

NOTICE OF INTENT TO CIRCULATE INITIATIVE PETITION

Notice is hereby given of the intention of the persons whose names appear hereon to circulate an initiative petition within the city of Palo Alto for the purpose of enacting the Wealth Tax Initiative, which will: grant the State of California the ability to levy a 2% wealth tax on net worth above \$50 million, and a 3% wealth tax on net worth above \$1 billion dollars; the revenue will be used to provide every permanent resident of as of the date in which this initiative is voted on, a one-time payment of \$2,500. A statement of reasons of the proposed action as contemplated in said petition is as follows:

Statement of Reasons

A wealth tax is supported by a majority of Republicans, Democrats, and most importantly Americans. Here are the details:

- 2% tax on fortunes over \$50 million
- 3% tax on fortunes over \$1 billion
- One-time \$2,500 stimulus check given to every permanent resident of Palo Alto, as of the day the Initiative is voted on
- California authorized to implement the tax
- 40% exit tax for billionaires/megamillionaires leaving Palo Alto
- Massive tax incentive for Palo Alto billionaires/megamillionaires if a similar Initiative is enacted throughout the State.

Is it fair that a billionaire in Palo Alto has to pay a wealth tax while one in Menlo Park or New York City doesn't have to? No, of course not, but that is to argue that cities should not correct for injustices within their own boundaries when similar injustices exist elsewhere. The resolution to this is not to give all billionaires a free pass indefinitely, it is for other cities and states to follow suit and tax all their citizens fairly.

If this Initiative passes, our billionaires will understand the frustration that their neighbors don't pay their fair share of the tax burden. The difference is that a single billionaire (or even millionaire) could then snap their fingers and get this enacted throughout the entire state. Don't buy the argument that billionaires will flock to new cities, because even if they do, this overwhelming popular tax will follow them.

Wealth Tax Initiative

Section 1. Title.

This initiative measure ("Initiative") shall be known and may be cited as the "Wealth Tax Initiative."

Section 2.

The citizens of Palo Alto consider and believe the following:

Extreme wealth inequality has historically functioned as a catalyst for severe unrest, and social and political instability. The State of California, and particularly the City of Palo Alto are experiencing an unprecedented degree of wealth inequality that is making both the State and City vulnerable to severe instabilities.

An efficient way to swiftly taper extreme wealth inequality in Palo Alto, would be to levy the taxes referenced in this Initiative, and to give every resident a one-time stimulus check.

A well-funded state government is also paramount to maintain political and social order here in Palo Alto and nearby cities. However, the citizens of Palo Alto have growing concerns that the funding levels of the State of California may not be adequate to maintain solvency and sovereignty.

The United States and all its political subdivisions operate tax systems "based upon voluntary assessment and payment, not upon restraint." -Flora V. United States 362 U.S. 145, 176 (1960). This is to say, the legal authority to levy a tax does not require a threshold of assessment exactitude among taxpayers. Even voluntary assessment done in good faith, will yield differing results and payments among taxpayers. Furthermore, any assessment guidance provided by a proper tax authority is a voluntary governmental service that may or may not

be provided by an appropriate government or government entity in order to mitigate assessment variance for its citizens.

Given the size and resources of the State of California, it is better suited than the City of Palo Alto to provide a Tax Authority to serve the taxpayers, in administration, implementation, litigation, enforcement, and other actions intended to enact this initiative. However, the City of Palo Alto is fully capable of providing a sufficiently capable Tax Authority as referenced in this Initiative.

Section 3. Amendments to Palo Alto Municipal Code.

Chapter 3 of the of the Palo Alto Municipal Code will be replaced with the following:

Chapter 3.04 Title

This Initiative shall be known as the “Wealth Tax Initiative” of the City of Palo Alto.

Chapter 3.08 Definitions

“Wealth” means the free market value of all assets held domestically and foreign, including up to \$50 million in real property held within in the State of California, minus the free market value of all liabilities held domestically and foreign.

“Net worth” is interchangeable with wealth or fortune.

“Tax Authority” is the body of government that exists to enact this Initiative.

“Permanent Resident” means any resident with American citizenship, or any resident in Palo Alto not for temporary, educational purposes.

“Stimulus check” means payment.

“Hard to value assets” is artwork held for at least 5 years or equity in a company that is not a publicly traded company.

“Taxpayer” means residents subject to this tax.

“Resident” means single taxpayer, or joint taxpayer, or single taxpayer and their immediate families, including all children and spouse.

Chapter 3.12 Wealth Tax.

- (a) The City of Palo Alto levies an annual wealth tax on every resident in the amount of 2% on net worth above \$50 million and 3% on net worth above \$1 billion. This tax shall go into effect for the 2020 tax year and be due on April 15th, 2021, of the following year to the proper Tax Authority.
- (b) If any part of Chapter 3.12 (a) shall be found invalid by an appropriate court of law, the City of Palo Alto shall levy the same tax as referenced in Chapter 3.12 (a) with “Wealth” defined as all assets held domestically and foreign, including up to \$50 million in real property held within in the United States but outside of California, minus all liabilities held domestically and foreign.
- (c) If any part of Chapter 3.12 (b) shall be found invalid by an appropriate court of law, the City of Palo Alto shall levy the same tax as referenced in Chapter 3.12 (a) with “Wealth” defined as all assets held domestically and foreign, including up to \$50 million in Real Property held outside the United States, minus all liabilities held domestically and foreign.
- (d) If any part of Chapter 3.12 (c) shall be found invalid appropriate court of law, the City of Palo Alto shall levy the same tax as referenced in Chapter 3.12 (a) with “Wealth” defined as all assets held domestically and foreign, not including real property, minus all liabilities held domestically and foreign.
- (e) A 40% exit tax or as high as legally permissible but not higher than 40%, shall be imposed on any resident with a fortune over \$50 million should they relocate to a place within the United States, without an equivalent or higher wealth tax, or anywhere outside the United States.

