

Date of Hearing: June 15, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 1249 (Richardson) – As Amended May 14, 2026

Majority vote. Tax levy. Fiscal committee.

SENATE VOTE: 37-0

SUBJECT: Personal income taxes: deductions: elderly seniors

SUMMARY: Authorizes a deduction from gross income, under the Personal Income Tax (PIT) Law, equal to \$3,000 for each "qualified individual" for five taxable years, as specified. Specifically, **this bill:**

- 1) Authorizes a taxpayer to deduct from their gross income, under the PIT Law, \$3,000 for each "qualified individual," for taxable years beginning on or after January 1, 2027, and before January 1, 2032.
- 2) Reduces the deduction by 6% of the amount that a taxpayer's federal adjusted gross income exceeds \$150,000 for married couples filing jointly, or \$75,000 for all other filers. This reduction may not exceed the maximum value of the deduction.
- 3) Defines an "elderly senior" as an individual who is the following age or older as of the last day of the taxable year:
 - a) 90 years of age, for taxable years beginning on or after January 1, 2027, and before January 1, 2028;
 - b) 89 years of age, for taxable years beginning on or after January 1, 2028, and before January 1, 2029;
 - c) 88 years of age, for taxable years beginning on or after January 1, 2029, and before January 1, 2030;
 - d) 87 years of age, for taxable years beginning on or after January 1, 2030, and before January 1, 2031; and,
 - e) 86 years of age, for taxable years beginning on or after January 1, 2031, and before January 1, 2032.
- 4) Defines a "qualified individual" as a taxpayer, if the taxpayer is an elderly senior, or the taxpayer's spouse if the taxpayer's spouse is an elderly senior and the taxpayer and spouse are married and filing jointly.
- 5) Finds and declares, for the purposes of complying with Revenue and Taxation Code (R&TC) Section 41, that the specific goal, purpose, and objective of this bill is to provide essential

relief to elderly individuals who are facing significant economic challenges and are least able to absorb rising costs. The performance indicators for the Legislature to use in determining whether this bill meets its stated goal, purpose, and objective are:

- a) The number of qualified taxpayers that claimed the deduction for one elderly senior;
 - b) The number of qualified taxpayers that claimed the deduction for two elderly seniors;
 - c) The total number of qualified taxpayers that claimed the deduction; and,
 - d) The aggregate amount of deductions claimed.
- 6) Requires the Franchise Tax Board (FTB) to, on or before May 1, 2029, submit a report to the Legislature that includes, to the extent feasible, the amounts for each performance metric delineated above and a breakdown of the data for each performance indicator listed above by federal adjusted gross income, as follows:
- a) Adjusted gross income less than \$150,000 in the case of a married couple filing jointly, or less than \$75,000 for all other filers;
 - b) Adjusted gross income above \$150,000 and less than \$200,000 in the case of a married couple filing jointly, or above \$75,000 but less than \$100,000 for all other filers;
 - c) Adjusted gross income above \$200,000 and less than \$250,000 in the case of a married couple filing jointly, or above \$100,000 but less than \$125,000 for all other filers; and,
 - d) Adjusted gross income above \$300,000 and less than \$325,000 in the case of a married couple filing jointly, or above \$150,000 but less than \$162,500.
- 7) Repeals this bill's provisions as of December 1, 2032.
- 8) Takes immediate effect as a tax levy.

EXISTING FEDERAL LAW:

- 1) Defines gross income as all income, from whatever source derived, unless specifically excluded. (Internal Revenue Code (IRC) Section 61.)
- 2) Authorizes a deduction for taxpayers aged 65 and older and taxpayers who are blind of \$600. This deduction amount is \$1,200 if the taxpayer is over 65 years old and is blind. This amount can rise to \$2,000 depending on the taxpayer's marital status. (IRC Section 63.)
- 3) Authorizes, for taxable years beginning before January 1, 2029, an enhanced senior deduction equal to \$6,000 for each "qualified individual" with respect to a taxpayer. A "qualified individual" is defined as the taxpayer, or their spouse in the case of a joint return, if the taxpayer or spouse are aged 65 years or older. The deduction is reduced by 6% of the taxpayer's modified adjusted gross income that exceeds \$75,000, or \$150,000 for joint returns; the reduction must not decrease the deduction below \$0. (IRC Section 151.)

