Percentage for the prior year.

(8) To reconcile a LOUTCA so as to fully liquidate the accumulated tax claims and to then close the LOUTCA, a taxpayer shall report the current tax year value of all of the taxpayer's ownership interests in all of the assets to which the LOUTCA is

attached. The taxpayer shall then multiply the total of these reported values by the taxpayer's Accumulated Unliquidated Tax Liability Percentage with respect to the LOUTCA. The taxpayer shall then add this product to the taxpayer's other wealth tax liability for the tax year and then shall pay that wealth tax in order to close the LOUTCA.

(9) If, prior to closing a LOUTCA, a taxpayer withdraws any money, property, or other value from any assets to which a LOUTCA is attached or from being attached to a LOUTCA, or if any assets to which a LOUTCA is attached are used in any transactions that have the effect of either transferring any assets or value from being attached to the LOUTCA to the taxpayer without those attachments or to a related person or of using any such assets or value for the benefit of the taxpayer or of a related person, then those withdrawals or transactions shall be deemed to be material transactions that the taxpayer shall report annually. For any such reported material transactions, the taxpayer shall report the value withdrawn from being attached to the LOUTCA or transferred or used for the benefit of the taxpayer or of a related person. The taxpayer shall then multiply the taxpayer's Accumulated Unliquidated Tax Liability Percentage with respect to the LOUTCA by the reported value of all those material transactions for the tax year and shall then add this product to the taxpayer's other wealth tax liability for the tax year.

(10) Notwithstanding paragraph (9), a taxpayer does not have to report transactions that are ordinary and necessary for maintaining or increasing the value of assets to which a LOUTCA is attached and that would not have the effect of distributing any profits, dividends, or other payments to owners for the use of capital.

(b) Optional Unliquidated Tax Claim Agreements that are not liquidity based, to be referred to as OUTCAs, shall be governed by the following rules:

(1) In order to initiate any OUTCA, a taxpayer shall sign forms to be created by the Franchise Tax Board that shall have the effect of creating a binding contractual agreement between the taxpayer and the state. An OUTCA shall be legally binding on the taxpayer, and on the taxpayer's estate and assigns, until such time as the taxpayer or the taxpayer's estate reconciles the OUTCA and pays all tax due on the liquidated tax claims. As part of that contract, the taxpayer shall agree to do all of the following:

(A) File annual information returns.

(B) Reconcile and pay all tax liabilities arising under the OUTCA.

(C) Be subject to personal jurisdiction in this state for purposes of the collection of wealth taxes, together with any related interest or penalties, imposed on the taxpayer by this state, with respect to the OUTCA.

(2) If a taxpayer has initiated an OUTCA in any prior year, until that OUTCA has been reconciled and closed, the taxpayer shall annually complete and file any form or forms that shall be created by the Franchise Tax Board for the purposes of reporting any material transactions made with regard to the OUTCA. These reporting requirements shall continue even if and after the taxpayer is no longer a resident and shall then be enforced as a legally binding contract with the state. Failure to file those annual forms shall be treated as a breach of contract and shall also be subject to the same penalties as failure to file income tax forms for residents required to file. Upon the death of any taxpayer who has initiated an OUTCA that has not been fully reconciled and closed, that taxpayer's estate and assigns shall be required to reconcile the OUTCA so as to fully liquidate the accumulated tax claims and to then pay all tax owed on those

liquidated tax claims, treating these claims as an unpaid tax liability of the taxpayer owed to the state.

(3) For the year in which a taxpayer initiates an OUTCA and every subsequent year until the OUTCA has been fully reconciled and closed, the taxpayer shall file the forms to be created by the Franchise Tax Board for purposes of calculating the taxpayer's Accumulated Unliquidated Tax Liability Percentage with respect to the OUTCA. For the initial year in which a taxpayer initiates an OUTCA, the taxpayer's Accumulated Unliquidated Tax Liability Percentage shall equal the taxpayer's highest marginal wealth tax rate for that year. For each subsequent year after a taxpayer has initiated an OUTCA and prior to that OUTCA having been closed, the taxpayer's Accumulated Unliquidated Tax Liability Percentage for the year shall equal the taxpayer's Accumulated Unliquidated Tax Liability Percentage for the prior year plus the product of the following:

(A) The taxpayer's highest marginal wealth tax rate for the year.