Chapter 3.16 Tax Revenue from Wealth Tax

The tax revenue from the wealth tax shall be used for the following:

- (a) To reimburse the fees and costs the Tax Authority incurs to administrate, implement, litigate, manage, and enforce the wealth tax.
- (b) Every permanent resident, as of the date in which this Initiative is voted on, of Palo Alto shall receive a one-time stimulus check for \$2,500. Funds may be allocated to distribute these payments.
- (c) The remainder shall go to the State of California upon compliance with Chapter 3.20 and the entirety of the Wealth Tax Initiative. Alternatively, the remainder shall to the City of Palo Alto.

Chapter 3.20 Tax Authority

The City of Palo Alto indefinitely grants the State of California, or it's executive branch the authority to create a Tax Authority to enact this Initiative. This includes administration, implementation, litigation, enforcement, and other actions intended to enact this Initiative.

The City of Palo Alto shall take action to revoke this grant if there is a failure to provide adequate enforcement, as referenced in Chapter 3.48.

Should the State of California or it's executive branch, not provide for a Tax Authority, the Council of the City of Palo Alto may provide for a Tax Authority. Should the Council of the City of Palo Alto not provide for the Tax Authority, the mayor of the City of Palo Alto shall appoint a Tax Authority or become the de facto Tax Authority.

The Tax Authority shall take actions to enforce this Initiative, including adherence to Chapter 3.48.

Chapter 3.24 State Wealth Tax

Should a wealth tax of at least 2% on net worth over \$50 million be implemented in the State of California prior to 2023, and at least 3% on net worth over \$1billion, that includes all Real Property taxed at those rates then the Tax Authority shall reimburse up to \$20 million in tax payments to each taxpayer for the year in which the state wealth tax is enacted.

Chapter 3.28 Inflation adjustment

The thresholds of \$50 million and \$1 billion referenced in Chapter 3.12 shall increase by 2% every year.

Chapter 3.32 Wealth Tax reduction

Should the exit tax referenced in Chapter 3.12.(e) be found invalid or reduced to below 5% by a court of law, then the wealth taxes on \$50 million and \$1billion shall be reduced to 1% and 2% respectively.

Chapter 3.36 Valuation of Assets and liabilities/timing

Taxpayers shall in good faith assess all assets and liabilities at their free market value.

Taxpayers with net worth in excess of \$1billion at the time in which this Initiative passes, shall assess their wealth in 2020. They shall assess their wealth quarterly and average their wealth to determine their annual wealth.

Taxpayers with net worth in excess of \$50 million at the time in which this Initiative passes, shall assess their wealth in 2020. They shall assess their wealth quarterly or biennially and average their wealth to determine their annual wealth.

Chapter 3.40 Wealth Tax Waiver

Taxpayers shall not be required to pay the 2% wealth tax should their fortune drop below \$40 million at the end of the year or 3% wealth tax should their fortune drop below \$800 million at the end of the year.

Chapter 3.44 Payment Date/Return

The Wealth Tax shall be due on the same date that California State taxes are due. Taxpayers shall provide returns detailing the assessment of assets and liabilities. The tax authority may create policies for the granting of extensions.

Chapter 3.48 Enforcement

Deliberate undervaluing or overvaluing of assets or liabilities, in excess of 5% of its actual free market value shall be a criminal offense, this applies to the taxpayer and to persons preparing the tax return for the taxpayer.

Deliberate hiding of an asset or liability or purposeful failure to disclose an asset or liability in excess of \$1 million shall be a criminal offense for the taxpayer and any person(s) preparing the tax return for the taxpayer.

Repeated refusal to pay the wealth tax shall be a criminal offense.

Any criminal offense under this chapter shall result in a mandatory minimum sentence of 3 day in jail, not to exceed 6 months.

Chapter 3.52 Enforcement 2.0

The Tax Authority may provide financial awards in excess of \$1 million to anyone that discloses and provides evidence of tax fraud including but not limited to hiding of assets, devaluing of assets in bad faith, or other illegal tax evasion practices.

Chapter 3.56 Wealth Tax Deferment.

Anyone may apply to the Tax Authority to defer payment for up to five years and shall be approved to do so if they meet the requirements listed below:

- 1) Any deferral of payment shall include an annual interest payment of at least 3%. The Tax Authority may create rules to set various interest rates requiring specific circumstances, such that the rate never exceeds 8%.
- 2) Compliance with the rules, requirements, and qualifications set by the Tax Authority if they exist.
- 3) If no rules have been set by the Tax Authority, the taxpayer must have more than 95% of their assets qualify as hard to value assets.

Chapter 3.44 Severability

This Initiative shall be interpreted so as to be consistent with all federal and state laws, rules, and regulations. If any section, sub-section, sentence, clause, phrase, part, or portion of this Initiative is held to be invalid or unconstitutional by a final judgment of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Initiative. The People of the City of Palo Alto declare that this Initiative, and each section, sub-section, sentence, clause, phrase, part, or portion thereof, would have been adopted or passed irrespective of the fact that any one or more sections, sub-sections, sentences, clauses, phrases, parts, or portions are found to be invalid. If any provision of this Initiative is held invalid as applied to any person or circumstance, such invalidity shall not affect any application of this Initiative that can be given effect without the invalid application.

Proponent



5/28/2020

Kevin Creaven