EXISTING STATE LAW:

- 1) Conforms, with certain modifications, to federal tax law as it read on January 1, 2025. (R&TC Section 17024.5.)
- 2) Authorizes a personal exemption credit, rather than a personal exemption deduction, equal to \$52 for a taxpayer filing singly, a head of household, or a spouse filing separately. Taxpayers who are aged 65 years or older are eligible for an enhanced credit of an additional \$52. These amounts are adjusted for inflation and equal \$153 for the 2025 taxable year. (R&TC Section 17054.)

FISCAL EFFECT: The FTB estimates that this bill would result in a revenue loss of \$24 million in the 2026-27 fiscal year (FY), \$49 million in FY 2027-28, and \$65 million in FY 2028-29.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

Among adults aged 85 and older, 39.3% were low-income. 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.

- 2) The California Alliance for Retired Americans, writing in support of this bill, states, in part:

In this last decade, the cost of living in California has risen at an unprecedented rate. Inflation negatively affects the elderly who live on a fixed or semi-fixed income. Though some income sources include annual cost-of-living adjustments, these allowances are much smaller than the growth in prices. Moreover, seniors are often limited by physical restrictions, caregiving responsibilities, and retirement structures that make it difficult, impractical, and potentially dangerous for the elderly to obtain work to offset rising costs.

SB 1249 directly addresses these economic challenges by easing the tax burden on those least able to absorb growing expenses. This bill recognizes that without meaningful intervention, many seniors will be forced to make difficult trade-offs between essentials such as housing, healthcare, and nutrition. By providing targeted tax relief, SB 1249 offers a way to offset the disproportionate decline in purchasing power experienced by older households compared to younger families.

- 3) The California Tax Reform Association, writing in opposition to this bill, states, in part:

We question whether giving untargeted tax breaks to the very elderly provides much in the way of benefit in relation to the cost. Since California exempts social security from taxation, the poorest elderly seniors will not benefit at all. These revenues would be better targeted to in-home care or

other supportive programs for the very elderly. Providing an across-the board tax break is a well-meaning, but too-diffuse effort to provide for the needs of our very elderly seniors when targeted programs and revenues could provide a greater help. And, if this legislation is an effort to provide partial conformity to federal tax relief for seniors, it should be discussed in the context of a broader tax conformity effort.

4) Committee Staff Comments:

- a) *What is a "tax expenditure"?* Existing law provides various credits, deductions, exclusions, and exemptions for particular taxpayer groups. In the late 1960s, U.S. Treasury officials began arguing that these features of the tax law should be referred to as "expenditures" since they are generally enacted to accomplish some governmental purpose and there is a determinable cost associated with each (in the form of foregone revenues).

As the Department of Finance notes in its annual Tax Expenditure Report, there are several key differences between tax expenditures and direct expenditures. First, tax expenditures are typically reviewed less frequently than direct expenditures. Second, there is generally no control over the amount of revenue losses associated with any given tax expenditure. Finally, it should also be noted that, once enacted, it takes a two-thirds vote to rescind an existing tax expenditure absent a sunset date. This effectively results in a "one-way ratchet" whereby tax expenditures can be conferred by majority vote, but cannot be rescinded, irrespective of their efficacy or cost, without a supermajority vote. This bill would authorize a new deduction, thereby constituting a tax expenditure.

- b) *Committee's tax expenditure policy:* SB 1335 (Leno), Chapter 845, Statutes of 2014, added R&TC Section 41, which recognized that the Legislature should apply the same level of review used for government spending programs to tax credits introduced on or after January 1, 2015. AB 263 (Burke), Chapter 743, Statutes of 2019, extended the requirements in R&TC Section 41 to all tax expenditure measures under the PIT Law, the Corporation Tax Law, and the Sales and Use Tax Law introduced on or after January 1, 2020.

A tax expenditure proposal must outline specific goals, purposes, and objectives that the tax expenditure will achieve, along with detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets those stated goals, purposes, and objectives. In addition to the R&TC Section 41 requirements, this Committee's policy also requires that all tax expenditure proposals contain an appropriate sunset provision to be eligible for a vote¹. Sunsets are required because eliminating a tax expenditure generally requires a 2/3rd vote. These requirements must be satisfied before a bill can receive a vote in this Committee. This bill contains an appropriate five-year sunset, and complies with the requirements of R&TC Section 41.