(B) The excess of 100 percent over the taxpayer's Accumulated Unliquidated Tax Liability Percentage for the prior year.

(4) For the year in which a taxpayer initiates an OUTCA and each subsequent taxable year until after the OUTCA has been fully reconciled and closed, the taxpayer shall file the forms to be created by the Franchise Tax Board for purposes of calculating the Accumulated Prior Wealth Tax Payments made with respect to the OUTCA and assets to which the OUTCA is attached. Those calculations shall assess and track the sum of all prior wealth tax paid by the taxpayer on account of owning assets to which an OUTCA is attached, beginning in the later of either the year of the initiation of the OUTCA or the year in which the OUTCA was attached to those assets and continuing throughout all subsequent years until after the OUTCA has been fully reconciled and closed.

(5) If, prior to closing an OUTCA, a taxpayer withdraws any money, property, or other value from any assets to which an OUTCA is attached, or if any assets to which an OUTCA is attached are used in any transactions that have the effect of either transferring any assets or value from being attached to the OUTCA to the taxpayer without those attachments or to a related person or of using any such assets or value for the benefit of the taxpayer or of a related person, then those withdrawals or transactions shall be deemed to be material transactions that the taxpayer shall report annually. For any of these material transactions, the taxpayer shall report the value withdrawn from the assets to which the OUTCA is attached or otherwise transferred or used for the benefit of the taxpayer or of a related person. The taxpayer shall then multiply the taxpayer's Accumulated Unliquidated Tax Liability Percentage with respect to the OUTCA by the reported value of all those material transactions for the tax year. This product shall then be subtracted from the taxpayer's accumulated prior wealth tax payments made with respect to the OUTCA. To the extent that this subtraction would reduce the taxpayer's accumulated prior wealth tax payments made with respect to the OUTCA to below zero, the taxpayer shall add the excess to the taxpayer's other wealth tax liability to be reported and paid for the taxable year.

(6) Notwithstanding paragraph (5), a taxpayer does not have to report transactions that are ordinary and necessary for maintaining or increasing the value of assets to which an OUTCA is attached and that would not have the effect of distributing any profits, dividends, or other payments to owners for the use of capital.

(7) If and when a taxpayer reconciles an OUTCA so as to fully liquidate the accumulated tax claims and to then pay all tax owed on those liquidated tax claims so as to close the OUTCA, the taxpayer shall submit a certified appraisal of all of the assets to which the OUTCA was attached immediately prior to that reconciliation. The taxpayer shall then multiply the taxpayer's Accumulated Unliquidated Tax Liability Percentage with respect to the OUTCA by total value reported based on that certified appraisal for all of the assets to which the OUTCA was attached prior to that reconciliation. This product shall then be subtracted from the taxpayer's accumulated prior wealth tax payments made with respect to the OUTCA. To the extent that this subtraction would reduce the taxpayer's accumulated prior wealth tax payments made with respect to the OUTCA to below zero, the taxpayer shall add the excess to the taxpayer's other wealth tax liability to be reported and paid for the taxable year. Following the payment of any and all wealth tax owed as a result of this, the OUTCA shall be deemed to be closed for all subsequent years.

(8) If, in any year, a taxpayer who has previously initiated an OUTCA sells, disposes of, or otherwise terminates all of the taxpayer's interests in the OUTCA and in all assets to which the OUTCA is attached, then after paying any wealth tax owed as a result of any material transactions, the OUTCA shall be deemed fully liquidated and closed.

(9) If, in any two subsequent years, a taxpayer who has previously initiated an OUTCA ceases to owe any wealth tax to the state, such as either because the taxpayer's worldwide net worth is less than the relevant exemption threshold or because the taxpayer ceases to be a wealth tax resident, then the taxpayer may opt to reconcile any or all OUTCAs in that second year so as to fully liquidate the accumulated tax claims and to then pay all tax owed on those liquidated tax claims so as to then close the OUTCA.

(c) As used in both subdivisions (a) and (b), the term "taxpayer" shall also include any estate or assigns of a taxpayer made liable under this section for satisfaction of that taxpayer's LOUTCA or OUTCA.

(d) Upon liquidation of an OUTCA, the amount of the OUTCA, after accounting for any prior wealth tax payments, shall reduce the tax due. To the extent this reduction exceeds the tax due for the taxable year in which the OUTCA is liquidated, the excess may be used to reduce the tax due in any subsequent taxable year.

