
THIRD READING

Bill No: SB 1249
Author: Richardson (D)
Amended: 5/14/26
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 5/6/26
AYES: McNerney, Alvarado-Gil, Ashby, Becker, Grayson

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SUBJECT: Personal income taxes: deductions: elderly seniors

SOURCE: Author

DIGEST: This bill authorizes an above-the-line deduction for elderly seniors for tax years 2027 through 2031, equal to \$3,000, subject to a phase-out above specified income levels.

ANALYSIS:

Existing federal law:

- 1) Allows various income tax credits, deductions, exemptions, and exclusions.
- 2) Allows an additional below-the-line standard deduction amount for taxpayers who are 65+, in an amount ranging between \$1,650 to \$4,100, depending on filing status and whether or not the taxpayer is also blind.
- 3) Allows an enhanced deduction for tax years 2025 to 2028 for taxpayers who are 65+, available to both itemizers and non-itemizers, in an amount equal to \$6,000, subject to a phase-out at a rate of 6% of income above \$75,000 for single filers or \$150,000 for filers married filing jointly (MFJ).
- 4) Allows a credit for 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.

- 5) Excludes from income a portion of Social Security Benefits, which can be claimed beginning at age 62 for qualified persons, except as follows:
 - a) Income between \$25,000 to \$34,000 single or \$32,000 to \$44,000 MFJ, up to 50% of Social Security benefits is included in gross income.
 - b) Income above \$34,000 single or \$44,000 joint, up to 85% of Social Security benefits may be included in gross income.

Existing state law:

- 1) Allows various income tax credits, deductions, exemptions, and exclusions.
- 2) Allows a “personal-exemption” tax credit, including an additional credit amount for individuals 65 or older. For tax year 2025, the authorized amounts for both credits are \$153, reduced by \$6 (\$12 if MFJ) for each \$1,250 (\$2,500 if MFJ) of AGI that exceeds:
 - a) \$252,203 if single or married filing separately,
 - b) \$504,411 if MFJ, or
 - c) \$378,310 if filing as head of household.
- 3) Allows a senior head of household 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.
- 4) Excludes Social Security Benefits from income.
- 5) Conforms to federal tax law as of January 1, 2025, with modifications (SB 711, McNerney, Chapter 231, Statutes of 2025).
- 6) Does not conform to the enhanced below-the-line deduction for taxpayers who are ages 65+.

This bill:

- 1) Authorizes an above-the-line deduction for elderly seniors equal to \$3,000.
- 2) Applies beginning in the 2027 taxable year, and ends after the 2031 taxable year.
- 3) Specifies that the deduction must 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.
- 4) Defines “elderly senior” as an individual who is the following age or older as of the last day of the taxable year:
 - a) For tax year 2027, 90 years of age.
 - b) For tax year 2028, 89 years of age.
 - c) For tax year 2029, 88 years of age.
 - d) For tax year 2030, 87 years of age.
 - e) For tax year 2031, 86 years of age.
- 5) Authorizes the taxpayer and/or their spouse to take the deduction if they are considered elderly seniors in a given tax year.
- 6) Includes legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.

Background

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. In 2004, that figure was only 12%. The number of Americans ages 65 and older is projected to increase to 82 million by 2050, representing 23% of the population.

In 2024, half of older adults received less than \$33,310 from all sources, and half of all older households earned less than \$56,680. 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.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, the Franchise Tax Board (FTB) estimates that this bill would result in General Fund revenue losses of \$24 million in 2026-27, \$49 million in 2027-28, and \$65 million in 2028-29. FTB's administrative costs have yet to be identified.

SUPPORT: (Verified 5/14/26)

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

OPPOSITION: (Verified 5/14/26)

California Teachers Association

ARGUMENTS IN SUPPORT: 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."

ARGUMENTS IN OPPOSITION: According to the California Teachers Association, "In fiscal year 2025-26, the Department of Finance estimated a \$94 billion dollar loss in general fund revenue due to existing tax expenditures. This is revenue that would have otherwise gone to the General Fund, of which approximately 40% would have gone toward the Proposition 98 minimum guarantee. Once tax credits are passed with a simple majority, it takes a two-thirds

vote of the Legislature to repeal them. While we understand that some of these bills are well intended, CTA does not support this approach, as it would reduce overall funding for education. CTA believes Proposition 98 should be protected from reductions through the creation of new or expanding existing tax expenditures.”

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