- c) *Conformity in California:* California tax law does not automatically conform to federal tax law changes. Rather, California conforms to federal tax law as of a certain date, and

¹ An "appropriate sunset provision" shall mean five years, except in the case of a tax expenditure measure providing relief to California veterans, in which case "appropriate sunset provision" shall mean 10 years.

any changes to federal tax law after California's date of conformity are not incorporated into state tax law. Unlike the Federal Government, the California Constitution requires the Legislature and Governor to pass a balanced budget. California's selective conformity allows the Legislature a prudent examination of the potentially costly changes made by the federal government before adoption by California.

Last year, the Legislature passed and Governor Newsom signed SB 711 (McNerney), Chapter 231, Statutes of 2025, which conformed California tax law to the IRC as of January 1, 2025, with certain modifications. SB 711 generally maintained non-conformity where California has previously decoupled from certain elements of federal law.

- d) *California's elderly population*: The author has provided evidence showing that California's elderly population will increase relative to total population. Additionally, the author notes that low-income seniors, defined as earners with income of 200% of the federal poverty level, represented 39.3% of all adults aged 85 and older in 2022. For a two-person household, the annual income earned by that household to qualify for this definition of low-income would be \$43,280. For a one-person household, 200% of the federal poverty level equals \$31,920 of income.
- e) *Tax Cuts and Jobs Act (TCJA) of 2017*: In 2017, Congress enacted the TCJA (Public Law 115-97), which made significant changes to federal tax law. Among those changes was an increased reliance on the standard deduction by increasing the amount of the deduction. This increase was offset by the reduction or elimination of other deductions, including the personal exemption deduction. Prior to 2017, federal tax law authorized personal exemption deductions, which could be taken by any individual as a deduction in computing taxable income. The TCJA "zeroed-out" the deduction amount, nullifying the personal exemption deduction.
- f) *One Big Beautiful Bill Act (OBBBA)*: The OBBBA (Public Law 119-21), enacted in 2025, made additional changes to federal tax law. Relevant to this bill, the OBBBA authorized the senior deduction described in the federal existing law section above.
- g) *Inflationary pressures*: The annual consumer price index, the annual measure of price increases for all goods, has risen 4.2% over the past 12 months. According to the United States Bureau of Labor Statistics, this increase was largely driven by rises in energy prices, which have increased 23.5% year-over-year as of May 2026. This, in turn, was predominantly driven by an increase in energy commodities, specifically fuel-oil and gasoline; fuel-oil and gasoline increased 60% and 40% year-over-year, respectively.

This increase is partially driven by the ongoing conflict in the Strait of Hormuz. Roughly 20% of the global oil supply passed through the strait daily prior to the conflict. While some experts anticipated that the scale of this disruption would dramatically increase oil prices, this effect appears to have been largely offset by historic drawdowns of the United States strategic petroleum reserve, the emergency oil reserve for the nation. The reserve will soon hit its lowest volume since 1983², when the United States was attempting to

² US Energy Information Administration, "Weekly US Ending Stocks of Crude Oil in Strategic Petroleum Reserve," <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WCSSTUS1&f=W>, accessed June, 2026.

prevent oil price increases resulting from the energy crisis in the 1970s. Should this reserve be exhausted, energy prices will likely increase further.

In addition to global conflict, recent federal policies are likely responsible for price hikes around the nation. An April report published by the Board of Governors of the Federal Reserve found strong evidence that tariff changes through November 2025 raised core goods personal consumption expenditure prices by a cumulative 3.1% through February 2026. The study notes "the entirety of excess inflation in the core goods category relative to pre-pandemic inflations rates" can be explained by tariff changes in 2025³.