50311. (a) There shall be allowed as a credit against the tax imposed by this part, an amount equal to the amount of net-worth wealth tax paid to another jurisdiction relating to assets subject to the tax imposed by this part. The credit allowed by this section shall not reduce taxes owed pursuant to this part below zero. For the avoidance of doubt, this section shall only provide a credit for a tax on net worth, or a tax on real property as described in subdivision (b), and no credit shall be created by any other tax, including, but not limited to, a tax whose amount is determined by reference to the occurrence or amount of any transactions, income, capital gains, death, or inheritance, whatever the economic incidence of that tax.

(b) For any taxpayer who owns real property indirectly, as through a corporation, partnership, limited liability company, trust, or other such legal form, there shall be allowed as a credit against the tax imposed by this part an amount equal to the taxpayer's pro rata share of any property taxes paid on the gross or net value of real property to any jurisdiction. This credit is limited to taxes paid with regard to ownership of the

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real property, and no credit shall be created by any transactions tax, excise tax, or any other tax based on use of the property. The credit created by this subdivision for each separate unit of real property shall not exceed the portion of the taxpayer's total wealth tax liability attributable to the taxpayer's ownership interest in the real property.

(c) To claim the credits described in subdivision (b), a taxpayer shall separately report each of the following items:

(1) The fair market value of each unit of real property.

(2) The assessed value used to calculate any creditable property taxes imposed on each unit of real property.

(3) The property taxes paid, for which credit is being claimed.

(4) All mortgages and other liabilities secured by or used for the purpose of each unit of real property.

50312. The value of directly held real or personal property excluded from calculation of a taxpayer's worldwide net worth shall be reported on the taxpayer's annual return, along with any liabilities secured by or used for the benefit of directly held real property. Liabilities secured by or used for the benefit of directly held real property shall not be considered in determining worldwide net worth of a taxpayer. At a minimum, a percentage of each taxpayer's overall liabilities, equal to the percentage the taxpayer's directly held real property interest bears to all of the taxpayer's worldwide assets, shall be excluded from the calculation of the taxpayer's worldwide net worth. The Franchise Tax Board may adopt regulations for apportioning taxpayer's overall liabilities to exclude liabilities related to directly held real property.

50313. (a) (1) For purposes of this part, a taxpayer is considered a resident for a given year, if that taxpayer is a resident as that term is defined in Section 17014.

(2) A taxpayer is a part-year resident for purposes of this part if that taxpayer is a part-year resident as that term is defined in Section 17015.5. Part-year residents shall be taxed on their worldwide net worth according to this part, but for purposes of calculating that tax, the taxpayer's wealth tax liability shall be multiplied by the percentage of days in the year such taxpayer was present in the state. Any partial year of residence shall be included in the special apportionment calculations described in subdivision (b).

(3) Temporary residents shall be taxed on their worldwide net worth according to this part, but for purposes of calculating that tax, the taxpayer's wealth tax liability shall be multiplied by the percentage of days in the year the taxpayer was present in the state. Any partial year of residence shall be included in the special apportionment calculations described in subdivision (b). A taxpayer is a temporary resident if the taxpayer does not qualify as a resident or part-year resident, and the taxpayer has substantial presence in this state. For purposes of this paragraph, a person has substantial presence in this state if they satisfy the rules of paragraph (3) of subsection (b) of Section 7701 of the Internal Revenue Code as modified by substituting "this state" for "the United States."

(4) A wealth-tax resident is a person with wealth sourced to this state according to the rule of paragraph (3) of subdivision (b).

(b) (1) In general, the portion of a taxpayer's wealth subject to the tax imposed by this part shall be multiplied by a fraction, the numerator of which shall be years of residence in California over the last four years, and the denominator of which shall be 4. For the purpose of calculating the numerator described in the previous sentence, any

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partial year of residence as calculated under paragraphs (2) and (3) of subdivision (a) shall be included in the numerator.

(2) For new residents who have never been a resident in a prior year, the calculation of the numerator under paragraph (1) shall be zero. For each subsequent year, the number one shall be added until the numerator reaches four.

