
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1096 (Dahle) - Personal income tax: senior tax credit: dependents: qualifying child

Version: June 3, 2026

Urgency: No

Hearing Date: June 29, 2026

Policy Vote: REV. & TAX. 5 - 0

Mandate: No

Consultant: Robert Ingenito

Bill Summary: SB 1096 would authorize a personal income tax credit for seniors age 65 and over with no earned income, equal to \$1,500 per dependent, as specified.

Fiscal Impact: The Franchise Tax Board (FTB) estimates that this bill would result in General Fund revenue losses of \$30 million in 2026-27, \$25 million in 2027-28, and \$28 million in 2028-29. FTB's annual ongoing administrative costs would total \$64,000 (General Fund).

Background: Tax expenditure programs (TEPs) are special tax provisions that reduce the amount of revenues the "basic" tax system would otherwise generate in order to provide (1) benefits to certain groups of taxpayers, and/or (2) incentives to encourage certain types of behavior and activities, such as charitable giving. Specifically, current law provides for, among other things, various income and corporation tax credits and deductions, as well as exemptions from the sales and use tax. The Department of Finance is required to publish a list of TEPs (currently totaling several hundred), which currently exceed \$94 billion annually.

Existing federal and state laws provide that gross income includes all income from any source, including compensation for services, business income, gains from property, interest, dividends, rents, and royalties, unless specifically excluded. Existing federal and state laws exclude certain types of income from gross income, such as specified amounts received as gifts or by inheritance, certain compensation for injuries and sickness, qualified scholarships, educational assistance programs, foster care payments, and interest received on certain state or federal obligations, among other things.

Existing federal and state laws allow for the deduction of certain expenses from gross income when calculating adjusted gross income (AGI). Some examples include moving expenses for members of the armed service, as well as certain ordinary and necessary trade and business expenses. These are known as "above the line" deductions. Unlike itemized deductions, such as charitable deductions and mortgage interest deductions, all taxpayers with these types of expenses may take the corresponding deduction. In other words, the taxpayer can take above-the-line deductions regardless of whether the taxpayer claims the standard or itemized deduction.

State law does not automatically conform to federal changes. Instead, the Legislature must conform to federal changes. Specifically, it can pass (1) an individual bill that conforms to a specific federal tax provision, or (2) an omnibus bill to conform state law

to federal law as of a specified date. Current state law generally conforms to federal tax law as of January 1, 2025.

Federal and state tax systems provide a range of income tax benefits for seniors, though the structure and amount of these benefits differ. At the federal level, seniors age 65 and older receive an additional standard deduction on top of the regular standard deduction, which is adjusted annually for inflation. The Tax Cuts and Jobs Act of 2017 temporarily suspended personal exemptions, and they were later permanently eliminated and replaced in part by an enhanced senior deduction enacted in 2025. This deduction provides up to \$6,000 per eligible senior (2025–2028), with income-based phaseouts beginning at \$75,000 for single filers and \$150,000 for married couples filing jointly. Seniors may also qualify for a rarely used tax credit for the elderly or disabled, and Social Security benefits are partially taxable depending on income levels, with up to 85 percent included for higher-income recipients.

At the state level, California does not conform to the federal senior deduction system but instead offers smaller personal exemption credits, including additional credits for seniors, dependents, and blind taxpayers. It also provides a limited Senior Head of Household Credit for qualifying taxpayers under specific conditions. Unlike federal law, California fully excludes Social Security benefits from taxable income.

Overall, these tax provisions exist alongside broader demographic trends showing a rapidly growing senior population, many of whom rely heavily on fixed incomes such as Social Security and retirement benefits.

Proposed Law: This bill, among other things, would authorize for tax years 2026 through 2030, a personal income tax credit for seniors 65 and over with no earned income, equal to \$1,500 per qualified dependent, as defined. The credit would be reduced by 6 percent of the amount that exceeds the taxpayer's federal AGI of \$150,000 if filing jointly or \$75,000 for all other filers.

Related Legislation: SB 1249 (Richardson) would authorize an above-the-line deduction for elderly seniors for tax years 2026 through 2030, equal to \$3,000, subject to a phase-out above specified income levels. The bill is currently pending in the Assembly Revenue and Taxation Committee.

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