- h) *Deductions predominantly benefit the wealthy:* Generally, deductions benefit wealthier taxpayers because a deduction is applied when calculating taxable income. In other words, a deduction's value to the taxpayer is not the statutorily prescribed amount. Rather, the value is the deduction's amount multiplied by the relevant tax bracket. As an example, a \$3,000 deduction would result in direct tax savings of \$30 for incomes subject to a 1% rate, the state's lowest bracket. Meanwhile, a taxpayer with income near this bill's modified adjusted gross income phaseout threshold, generally subject to the 8% rate, would realize direct tax savings of \$160. Thus, this bill would provide a greater benefit to qualifying taxpayers with higher earnings.
- i) *This bill:* As currently drafted, this bill would provide a phased-in deduction of \$3,000 for each qualifying senior. A qualifying senior would be 90 years of age in the first operative taxable year and would decrease by one year of age for each following taxable year such that a senior would qualify at 86 years of age in the last operative taxable year. This bill would also provide phase-out of the deduction amount, reducing the deduction by 6% of a taxpayer's modified adjusted gross income exceeding \$75,000 or \$150,000. The reduction may not reduce the deduction below \$0.

It appears this bill is modeled on the federal senior deduction authorized by the OBBBA. California, however, does not conform to that provision. Indeed, California did not conform to the prior personal exemption deduction. Rather, California authorizes personal exemption credits. The Committee may wish to consider whether supporting low-income seniors would be better affected by augmenting the existing personal exemption credits for taxpayers with income below certain levels.

- j) *Appropriate income thresholds?* As currently drafted, this bill would begin its phaseout of the deduction if a taxpayer's modified adjusted gross income exceeds \$75,000, or \$150,000 if filing jointly. This phaseout reduces the deduction by 6% of the modified adjusted gross income exceeding the stipulated income thresholds for the phaseout. Thus, one qualifying senior filing singly would no longer receive this deduction if their income reaches \$125,000. In the case of two qualifying seniors, filing jointly, the deduction would reach \$0 when their modified adjusted gross income reaches \$250,000. Thus, it appears this bill would benefit taxpayers that do not qualify as low-income and may not need subsidization.

³ Robert Minton, Madeleine Ray, and Mariano Somale, "Detecting Tariff Effects on Consumer Prices in Real Time – Part II," Board of the Governors of the Federal Reserve System, published April 8, 2026, <https://www.federalreserve.gov/econres/notes/feds-notes/detecting-tariff-effects-on-consumer-prices-in-real-time-part-II-20260408.html>, accessed May 2026.

- k) *Suggested committee amendments:* It appears the provisions of this bill that comply with the requirements of R&TC Section 41 relate to a previous version of the bill that provided a more generous deduction. Given the halving of this bill's deductible amount, the maximum income at which a taxpayer would no longer qualify for this deduction is reduced. In turn, this bill would require reporting of taxpayers with income that is ineligible for this bill's deduction. This bill should be amended to only require reporting of information for taxpayers eligible for this bill's deduction.
- l) *FTB Analysis:* The FTB, in its analysis of this bill, has identified the following technical considerations, and recommends the following changes for consistency of terminology:
- i) Revise the relating provisions to mirror the relevant heading in the IRC, such that in Section 17072(c) "attorney's" is replaced with "attorneys," and in Section 17072(d), "relating to the general rule" is replaced with "relating to general rule";
 - ii) Remove the phrase "to a taxpayer" in Section 17213(a)(1);
 - iii) Replace the phrase "that claimed" with the term "allowed" in Section 17213(c)(1)(B); and,
 - iv) Replace the term "claim" with the term "allowed" in Section 17213(c)(1)(B)(iv).
- m) *Related legislation:*
- i) SB 1096 (Dahle) would allow a senior tax credit to a qualified taxpayer equal to \$1,500 per qualifying dependent claimed for each taxable year on or after January 1, 2026 and before January 1, 2031. SB 1096 is in the Senate Committee on Appropriations.
 - ii) SB 1144 (Valladares) would increase the personal exemption dependent credit to \$700, for taxable years beginning on or after January 1, 2026 and before January 1, 2031. SB 1144 is in the Senate Committee on Revenue and Taxation.

REGISTERED SUPPORT / OPPOSITION:

Support

California Alliance for Retired Americans
California State Retirees
Leadingage California

Opposition

California Tax Reform Association
California Teachers Association

Analysis Prepared by: Harrison Bowlby / REV. & TAX. / (916) 319-2098