(3) (A) For a taxpayer who was subject to the Wealth Tax in one of the preceding four years and is no longer a resident, and does not have the reasonable expectation to return to the state, the calculation of the numerator under paragraph (1) shall be as follows:

(i) For the first year the taxpayer is not a resident, the numerator shall be a fraction between zero and one, based on the percentage of days in the year the taxpayer was present in the state, plus the years of residence over the three previous taxable years.

(ii) For each subsequent year, the numerator shall be reduced by one until the numerator reaches zero.

(B) For any taxpayer who pays tax under this part as a former resident, but then returns to California, the apportionment rule shall be the general rule of paragraph (1) of subdivision (b).

(4) If apportionment provisions of this section do not fairly represent the extent of the benefit granted to the taxpayer to accumulate extreme wealth in this state, then the taxpayer may petition for, or the tax administrator may require, in respect to all or any part of the taxpayer's wealth, the use of an alternative apportionment method.

(A) In any proceeding for alternative apportionment, the burden shall be on the petitioning party to demonstrate by clear and convincing evidence that the standard method is unfair and that a more fair and reasonable method is available.

(B) (i) In case of recurring fact patterns involving taxpayers, the Franchise Tax Board may, in addition to the authority provided in this part, adopt appropriate rules or regulations for determining alternative apportionment methods for those taxpayers.

(ii) For the avoidance of doubt, the Legislature expects that full-time postsecondary students not engaged in more than de minimis employment will not have any wealth deemed as accumulated in California while students.

(c) For purposes of this part, a person shall only be considered a resident, part-year resident, temporary resident, or wealth-tax resident if they cannot be claimed as a dependent of another taxpayer.

(d) In the event any provision of this section, including, but not limited to, paragraphs (2), (3), and (4) of subdivision (a), is found by a court to be invalid, unconstitutional, or otherwise unenforceable, that finding shall not affect the enforceability of any other provision of this section.

50314. (a) A taxpayer subject to the tax imposed under this part with an understatement of tax for any taxable year shall be subject to the penalty imposed under this section if that understatement exceeds the greater of the following:

(1) One million dollars ($1,000,000).

(2) Twenty percent of the tax shown on an original return or shown on an amended return filed on or before the original or extended due date of the return for the taxable year.

(b) (1) The penalty under this section shall be an amount equal to 20 percent of any understatement of tax. For purposes of this section, "understatement of tax" means the amount by which the tax imposed by this part exceeds the amount of tax shown on an original return or shown on an amended return filed on or before the original or extended due date of the return for the taxable year.

(2) The penalty under this section shall be an amount equal to 40 percent of any understatement of tax if that understatement was substantially the result of not reporting an asset required to be separately listed under subdivision (c) of Section 50303 or pursuant to regulations issued by the Franchise Tax Board.

(c) The penalty imposed by this section shall be in addition to any other penalty imposed under Part 10.2 (commencing with Section 18401), or any other law.

(d) A refund or credit for any amounts paid to satisfy a penalty imposed under this section may be allowed only on the grounds that the amount of the penalty is not properly computed by the Franchise Tax Board.

(e) No penalty shall be imposed under this section on any understatement to the extent that the understatement is attributable to any of the following:

(1) A change in law that is enacted, adopted, issued, or becomes final after the earlier of either of the following dates:

(A) The date the taxpayer files the return for the taxable year for which the change is operative.

(B) The extended due date for the return of the taxpayer for the taxable year for which the change is operative.

(2) For purposes of this subdivision, a "change of law" means a statutory change or an interpretation of law or rule of law by regulation, legal ruling of counsel, within the meaning of subdivision (b) of Section 11340.9 of the Government Code, or a published federal or California court decision.

(3) The Franchise Tax Board shall implement this subdivision in a reasonable manner.

(f) No penalty shall be imposed under this section to the extent that a taxpayer's understatement is attributable to the taxpayer's reasonable reliance on written advice of the Franchise Tax Board, but only if the written advice was a legal ruling by the chief counsel, within the meaning of paragraph (1) of subdivision (a) of Section 21012.

(g) Notwithstanding any other provisions of law, the Franchise Tax Board is authorized to hire and pay reasonable fees to any outside experts or outside counsel as appropriate and to help fully administer and collect the Wealth Tax.

50315. (a) Pursuant to subdivision (f) of Section 12651 of the Government Code, the False Claims Act (Article 9 (commencing with Section 12650) of Chapter 6 of Part 2 of Division 3 of Title 2 of the Government Code) shall apply to claims, records, and statements made under or pursuant to this part, but only if the damages pleaded under that action exceed two hundred thousand dollars ($200,000).

