



MULTISTATE INCOME/FRANCHISE TAX

Wealth tax bills proposed in several states

Tax Alert

Overview

A wealth tax is, generally speaking, a tax imposed on the fair market value of a taxpayer's net worth (assets less liabilities). It may also be called an equity tax or capital tax. The U.S. has historically taxed income, not wealth. President Biden's proposed budget for Fiscal Year 2024 includes certain provisions aimed at taxing wealth and the income of certain "wealthy" individuals, including a minimum tax of 25% on total income, inclusive of unrealized capital gains, for taxpayers whose net worth exceeds \$100 million; an increase in the top marginal individual income tax rates; an increase in the tax rate on capital gains, and the taxation of carried interest as ordinary income. See the March 10, 2023 edition of [Deloitte Tax News & Views](#) for more information about the President's proposed budget. Several states have also proposed wealth or similar taxes on certain high-earning individuals this legislative session.

This Tax Alert summarizes wealth tax legislative proposals in 11 states and provides some considerations.

Proposed state bills

- **California** – [A.B. 259](#): 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 California resident's worldwide net worth in excess of \$1 billion, or in excess of \$500 million 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 exceeding \$50 million, or exceeding \$25 million 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 exceeding \$1 billion or exceeding \$500 million in the case of a married taxpayer filing separately.
- **Connecticut** – [S.B. 351](#) / [H.B. 5673](#): This bill would establish a surcharge of 5% of the net gain from the sale or exchange of capital assets and on dividend and interest income on certain high-earning individuals (*i.e.*, those paying highest marginal tax rate). It would also establish

additional marginal rates for the personal income tax of 9.55%, 10.25%, and 10.65%, for Connecticut taxable income of over \$1 million, \$10 million, and \$25 million respectively, for unmarried individuals and married individuals filing separately and for proportional Connecticut taxable income for individuals filing as heads of households and married individuals filing jointly.

- **Hawaii** – [H.B. 150](#) / [S.B. 171](#): This bill would increase personal income tax revenues for high earning taxpayers by establishing new income tax brackets and rates that are applied against a broader level of taxable income for taxable years beginning after 12/31/2022. [H.B. 232](#) / [S.B. 358](#): This bill would tax capital gains income at the same rate as ordinary income.
- **Illinois** – [H.B. 3039](#): This bill would create the “Extremely High Wealth Mark-to-Market Tax Act” which provides that a resident taxpayer with net assets worth \$1 billion or more on December 31 of the tax year shall recognize gains or losses as if each asset owned by that taxpayer on December 31 of the tax year had been sold for its fair market value on December 31 of the tax year but with adjustment made for taxes paid on gains in previous years.
- **Maine** – [H.P. 436](#) / [L.D. 667](#): This bill would for tax years beginning on or after January 1, 2024, impose a surcharge at the rate of 3% on that portion of the taxpayer’s Maine taxable income in excess of \$1 million and not more than \$10 million and 6% on that portion of the taxpayer’s Maine taxable income in excess of \$10 million.
- **Maryland** – [H.B. 337](#): This bill would impose an additional state income tax rate of 1% on specified net capital gain income included in an individual’s Maryland taxable income.
- **Minnesota** – [H.B. 1938](#) / [S.F. 1811](#): This bill would impose an additional amount of tax on the preferential rate (capital gains rate) income of individuals, estates, and trusts as follows: 1.5% on all preferential rate income over \$500,000, but not over \$1,000,000; 4% on all preferential rate income over \$1,000,000.
- **New York** – [S.B. 2162](#): This bill would impose an additional tax on income attributable to long-term capital gain. [S.B. 1570](#): This bill would establish a billionaire mark-to-market tax taxing residents with one billion dollars or more in net assets.
- **Oregon** – [H.B. 2673](#): This bill would increase personal income tax imposed on certain high-earning taxpayers by raising the highest tax rate and adding a new bracket with an even higher marginal tax rate.
- **Rhode Island** – [H.B. 6148](#): This bill would impose for the period January 1, 2024 through December 31, 2024, and thereafter, on the taxable income of married individuals filing joint returns, qualifying widow(er), every head of household, unmarried individuals, married individuals filing separate returns and bankruptcy estates, an additional “surcharge” tax of 3% on Rhode Island taxable income over \$417,500.
- **Washington** – [S.B. 5486](#) / [H.B. 1473](#): This bill would, beginning January 1, 2025, for taxes due in 2026, subject individuals who reside in Washington to a wealth tax equal to 1% of their taxable worldwide wealth over \$250 million. Under this pending legislation, taxable worldwide wealth means the fair market value of an individual’s financial intangible assets as of December 31 of the tax year. Note that pursuant to legislation enacted in 2021, Washington already imposes a

tax on long-term capital gains earned by some individuals from the sale or exchange of certain capital assets at the rate of 7% beginning January 1, 2022 [see [E.S.B. 5096 \(2021\)](#) and previously issued [Multistate Tax Alert \(May 13, 2021\)](#) for more details on this state law, as well as previously issued [Multistate Tax Alert \(January 26, 2023\)](#) for details on related pending litigation].

Considerations

It is arguably too early in the legislative process to predict the likelihood of enactment of these pending state bills. In the past, similar “wealth tax” legislation has been proposed in some states, including California, but many failed to pass. However, given the similarities of some state proposals with the federal proposals, as well as the growing number of states proposing wealth taxes in the current political climate, this year may yield different results. We will continue to monitor state legislation and the related federal proposals for further developments in this area.

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