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# SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair  
2025 - 2026 Regular

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<b>Bill No:</b>	SB 1249	<b>Hearing Date:</b>	5/6/26
<b>Author:</b>	Richardson	<b>Tax Levy:</b>	Yes
<b>Version:</b>	4/23/26 Amended	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Summers		

## ***PERSONAL INCOME TAXES: DEDUCTIONS: ELDERLY SENIORS***

*Authorizes an above-the-line deduction for elderly seniors for tax years 2026 through 2030, equal to \$6,000, subject to a phase-out above specified income levels.*

### **Background**

**Tax expenditures.** California law allows various income tax credits, deductions, exemptions, and exclusions. The Legislature enacts such tax incentives to compensate taxpayers for incurring certain expenses, such as child adoption, or to influence certain behavior, such as charitable giving. The Legislature uses tax incentives to encourage taxpayers to do something they would otherwise not do, but for the tax credit. The Department of Finance must publish an annual list of tax expenditures, currently totaling around \$94.2 billion in forgone General Fund revenue.

**Income.** 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.

**Conformity.** State law does not automatically conform to changes in federal tax law, except for specific retirement provisions. Instead, the Legislature must affirmatively conform to federal changes, which it can do in two different ways. First, the Legislature can pass an individual tax bill that conforms to a specific federal provision, such as the Regulated Investment Company Modernization Act (AB 1423, Perea, 2011). Second, the Legislature can enact one omnibus bill to provide that state law conforms to federal law as of a specified date. Currently, state law generally conforms to federal tax law as of January 1, 2025 (SB 711, McNerney, 2025).

**Federal personal income tax benefits for seniors.** Federal law authorizes several personal income tax benefits for seniors. Specifically, existing federal law authorizes:

*Additional below-the-line standard deduction for seniors.* In addition to the federal standard deduction, seniors age 65+ and persons who are blind receive an additional standard deduction, the amounts of which are both annually inflation-adjusted.

Prior to 2018, federal law also authorized a personal exemption deduction of \$4,050 per exemption (taxpayer, spouse, dependents). The Tax Cuts and Jobs Act (TCJA) of 2017 suspended the personal exemption deduction for taxable years 2018 through 2025 and was scheduled to be reinstated beginning in tax year 2026. However, the personal exemption deduction was permanently suspended by H.R. 1 (Public Law 119-121, commonly known as the “One Big Beautiful Bill Act”). Instead, H.R. 1 authorized, for federal income tax purposes, an enhanced senior deduction.

*Enhanced senior deduction.* In July of 2025, Congress enacted H.R. 1 (also known as the One Big Beautiful Bill), which authorized, for federal income tax purposes, an enhanced senior deduction of \$6,000 per senior aged 65+, for tax years 2025 through 2028. This is available to eligible taxpayers, both itemizers and non-itemizers. The enhanced deduction is phased out at a rate of 6% of income above \$75,000 for single filers or \$150,000 for MFJ filers.

The following chart outlines the authorized amounts for these federal above-the-line deductions:

<b>Filing status</b>	<b>2026 federal standard deduction amount</b>	<b>2026 federal additional standard deduction for those 65+</b>	<b>2025-28 federal enhanced deduction*</b>
Single	\$16,100	\$2,050 (If 65+ or blind). \$4,100 (if 65+ and blind).	\$6,000 max (If 65+)
Married filing separately	\$16,100	\$1,650 (If 65+ or blind). \$3,300 (if 65+ and blind).	\$6,000 max (If 65+)
Head of household	\$24,150	\$2,050 (If 65+ or blind). \$4,100 (if 65+ and blind).	\$6,000 max (If 65+)
Married filing jointly (MFJ)/ Surviving spouse	\$32,200	\$1,650 (If 65+ or blind; per qualifying person). \$3,300 (if 65+ and blind; per qualifying person).	\$6,000 max (If 65+; per qualifying person)

*Credit for persons who are elderly or disabled.* Federal law allows a nonrefundable credit for certain taxpayers who are 65+ or retired on permanent and total disability and who receive taxable disability income during the year. The credit is calculated as 15% of a base amount, generally \$3,750 to \$7,500, depending on filing status and whether one or both spouses qualify. The base amount is reduced by certain nontaxable income (Social Security, pension, annuity, or disability benefits) and by one-half of adjusted gross income (AGI) above specified thresholds. The credit is rarely claimed, with the average amount per return in recent years being under \$100.<sup>1</sup>

<sup>1</sup> [https://taxpolicycenter.org/sites/default/files/statistics/pdf/elderly\\_credit\\_9.pdf](https://taxpolicycenter.org/sites/default/files/statistics/pdf/elderly_credit_9.pdf)

*Partial and full exclusion of Social Security Benefits.* Social Security benefits, which can be claimed beginning at age 62 for qualified persons, are excluded from federal gross income, except as specified under IRC 86, as follows:

- Below \$25,000 single or \$32,00 joint, none of the benefits are included in net income.
- Between \$25,000 to \$34,000 single or \$32,000 to \$44,000 MFJ, up to 50% is included.
- Above \$34,000 single or \$44,000 joint, up to 85% may be included.