(b) The False Claims Act and this section do not apply to claims, records, or statements regarding assets of a person that have been transferred to the Insurance Commissioner pursuant to Section 1011 of the Insurance Code.

(c) With regard to any action brought pursuant to the False Claims Act (Article 9 (commencing with Section 12650) of Chapter 6 of Part 2 of Division 3 of Title 2 of the Government Code), any person is liable for damages, including consequential damages and interest owed pursuant to the provisions of this part or of Part 10.2 (commencing with Section 18401), if that person does either of the following:

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(1) Makes, uses, or causes to be made or used, a false record or statement material to their own obligation to pay money to the state or a local government under this code, or an obligation of a subsidiary, partnership, corporation, or entity that they control.

(2) Conceals or improperly avoids or decreases their own obligation to pay money to the state or a local government under this code, or an obligation of a subsidiary, partnership, corporation, or entity that they control.

(d) Solely for the purpose of subdivision (c), a person shall be liable for the damages specified in that subdivision regardless of whether or not the person acted knowingly.

50316. (a) The Wealth Tax Advisory Council is hereby established.

(b) (1) The council shall determine an adequate level of annual funding and staffing for the administration and collection of a wealth tax enacted by the Legislature, including at the Franchise Tax Board, Office of Tax Appeals, and the Department of Justice. In determining the level of funding needed, the council will consider the following:

(A) The fair and efficient administration of the tax, with proper consideration given both to the expense of compliance measures and the potential size of uncollected tax liabilities.

(B) The Franchise Tax Board's ability to hire and pay reasonable fees to any outside experts or outside counsel as appropriate to fully administer and collect a wealth tax.

(2) The council shall also make suggestions to the Legislature as to modifying the Wealth Tax in order to improve its fairness and efficiency.

(3) The council shall develop objective metrics for determining progress towards meeting the conditions of subdivision (b) of Section 1 of Article XIII B of the California Constitution.

(A) The council shall review the expenditure of wealth tax revenues towards meeting these conditions, and develop an annual report.

(B) The council may hire consultants to help in the preparation of the methodology and annual reports for purposes of this paragraph.

(c) There is hereby established in the State Treasury the Franchise Tax Board Wealth Tax Administration Fund.

(1) All money deposited in the Franchise Tax Board Wealth Tax Administration Fund is hereby continuously appropriated to the Franchise Tax Board, without regard to fiscal year, and shall be used solely for the purpose of administering and collecting a wealth tax or that part of administering other taxes that substantially advances the administration and collection of a wealth tax.

(2) (A) For each of the first four years for which a wealth tax is collected, the greater of the following amounts shall be deposited into the Franchise Tax Board Wealth Tax Administration Fund:

(i) Three hundred million dollars ($300,000,000), adjusted the second year for inflation using the California Consumer Price Index.

(ii) One percent of all projected revenues from the wealth tax for the taxable year.

(B) For each subsequent year for which a wealth tax is collected, the greater of the following amounts shall be deposited into the fund:

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(i) One hundred million dollars ($100,000,000), adjusted annually for inflation using the California Consumer Price Index.

(ii) One-half of 1 percent of all projected revenues from the wealth tax for the taxable year.

(3) No later than December 1, 2026, and every three years thereafter, the task force shall prepare a detailed report of the reasonable costs incurred by the Franchise Tax Board in administering and collecting the wealth tax over the prior three years. If the amount deposited into the Franchise Tax Board Wealth Tax Administration Fund over the prior three years pursuant to paragraph (2) is in excess of the reasonable costs incurred by the Franchise Tax Board in administering and collecting the wealth tax over those years, the excess shall be transferred from the fund to the General Fund. If the reasonable costs incurred over those years are in excess of the amount deposited into the fund pursuant to subparagraph (2), the council shall present the report to the Governor, and the excess shall be included in the Governor's budget proposal under subdivision (a) of Section 12 of Article IV of the California Constitution for the following fiscal year.

(d) There is hereby established in the State Treasury the Department of Justice Wealth Tax Administration Fund.

(1) All money deposited in the Department of Justice Wealth Tax Administration Fund is hereby continuously appropriated to the Department of Justice, without regard to fiscal year, and shall be used solely for the purpose of administering and collecting a wealth tax.

(2) (A) For each of the first two years for which a wealth tax is collected, the greater of the following amounts shall be deposited into the Department of Justice Wealth Tax Administration Fund:

(i) Twenty-five million dollars ($25,000,000), adjusted the second year for inflation using the California Consumer Price Index.

(ii) One-half of 1 percent of all projected revenues from the wealth tax.

(B) For each subsequent year for which the wealth tax is collected, the greater of the following amounts shall be deposited into the fund:

(i) Twelve million five hundred thousand dollars ($12,500,000), adjusted annually for inflation using the California Consumer Price Index.

(ii) One-quarter of 1 percent of all projected revenues from the wealth tax.

(3) No later than December 31, 2026, and every three years thereafter, the task force shall prepare a detailed report of the reasonable costs incurred by the Department of Justice in administering and collecting the wealth tax over the prior three years. If the amount deposited into the Department of Justice Wealth Tax Administration Fund over the prior three years, pursuant to subparagraph (2), is in excess of the reasonable costs incurred by the Department of Justice in administering and collecting the wealth tax over those years, the excess shall be transferred from the fund to the General Fund. If the reasonable costs incurred over those years are in excess of the amount deposited into the fund pursuant to subparagraph (2), the council shall present the report to the Governor, and the excess shall be included in the Governor's budget proposal under subdivision (a) of Section 12 of Article IV of the California Constitution for the following fiscal year.

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(e) The Governor, the Treasurer, the Controller, the Legislature, and the Executive Officer of the Franchise Tax Board shall each appoint one member to the council from each of the following three categories:

(1) A current or retired California revenue official.

(2) A taxpayer representative.

(3) A policy analyst or academic.

(f) (1) All appointments shall be made within 40 days of the effective date of this act. In the event that any of the appointments are not completed within the permitted time frame, the task force shall proceed to operate with the appointments that are in place, provided that at least 60 percent of the appointments have been made.

(2) Forty-five days after the effective date of this act, the Executive Officer of the Franchise Tax Board shall convene a meeting of the appointed members of the task force to elect a chairperson and vice chairperson from among the individuals nominated by the constitutional officers pursuant to subdivision (b).

(3) The members shall serve eight-year terms. Members shall serve a maximum of two terms, unless removed earlier pursuant to paragraph (6).

(4) If a vacancy occurs within a term, the appointing authority shall appoint a replacement member within 90 days to serve the remainder of the term.

(5) When a term expires, the appointing authority shall appoint a member within 90 days. Task force members shall continue to serve until their replacements are appointed.

(6) Notwithstanding paragraph (3), the appointing authority may replace a member, other than the chairperson or vice chairperson, who has served, as of the effective date of the act adding this paragraph, at least one-half of the member's current term, by appointing a new member, who shall be eligible to serve a full term.

(7) The task force may, by a vote of 60 percent of a quorum, recommend the removal of a member by the member's appointing authority, or in the case of the chairperson and the vice chairperson, the nominating authority or nominating authorities, if more than one constitutional officer nominated the chairperson or vice chairperson. The appointing authority or nominating authority or authorities, in the case of the chairperson and vice chairperson, shall have the authority to remove the member, chairperson, or vice chairperson, respectively, upon receipt of the task force's recommendation. If more than one constitutional officer nominated the chairperson or vice chairperson, each of them must agree in order to remove the chairperson or vice chairperson.

(8) Actions of the task force may be taken only by a majority vote of a quorum of the task force.

50317. (a) The Franchise Tax Board may adopt any and all regulations that are helpful and appropriate for implementing any provision in this part.

(b) Until January 1, 2026, the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) shall not apply to any regulation, standard, criterion, procedure, determination, rule, notice, guideline, or any other guidance established or issued by the Franchise Tax Board pursuant to this part.

(c) Notwithstanding Section 19057 or any other law, every notice of a proposed deficiency assessment under this part in regards to taxable years beginning on or after

January 1, 2024, and before January 1, 2026, shall be mailed to the taxpayer within ten years after the return was filed.

(d) Not withstanding Section 50309 or any other law, the Franchise Tax Board is not required to adopt any information reporting forms in connection with this part until January 1, 2026.

(e) Within six months after enactment, the Franchise Tax Board shall promulgate the forms required for taxpayers to pay the tax imposed by subdivision (a) of Section 50305. Those forms may provide for taxpayer attachments demonstrating compliance.