**State personal income tax benefits for seniors.** California departs from federal law regarding tax benefits for seniors in several ways. While seniors 65+ are authorized a standard deduction of \$5,706 single or \$11,412 joint in tax year 2025, California does not conform to, or have a standalone analog to, the federal additional or enhanced deductions. However, California does have a standalone personal exemption credit with enhanced amounts for seniors 65+.

*Personal-exemption tax credit.* State law provides various “personal-exemption” tax credits, including a personal exemption credit and exemption credits for dependents, blind persons, and individuals 65 or older. For tax year 2025, the authorized amounts for the credit are as follows:

Exemption Type	Number of Exemptions	Exemption Amount
Personal Exemption	One exemption for themselves, and one for a spouse, if MFJ:	\$153
Senior	One additional exemption if 65 or older, and one for a spouse 65 or older, if MFJ:	\$153
Blind	One additional exemption if visually impaired and one for a visually impaired spouse:	\$153
Dependent	One exemption for each qualifying dependent:	\$475

For taxable year 2025, the exemption credits are reduced by \$6 (\$12 if MFJ) for each \$1,250 (\$2,500 if MFJ) of AGI that exceeds \$252,203 if single or married filing separately, \$504,411 if MFJ, or \$378,310 if filing as head of household.

*Senior head of household credit.* California’s Senior Head of Household Credit is a nonrefundable personal income tax credit for taxpayers age 65+ who qualified as head of household for at least one of the prior two taxable years and whose qualifying person died during that two-year period. For 2025, if the taxpayer’s AGI does not exceed \$98,652, the taxpayer is allowed a credit equal to 2% of taxable income, capped at \$1,860.

*Full exclusion of Social Security Benefits.* Social Security benefits are fully excluded from California's personal income tax.

**An aging population and income.** According to the U.S. Census Bureau, as of 2024, there are roughly 61.2 million people in the US ages 65+, representing 18% of the overall population.<sup>2</sup> In 2004, that figure was only 12%. By 2025, the number of Americans ages 65 and older is projected to increase to 82 million by 2050, representing 23% of the population.<sup>3</sup>

Additionally, in 2024, half of older adults received less than \$33,310 from all sources, and

<sup>2</sup> <https://www.census.gov/newsroom/press-releases/2025/older-adults-outnumber-children.html>

<sup>3</sup> <https://www.prb.org/resource/fact-sheet-aging-in-the-united-states/>

half of all older households earned less than \$56,680.<sup>4</sup> Further, only 20% of older adults have earned income. For the remaining 80% of people age 65 and older who are fully retired, the median income was \$26,770. According to PEW research, in 2022, 86.9% of people older than 65 received retirement or disability benefits. Additionally, U.S. Census Bureau researchers have found that about 14% of Americans 65 and older rely on Social Security for 90% or more of their income, 22% for 75% or more, and 42% for 50% or more.<sup>5</sup>

The author wants to authorize a new above-the-line to provide financial relief to elderly individuals who are least able to absorb the pressure of increased economic challenges.

### **Proposed Law**

Senate Bill 1249 authorizes an above-the-line deduction for elderly seniors for tax years 2026 through 2030, equal to \$6,000. The bill specifies that the allowed deduction shall be reduced by 6% of the amount that exceeds the taxpayer's federal AGI of \$150,000 if filing jointly or \$75,000 for all other filers. The measure defines “elderly senior” as an individual who is the following age or older as of the last day of the taxable year:

- For tax year 2027, 90 years of age.
- For tax year 2028, 89 years of age.
- For tax year 2029, 88 years of age.
- For tax year 2030, 87 years of age.
- For tax year 2031, 86 years of age.

The bill also authorizes the taxpayer and/or their spouse to take the deduction if they are considered elderly seniors in a given tax year and contains legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.

### **State Revenue Impact**

According to the FTB, the 2/19/26 version of SB 1249 would result in revenue losses of \$41 million in FY 2026-27, \$85 million in FY 2027-28, and \$100 million in 2028-29. The revenue estimate for the 4/23/26 version of the bill, which amended several key provisions, is pending.

### **Comments**

1. Purpose of the bill. According to the author, “Among adults aged 85 and older, 39.3% were low-income and 49.9% experienced independent living difficulties in 2022. As the cost of living continues to rise at unprecedented rates, elderly individuals experience declines in their standard of living. Seniors are often unable to obtain employment due to physical restrictions, caregiving responsibilities, and retirement structure limitations. Moreover, many older adults living on fixed or semi-fixed incomes struggle to maintain financial stability as food, health, and housing prices continue to surge. SB 1249 directly addresses these economic challenges by easing the tax burden on those least able to absorb California’s growing expenses. By providing targeted tax relief, this bill helps offset the disproportionate decline in purchasing power experienced by older households compared to younger families.”