50318. The provisions of this part shall be liberally construed to effectuate its purposes.

SEC. 5. The provisions of this act adding Part 27 (commencing with Section 50300) to Division 2 of the Revenue and Taxation Code shall only become operative if Assembly Constitutional Amendment __ of the 2023–24 Regular Session is approved by the voters and takes effect.

SEC. 6. The Legislature finds and declares that Section 1 of this act, which amends Sections 12651 of the Government Code, imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

Sensitive information of California taxpayers should be adequately protected from disclosure during the process of the assessment and collection of taxes to protect privacy and increase compliance.

SEC. 7. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

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LEGISLATIVE COUNSEL'S DIGEST

Bill No.
as introduced, Lee.
General Subject: Wealth Tax: False Claims Act.

Existing law imposes taxes upon income and real property, as well as taxes upon certain transactions and excise taxes.

This bill would, for taxable years beginning on or after January 1, 2024, and before January 1, 2026, impose an annual tax at a rate of 1.5% of a resident of this state's worldwide net worth in excess of $1,000,000,000, or in excess of $500,000,000 in the case of a married taxpayer filing separately. The bill would, for taxable years beginning on or after January 1, 2026, impose an annual tax at a rate of 1% of a resident's worldwide net worth in excess of $50,000,000, or in excess of $25,000,000 in the case of a married taxpayer filing separately. The bill would also impose, for taxable years beginning on or after January 1, 2026, an additional tax at a rate of 0.5% of a resident's worldwide net worth in excess of $1,000,000,000, or in excess of $500,000,000 in the case of a married taxpayer filing separately. The bill would describe worldwide net worth with reference to specific federal provisions and would provide that worldwide net worth does not include specific assets, including personal property situated out of state, directly held real property, or liabilities related to directly held real property. The bill would also authorize the Franchise Tax Board to adopt regulations to carry out these provisions, including regulations regarding the valuation of certain assets that are not publicly traded. The bill would require new certifications by taxpayers, made under penalty of perjury. By expanding the crime of perjury, this bill would impose a state-mandated local program.

This bill would establish the Wealth Tax Advisory Council. The bill would require the council to determine an adequate level of annual funding and staffing for the administration and collection of the wealth tax imposed by this bill. The bill would provide specific guidelines for what constitutes adequate levels of annual funding and staffing for the administration and collection of a wealth tax. The bill would establish 2 continuously appropriated funds in the State Treasury to cover the expenses of the administration and collection of the wealth tax. Under the bill, the funds would be funded by the greater of either a specified amount or a certain percentage of revenues estimated to be generated by the wealth tax. By establishing new continuously appropriated funds, this bill would make an appropriation.

Existing law, the False Claims Act, provides that any person who commits specified acts, including, but not limited to, knowingly presenting a false or fraudulent claim for payment or approval or knowingly making or using a false record or statement material to a false or fraudulent claim, is liable to the state or to the political subdivision for 3 times the amount of damages that the state or political subdivision sustained because of the act and for the costs of a civil action brought to recover any penalties or damages, and is subject to a civil penalty. That act requires the Attorney General or the prosecuting authority of a political subdivision to diligently investigate violations of those specific acts involving state funds or political subdivision funds, respectively, and authorizes the Attorney General, the prosecuting authority, or a qui tam plaintiff to bring a civil action against a person who commits those acts. That act does not apply to claims, records, or statements made under the Revenue and Taxation Code.

This bill would apply the provisions of the False Claims Act to claims, records, or statements made in relation to the wealth tax imposed by the bill, as specified.

Existing law generally makes it a misdemeanor for specified persons, including, among others, officers or employees of the state or its political subdivisions, to disclose information set forth or disclosed in returns, reports, or documents required to be filed under the franchise and income tax laws.

This bill would create an exception to these rules in the case of information related to the Wealth Tax, as requested by the University of California or the Wealth Tax Advisory Council, so long as specified information privacy protections are in place, and the request is for a specified purpose.

This bill would specify that the tax imposed by the bill shall only become operative if a specified constitutional amendment is approved by the voters and takes effect.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of ⅔ of the membership of each house of the Legislature.

Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: ⅔. Appropriation: yes. Fiscal committee: yes. State-mandated local program: yes.

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