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<sup>4</sup> <https://pensionrights.org/resource/income-of-todays-older-adults>

<sup>5</sup> <https://www.investopedia.com/how-many-people-rely-mostly-on-social-security-in-retirement-11954297>

2. “Windfall” or “but for” tax benefit? Tax expenditures produce two different outcomes. The first outcome is a “windfall,” in which the tax expenditure rewards behavior that would have occurred even without the tax benefit. The second outcome is a “but for tax benefit,” where a particular activity would not have occurred without the incentive created by the tax expenditure. Here, SB 1249 eligibility is determined by age and income, not by undertaking any new activity or incurring qualifying expenditures. As such, the deduction does not induce behavior that would not have otherwise occurred. Thus, this is largely a “windfall” tax benefit, because eligible seniors will receive the deduction irrespective of any marginal behavioral response. However, the income phaseout targets the benefit to lower- and moderate-income seniors and may modestly increase after-tax resources for necessities that may have been otherwise forgone. On balance, this deduction serves as a windfall tax benefit because it primarily provides financial support rather than encouraging new or altered behavior.

3. Revenue loss. Existing tax law provides various credits, deductions, exclusions, and exemptions for certain taxpayers. By authorizing a credit against personal income tax, SB 1249 will result in the State General Fund receiving less revenue. As a result, the state will have to reduce spending or increase taxes to offset the loss. Additionally, because Proposition 98 establishes a minimum funding guarantee for K-14 education in California, which generally represents roughly 40% of the state’s General Fund revenues, every dollar of General Fund loss results in approximately 40 cents less of funding for K-14 education.

4. Precedent. If the Legislature allows an income tax deduction for elderly seniors based solely on age and income, why should it not allow other income tax deductions for other similarly situated taxpayers, such as younger seniors age 65+, disabled individuals, caregivers, or taxpayers living on fixed incomes? This may lead to a slippery slope in which more income tax deductions are authorized for increasingly broader demographic categories, thereby eroding the income tax base and reducing General Fund revenues.

6. Who benefits? SB 1249 seeks to provide a more targeted tax benefit than H.R. 1’s enhanced deduction for seniors age 65+ by restricting eligibility to seniors age 87+ and allowing the deduction to be taken above-the-line. An above-the-line deduction reduces the taxpayer’s AGI before any standard or itemized deductions are applied. As a result, SB 1137’s deduction benefits every filer who qualifies, regardless of whether they itemize. Additionally, lowering AGI can move taxpayers into a lower marginal tax bracket, trimming the rate applied to the rest of their income and potentially unlocking other income-based credits or deductions. However, elderly seniors living solely on Social Security, which is not subject to state income tax, would not benefit from this deduction. The Committee may wish to consider whether other direct payments or grants would produce a more equitable effect.

7. Section 41. Section 41 of the Revenue and Taxation Code requires any bill enacting a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve and detailed performance indicators, along with data collection and reporting requirements (SB 1335, Leno, 2014). A bill that would authorize a new gross income exclusion is exempt from the requirement that the bill contain detailed performance indicators and data collection reporting if the Legislature determines there is no available data to collect and report (AB 3289, Committee on Revenue and Taxation, 2024). To satisfy these requirements, SB 1249 states that the specific goal of the tax expenditure is to provide essential relief to elderly individuals who are facing significant economic challenges and are least able to absorb rising costs. The specific performance indicators shall be the number of qualified taxpayers that claimed the deduction for one elderly senior or two elderly seniors, the total

number of qualified taxpayers that claimed the deduction, and the aggregate amount of deductions claimed. To aid the Legislature in determining whether this act meets the goals, purposes, and objectives, SB 1249 directs the FTB, on or before May 1, 2029, and annually thereafter, to submit to the Legislature a written report that includes, to the extent feasible, a breakdown of the amounts deducted by federal AGI as follows:

- AGI less than \$150,000 for joint filers, or less than \$75,000 for all other filers.
- AGI above \$150,000 and less than \$200,000 for joint filers, or above \$75,000 but less than \$100,000 for all other filers.
- AGI above \$200,000 and less than \$250,000 for joint filers, or above \$100,000 but less than \$125,000 for all other filers.
- AGI above \$300,000 and less than \$325,000 for joint filers, or above \$150,000 but less than \$162,500 for all other filers.

8. Related legislation. Also set to be heard at the Committee's May 6<sup>th</sup> hearing are SB 1096 (Dahle), which would authorize a personal income tax credit for seniors 65+ with no earned income, equal to \$1,500 per dependent, and SB 1137 (Valladares), which would authorize an above-the-line deduction up to \$5,000 for unreimbursed medical costs exceeding 4% of the qualified taxpayer's federal adjusted gross income in the taxable year.

#### **Support and Opposition** (5/1/26)

Support: California Alliance for Retired Americans  
California Association of Area Agencies on Aging  
LeadingAge California

Opposition: California Teachers Association

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